



# TOWN OF CHAPEL HILL

## Town Council Meeting Agenda

Town Hall  
405 Martin Luther King Jr.  
Boulevard  
Chapel Hill, NC 27514

Mayor Pam Hemminger  
Mayor pro tem Michael Parker  
Council Member Jessica Anderson  
Council Member Allen Buansi

Council Member Hongbin Gu  
Council Member Tai Huynh  
Council Member Amy Ryan  
Council Member Karen Stegman

**Wednesday, May 13, 2020 6:30 PM**

**Virtual Meeting**

### Virtual Meeting Notification

*Town Council members will attend and participate in this meeting remotely, through internet access, and will not physically attend. The Town will not provide a physical location for viewing the meeting.*

*The public is invited to attend the Zoom webinar directly online or by phone. Register for this webinar:*

*[https://us02web.zoom.us/webinar/register/WN\\_\\_eftz4JCSIS9u1vnhqqMMg](https://us02web.zoom.us/webinar/register/WN__eftz4JCSIS9u1vnhqqMMg)*

*After registering, you will receive a confirmation email containing information about joining the webinar in listen-only mode. Phone: 301-715-8592, Meeting ID: 816-4701-2443*

*View Council meetings live at <https://chapelhill.legistar.com/Calendar.aspx> – and on Chapel Hill Gov-TV ([townofchapelhill.org/GovTV](http://townofchapelhill.org/GovTV)).*

### OPENING

### ROLL CALL

### AGENDA ITEMS

1. North-South Bus Rapid Transit Traffic Analysis.

**[\[20-0315\]](#)**

PRESENTER: Matt Cecil, Transit Development Manager  
Representatives from Kimley-Horn and AECOM

The purpose of this item is for the North South Bus Rapid Transit (NSBRT) consultant team to present the results of a traffic analysis associated with the NSBRT project and provide a recommended LPA.

2. Update on the East Rosemary Redevelopment project.

**[\[20-0316\]](#)**

PRESENTER: Dwight Bassett, Economic Development Manager

The purpose of this item is to review the status of the East Rosemary redevelopment

- 1) Financial analysis from Grubb on Office project and community amenities/benefits. - Joe Dye
- 2) Financial scenarios of Parking Deck - Dwight Bassett, Amy Oland
- 3) Draft Economic Development Agreement (EDA) - Bob Jessup
- 4) Updated Design presentation- Michael Stevenson/Brian Peterson.

**3. FY 2020-21 Budget Update.**

**[\[20-0317\]](#)**

PRESENTER: Maurice Jones, Town Manager  
Amy Oland, Business Management Director

The purpose of this item is to provide an update on the status of the FY 2020-21 Budget.

*PUBLIC COMMENT*



# TOWN OF CHAPEL HILL

Town Hall  
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Chapel Hill, NC 27514

## Item Overview

**Item #:** 1., **File #:** [20-0315], **Version:** 1

**Meeting Date:** 5/13/2020

### North-South Bus Rapid Transit Traffic Analysis.

**Staff:**

Brian Litchfield, Director

Matt Cecil, Transit Development Manager

**Department:**

Transit

**Overview:** The North-South Bus Rapid Transit (NSBRT) project was initiated in January 2014 as one of the results of the Chapel Hill 2020 Comprehensive Plan. The study is managed by Chapel Hill Transit and guided by a Policy Committee, Technical Committee, Transit Partners Committee and a substantial public involvement process. During its [January 16, 2019 <https://chapelhill.legistar.com/LegislationDetail.aspx?ID=3838442&GUID=913FECA8-4404-458A-A486-EFF5EA2AE2C3&Options=&Search=>](https://chapelhill.legistar.com/LegislationDetail.aspx?ID=3838442&GUID=913FECA8-4404-458A-A486-EFF5EA2AE2C3&Options=&Search=>) Council Meeting, the Council adopted an updated Locally Preferred Alternative (LPA) for the NSBRT project and asked staff to conduct a traffic analysis to evaluate converting or constructing dedicated bus-only lanes between Eubanks Road and North Street along Martin Luther King Jr. Boulevard.

The LPA is the transitway alternative that the project sponsor (Town of Chapel Hill) and stakeholders prefer and expect to be competitive and achieve support at the federal level. The LPA is a general description of the type of transit that will be used (mode), runningway (curb running, median, dedicated lane, mixed traffic, etc.) and the location (alignment and termini). The LPA definition is general; LPA design specifics and definition of additional elements of the project, including station locations, are decided during subsequent engineering and planning efforts.

Identification of an LPA is a critical step in pursuit of federal funding. The selection of an LPA tells the Federal Transit Administration (FTA) which alternative the local agency (Chapel Hill Transit) expects to be the most competitive in achieving support at the local, regional, and federal levels. It is expected that Chapel Hill Transit will pursue federal funding for the NSBRT project through the FTA Small Starts program.

Following a review of the January 16, 2019, LPA, the FTA notified Chapel Hill Transit that a final LPA, defining construct or convert for the section of the corridor between Martin Luther King Jr. Blvd. to North Street needed to be adopted in order for the project to stay in Project Development and move forward in the federal funding process.

During the [October 16, 2019 <https://www.townofchapelhill.org/Home/Components/Calendar/Event/17065/113?curm=10&cury=2019>](https://www.townofchapelhill.org/Home/Components/Calendar/Event/17065/113?curm=10&cury=2019>), Council Work Session, project staff presented the Council with the current traffic analysis information. Council requested additional traffic information, including potential mode shift data (note that NCDOT does not allow mode shift when considering traffic impacts of transit projects). Kimley-Horn will present the results of the additional analysis, which is consistent with NCDOT guidance and requirements, during the work session.

The Chapel Hill Transit Partners Committee endorsed the recommended LPA at their April 28, 2020 meeting.

**Next Steps:** To stay in the federal funding process, complete 30% design and the necessary

environmental evaluation required by FTA, , Council will need to adopt a final LPA, confirming the preferred bus running-way between Eubanks Road and North Street. Following tonight's work session, staff and its consultant will draft a final LPA for Council to consider at an upcoming meeting.



### Recommendation(s):

That the Council receive the results of the traffic analysis, recommendation on a final LPA, and provide feedback.

### Background:

- On [October 16, 2019](https://www.townofchapelhill.org/Home/Components/Calendar/Event/17065/113?) [the Council received preliminary results on the NSBRT traffic analysis.](https://www.townofchapelhill.org/Home/Components/Calendar/Event/17065/113?)
- On [January 16, 2019](https://chapelhill.legistar.com/LegislationDetail.aspx?ID=3838442&GUID=913FECA8-4404-458A-A486-EFF5EA2AE2C3&Options=&Search=>) [the Council adopted an updated LPA for the NSBRT Project.](https://chapelhill.legistar.com/LegislationDetail.aspx?ID=3838442&GUID=913FECA8-4404-458A-A486-EFF5EA2AE2C3&Options=&Search=>)
- On April 27, 2016 [the Council adopted the LPA with three \(3\) running-way options for the northern section of the NSBRT Project.](http://chapelhill.granicus.com/DocumentViewer.php?file=chapelhill_007789065cf9eb618e7bdb4fa7372a3b.pdf&view=1)
- On November 9, 2015 [the Council received an update on the NSBRT Project.](http://chapelhill.granicus.com/MetaViewer.php?view_id=7&event_id=440&meta_id=109516)

**Fiscal Impact/Resources:** The NSBRT is in the Federal Small Starts Program which will fund up to \$100M of project costs, non-Federal funds for this project are available through the Orange County Transit Plan funds.



### Attachments:

- Draft Staff Presentation

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**The Agenda will reflect the text below and/or the motion text will be used during the meeting.**

PRESENTER: Matt Cecil, Transit Development Manager  
Representatives from Kimley-Horn and AECOM

The purpose of this item is for the North South Bus Rapid Transit (NSBRT) consultant team to present the results of a traffic analysis associated with the NSBRT project and provide a recommended LPA.

Chapel Hill  
transit

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NS SOUTHERN VILLAGE

Get on Board!

1305

Chapel Hill Town Council  
May 13, 2020

**NORTH** **BUS RAPID TRANSIT**  
**SOUTH**



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# Agenda

- Welcome and Introductions
- Project Schedule
- Traffic Engineering Update
- Next Steps

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Get on Board!

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## PROJECT SCHEDULE



## NEPA and 30% Design Schedule

- June 2020 – LPA finalized and ready for review.
- June 2020 – Request Revised NEPA Class of Action.
- Late-June 2020 – Draft 30% design plans handed over to NEPA Team.
- March 2021 – NEPA document published for review.

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Get on Board!

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**TRAFFIC ENGINEERING**

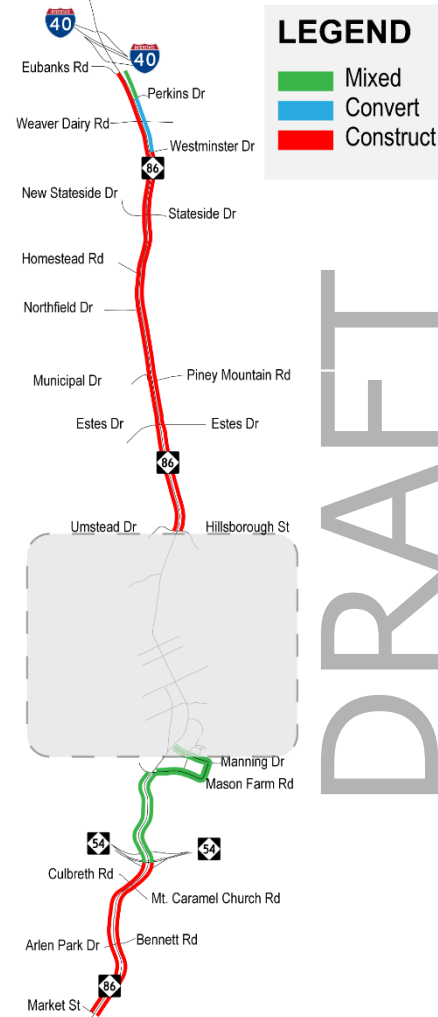
# Traffic Engineering Sub-Agenda

- Recap of Past Discussions
- Updates Since Last Meeting
- Overview of Alternatives
- Analysis Results
- Recommendations
- Local or Through Trips?

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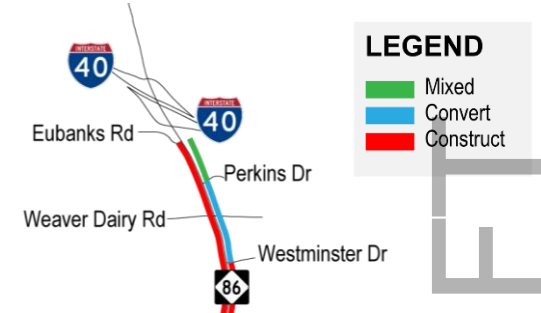
# How did we get here?

- Traffic analysis evaluated Construct vs. Convert alternatives using 2018, 2024, and 2030 traffic volumes
- Recommending Construct:
  - North of Umstead/Hillsborough
  - Traffic volumes not conducive to removing a lane
- Through downtown – Convert
- Additional analysis requested by Town Council
  - Scenario with lower assumed traffic volumes (mode shift)
  - Evaluate creative signal timing solutions



## Updates since last time...

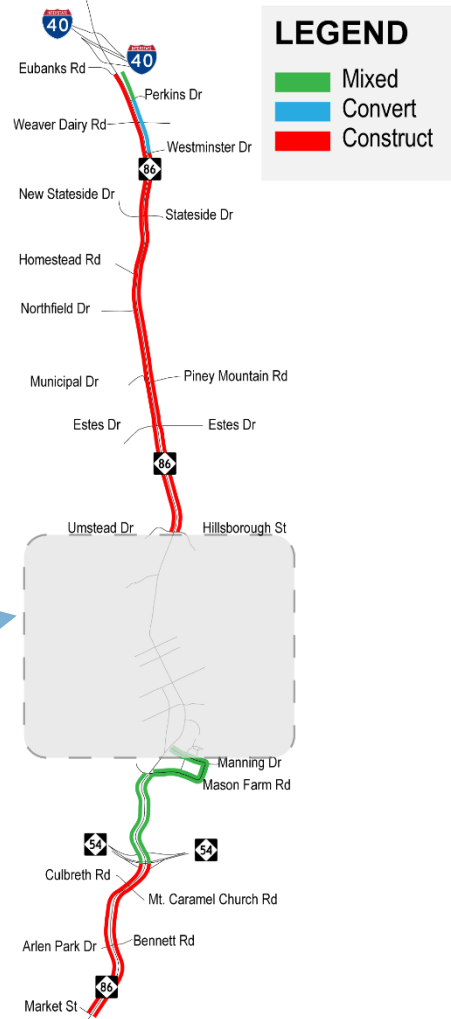
- Recommending a convert section along northbound MLK near Weaver Dairy
  - We don't need 3 car lanes there
  - Allows for uniformity in road cross section
- Incorporation of 5% reduction in vehicular volumes due to enhancement of bus service
  - Based on a review of other projects in Virginia and Florida
- Continued coordination between Town project team and NCDOT



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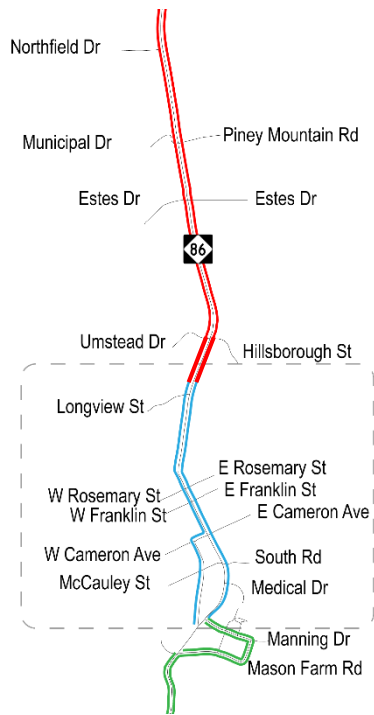
Three alternatives in downtown  
evaluated:

- Full Convert
- Partial Convert
- Mixed Traffic

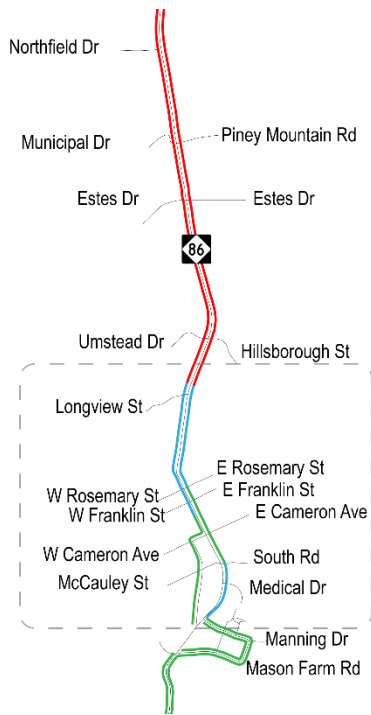


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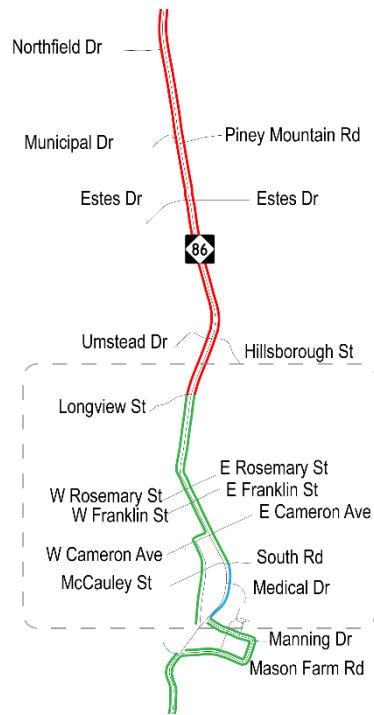
## Full Convert



## Partial Convert



## Mixed Traffic



## LEGEND

Mixed

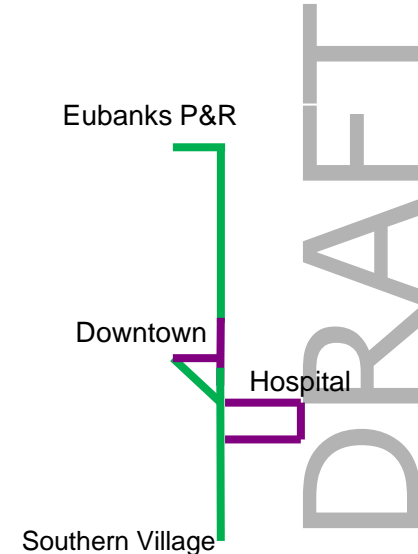
Convert

Construct

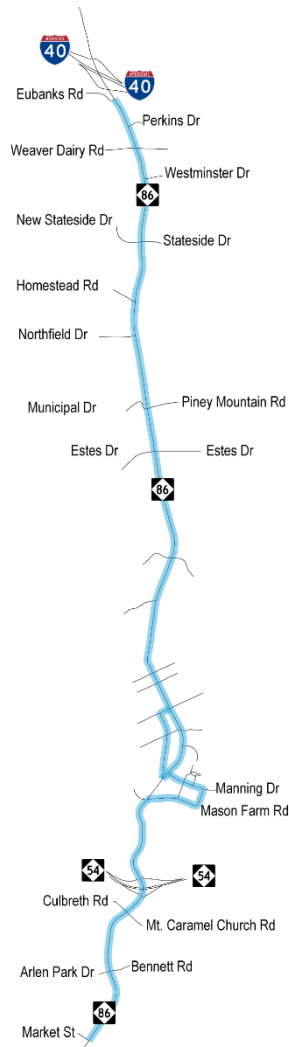
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## Bicycle and Pedestrian Facilities

- **Green** sections – include one of the following types:
  - Bike Path / Sidewalk
  - Multi-Use Path
  - Bike Lane / Sidewalk
- **Purple** sections – include:
  - Sharrow / Sidewalk
- **Downtown Alternatives:**
  - Generally consistent walking experience among Alts
  - Bike sharing lane with general traffic vs. bus-only



Average Travel Time - Bus (Eubanks Road to Market Street)					
Downtown Condition		AM Peak (minutes)		PM Peak (minutes)	
		Northbound	Southbound	Northbound	Southbound
No Build	2018	27	30	32	35
	2024	28	27	32	38
Full Convert	2018	24	25	29	27
	2024	24	25	30	29
Partial Convert	2018	23	24	29	27
	2024	23	25	30	29
Mixed Traffic	2018	24	25	29	27
	2024	24	25	30	29

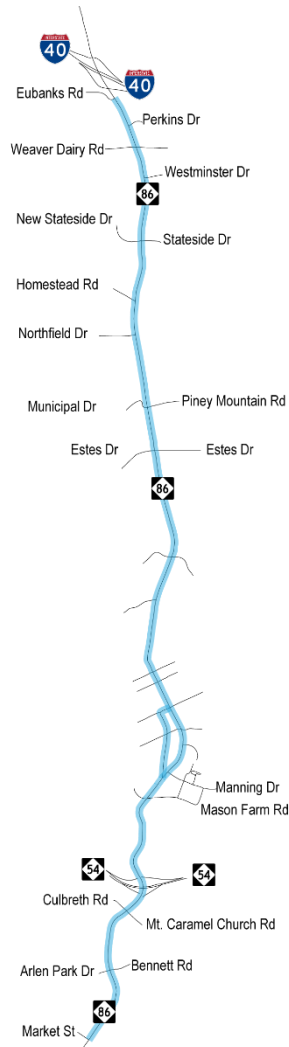


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Average Travel Time - General Purpose Vehicles (Eubanks Road to Market Street)					
Downtown Condition		AM Peak (minutes)		PM Peak (minutes)	
		Northbound	Southbound	Northbound	Southbound
No Build	2018	18	17	20	22
	2024	19	17	20	23
Full Convert	2018	17	16	20	19
	2024	18	16	20	20
Partial Convert	2018	17	16	19	19
	2024	18	16	20	20
Mixed Traffic	2018	17	15	19	18
	2024	18	15	19	19



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**Level-of-Service**  
**NC 86 at Rosemary Street**

Condition		AM Peak	PM Peak
No Build	2018	C	E
	2024	C	E
Full Convert	2018	C/D	E
	2024	C/D	E
Partial Convert	2018	C	E
	2024	C	E
Mixed Traffic	2018	C	D
	2024	C	D/E

18

**Vehicular LOS**

Columbia  
Street (NC 86)

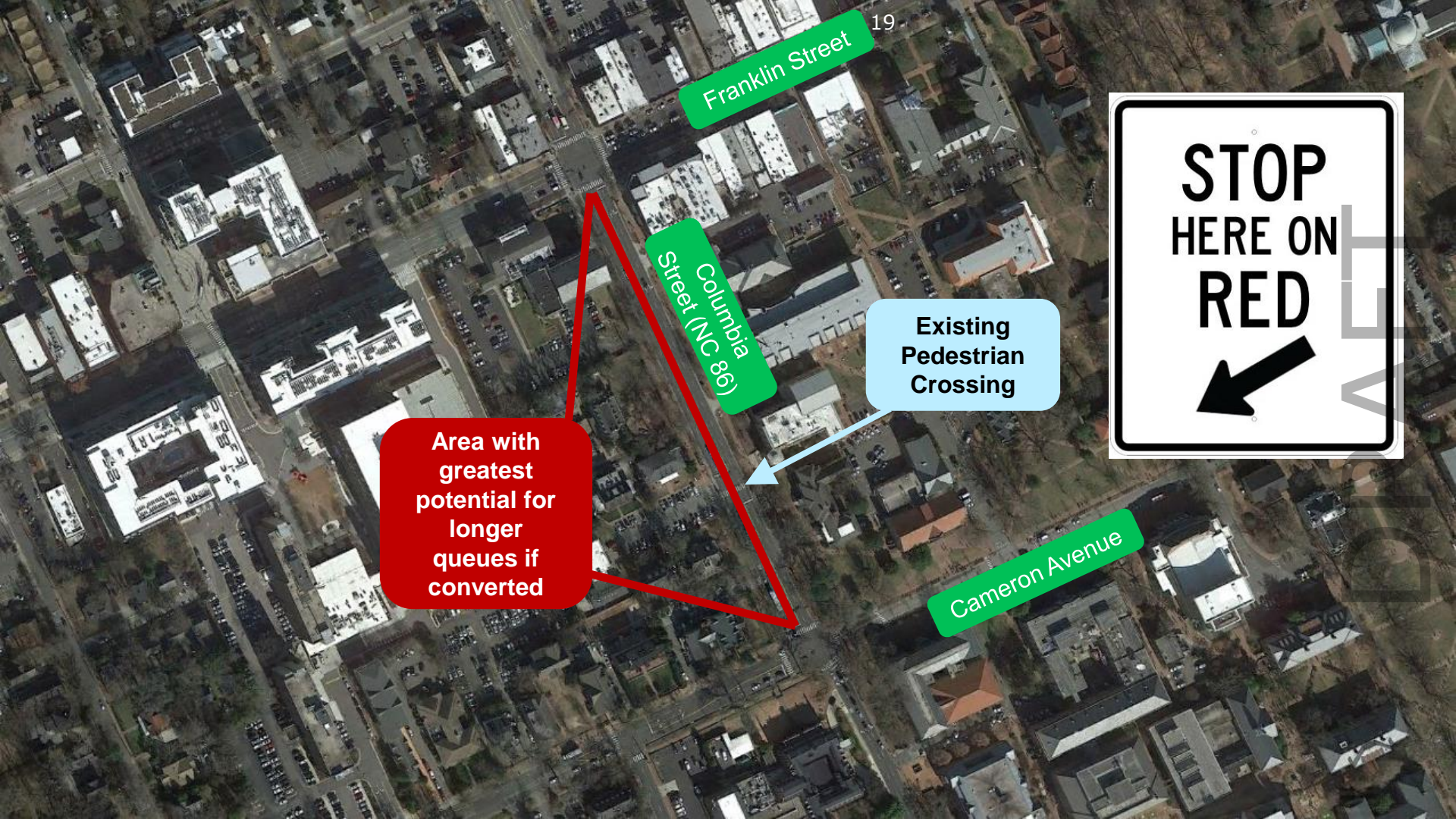
Rosemary Street

Franklin Street

**Level-of-Service**  
**NC 86 at Franklin Street**

Condition		AM Peak	PM Peak
No Build	2018	C	D
	2024	C	D
Full Convert	2018	C	E
	2024	C	E
Partial Convert	2018	C	E
	2024	C	E
Mixed Traffic	2018	C	D
	2024	C	D





Franklin Street

19

Columbia  
Street (NC 86)

Existing  
Pedestrian  
Crossing

Area with  
greatest  
potential for  
longer  
queues if  
converted

Cameron Avenue





# Vehicular LOS

20

Columbia  
Street (NC 86)

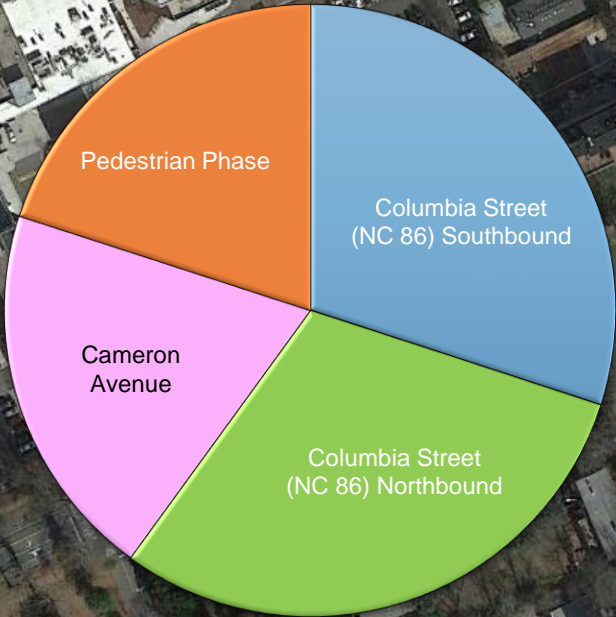
Cameron Avenue

## Level-of-Service NC 86 at Cameron Avenue

Condition		AM Peak	PM Peak
No Build	2018	D	E
	2024	D	E
Full Convert	2018	D	E/F
	2024	D	E/F
Partial Convert	2018	D	D
	2024	D	D
Mixed Traffic	2018	C/D	D
	2024	C/D	D



Existing Phasing



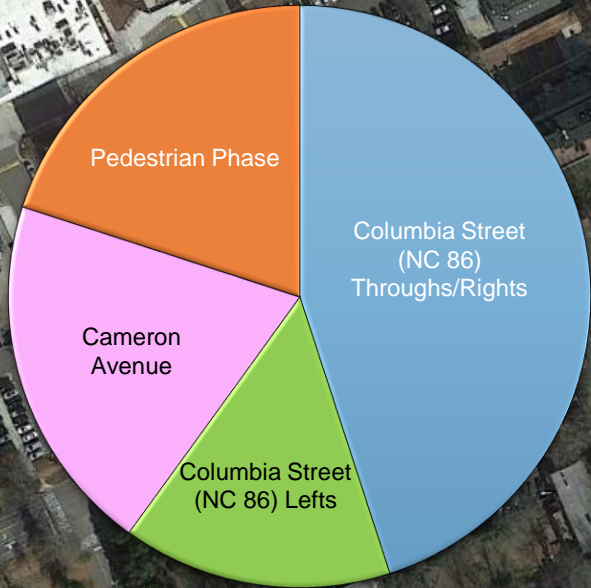
Columbia Street (NC 86)

Cameron Avenue





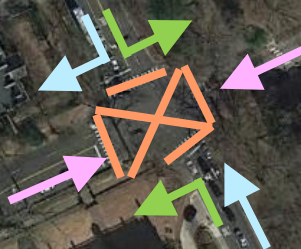
**Proposed Phasing**



22

Columbia Street (NC 86)

Cameron Avenue



## Findings for Downtown



- Full Convert **can be considered** further
  - If signal phasing change is made at Columbia Street / Cameron Avenue
- Partial Convert **can be considered** further
- Mixed Traffic **can be considered** further
- NCDOT concurrence on findings
- Final locally-preferred alternative should be chosen based on downtown priorities:
  - Consistent cross section
  - Vehicular vs. bus operations



## Bus and Traffic interactions in a dedicated curb lane environment



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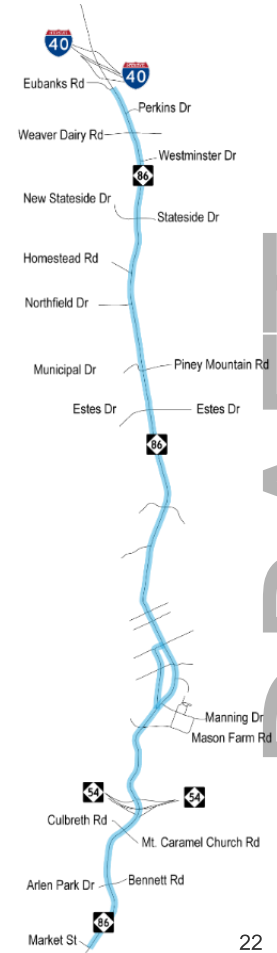
## Bus and Traffic interactions in a dedicated curb lane environment



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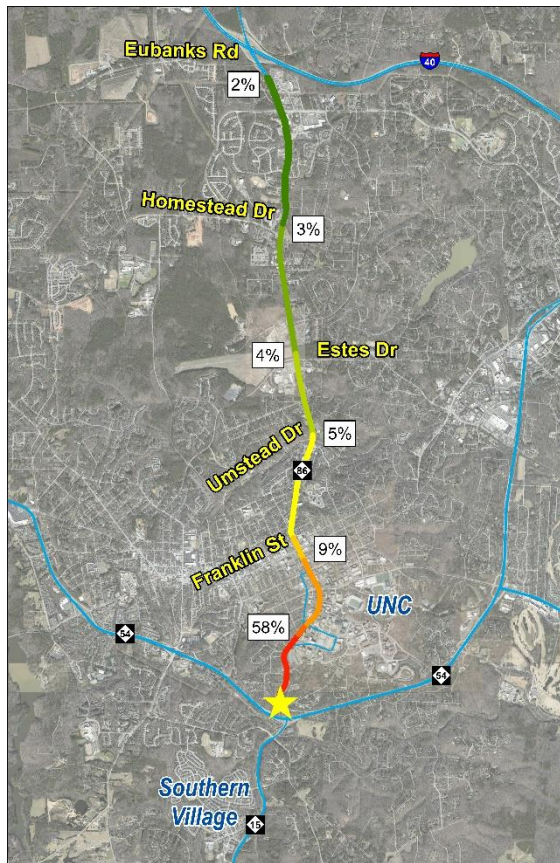
## Streetlight Data - Local or Through Trips?

- Streetlight uses location-based services on cell phones
- Used “gates” on NC 86 to determine the origin and destination of trips
  - Helps identify percentage of through trips on corridor
  - Helps identify key destinations



# How far do people drive? (Northbound)<sup>27</sup>

Origin: NC 54/US 15-501 Interchange (AM Peak)



## Legend:



Starting point

XX%

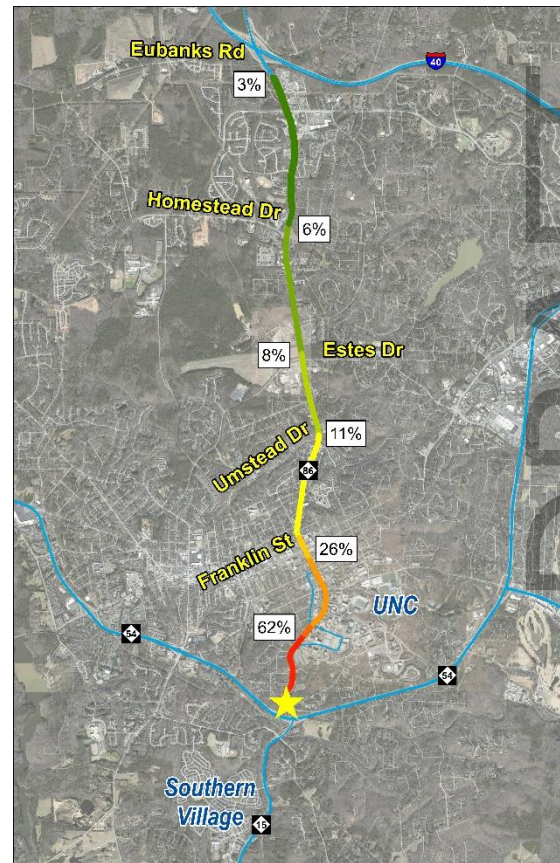
Percent of starting point traffic remaining at each location



Higher remaining traffic

Lower remaining traffic

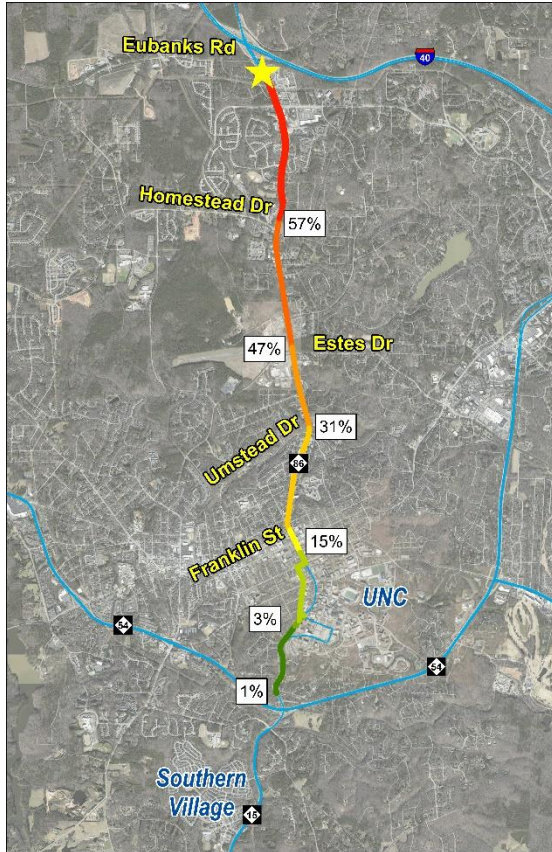
Origin: NC 54/US 15-501 Interchange (PM Peak)





# How far do people drive? (Southbound)

Origin: I-40/Eubanks Road (AM Peak)



## Legend:



Starting point

XX%

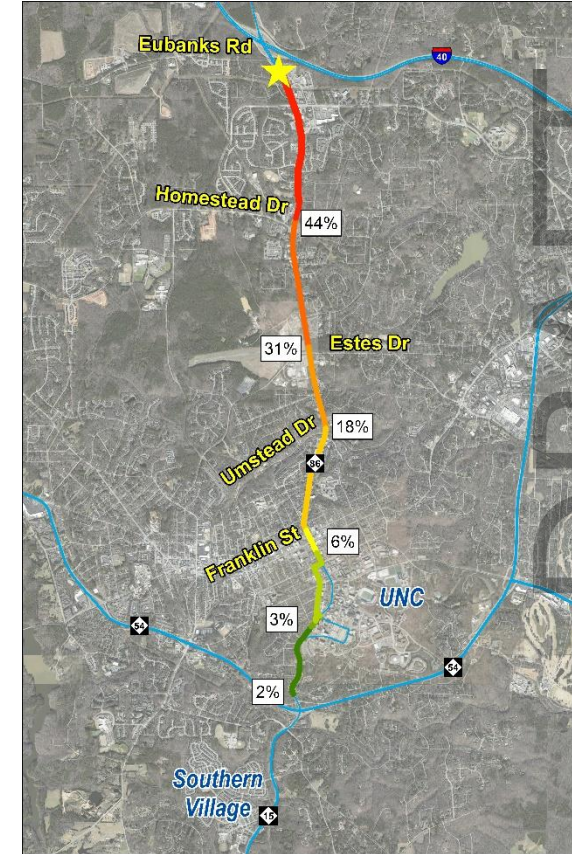
Percent of starting point traffic remaining at each location



Higher remaining traffic

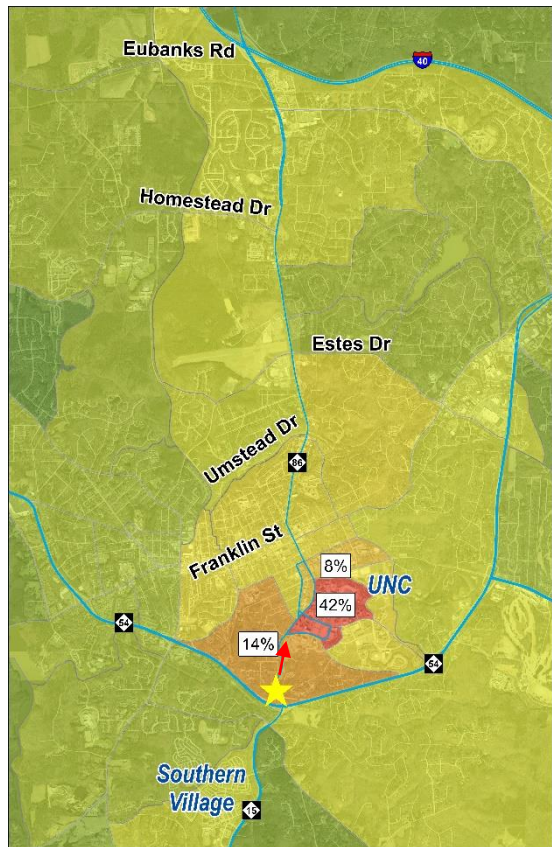
Lower remaining traffic

Origin: I-40/Eubanks Road (PM Peak)



# Where do vehicles stop?<sup>29</sup>

Origin: NC 54/US 15-501 Interchange (Daily)



## Legend:



Starting point

XX%

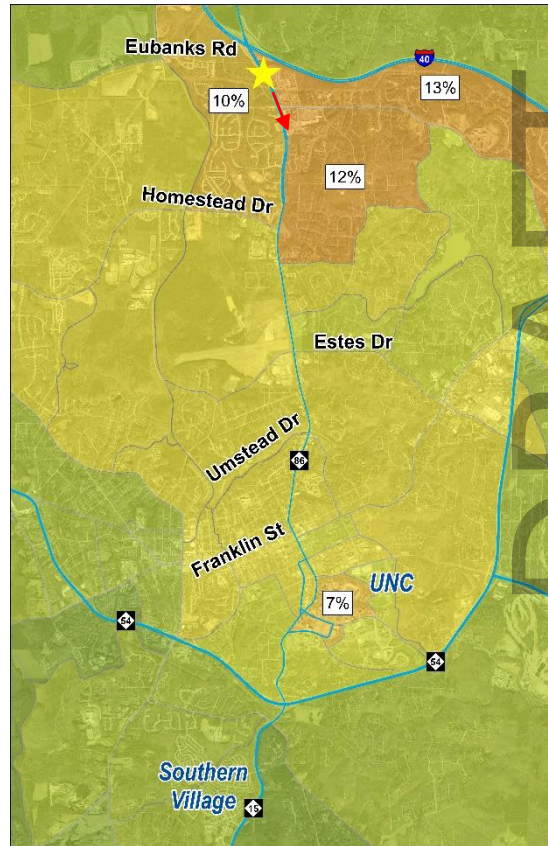
Percent of starting point traffic that stops in noted area



Higher attraction to area

Lower attraction to area

Origin: I-40/Eubanks Road (Daily)



## Recommendations for Downtown

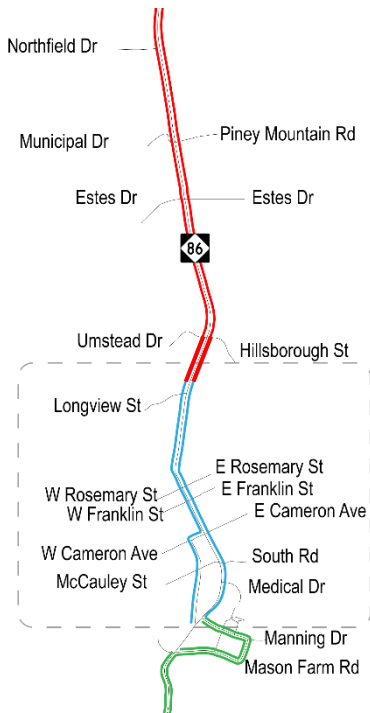


- Full Convert
  - Using signal phasing change at Columbia Street / Cameron Avenue
- NCDOT concurrence on findings
- Final locally-preferred alternative should be chosen based on downtown priorities:
  - Consistent cross section
  - Vehicular vs. bus operations

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## Full Convert



### LEGEND

 Mixed

 Convert

 Construct

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**OTHER / NEXT STEPS**



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## Other / Next Steps

- Request adoption of the recommended LPA for NSBRT
- Environmental Review
- Evaluate Small Starts information to improve rating for August/September 2020 FTA evaluation request

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# TOWN OF CHAPEL HILL

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## Item Overview

**Item #:** 2., **File #:** [20-0316], **Version:** 1

**Meeting Date:** 5/13/2020

### Update on the East Rosemary Redevelopment project.

#### Staff:

Dwight Bassett, Economic Development Manager  
Joe Dye  
Amy Oland, Director  
Bob Jessup, Attorney

#### Department:

Economic Development/Manager's Office  
Grubb Properties  
Business Management  
Sanford Holshouser

#### Overview: Review status of East Rosemary redevelopment

- 1) Financial analysis from Grubb on Office project and community amenities/benefits. - Joe Dye
- 2) Financial scenarios of Parking Deck - Dwight Bassett, Amy Oland
- 3) Draft Economic Development Agreement (EDA) - Bob Jessup
- 4) Updated Design presentation- Michael Stevenson/Brian Peterson

We are also including links to other work we have completed including "Preliminary Economic Analysis of E. Rosemary Street Garage" and we are also working on an overall review of the project by David Laube of Noell Consulting.



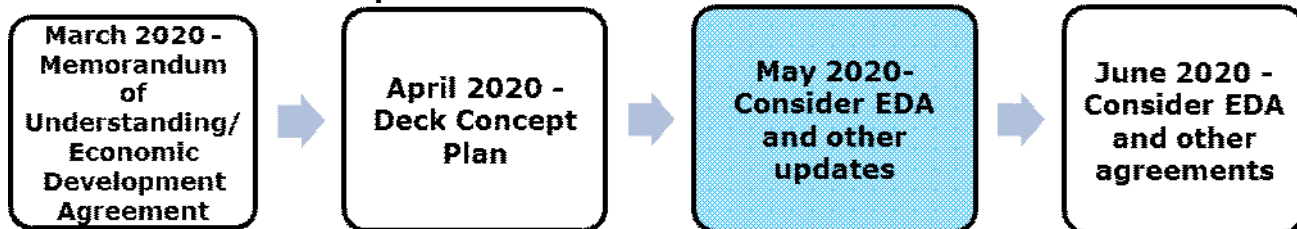
#### Recommendation(s):

That the Council accept the information and provide direction.

#### Key Issues:

- Consider benefits/amenities for overall project
- Give direction on planning financial
- Review EDA and give direction
- Review any design updates

#### Where is this item in its process?



#### Attachments:

- Preliminary Economic Analysis of E. Rosemary Street Garage
- Economic Development Agreement (DRAFT)
- Summary of Economic Development Agreement
- Grubb Financial analysis (to be provided)

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**Item #: 2., File #: [20-0316], Version: 1****Meeting Date: 5/13/2020**

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- Town Financial Projections (to be provided)
- Design Presentation (to be provided)

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PRESENTER: Dwight Bassett, Economic Development Manager

The purpose of this item is to review the status of the East Rosemary redevelopment

- 1) Financial analysis from Grubb on Office project and community amenities/benefits.  
- Joe Dye
- 2) Financial scenarios of Parking Deck - Dwight Bassett, Amy Oland
- 3) Draft Economic Development Agreement (EDA) - Bob Jessup
- 4) Updated Design presentation- Michael Stevenson/Brian Peterson.



## PRELIMINARY ECONOMIC ANALYSIS OF E. ROSEMARY STREET GARAGE

March 12, 2020

The Town of Chapel Hill is considering a parking development project that involves the exchange and purchase of land and the construction of a large parking garage that will be rented on an hourly and monthly basis. This memo provides preliminary answers to the following questions:

1. What is the likely demand for the garage, expressed in occupied parking spaces, at the anticipated hourly and monthly parking rates?
2. At the planned rates and expected levels of demand, will the income from the property cover the expected debt service?

Much of this analysis is based on data from the 12/28/18 "Town of Chapel Hill Parking Study" (the "Walker Report") or provided by the Town of Chapel Hill (the "Town").

### Sources of Demand

Downtown Chapel Hill is a mixed-use urban center where people live, work, learn, shop and dine. People can park once and carry out several activities, but many trips downtown are for a single purpose. The different types of demand for parking include:

1. Store and restaurant customers. There are over 70 restaurants and bars in central Chapel Hill, with much of their business coming between 12 and 1:30 p.m. and after 6 p.m. The block of Franklin St. between Henderson and Columbia St. is the historic heart of the "village" and has a mix of clothing stores, bars and restaurants. This area is anchored by two drugstores, four banks, the post office, and McCorkle Place, the "front door" of the university.
2. Business owners, employees and customers. Besides customers, business owners and employees are an appreciable source of demand. As new office developments nearby fill up, employees in those buildings will need parking as well.
3. University visitors. Although the university has its own parking garages, a number of visitors park on the street or in Town-owned lots and then walk to the campus.
4. Students and downtown residents. Some downtown residents lease monthly spaces in Town-managed lots. The Town also rents parking by the semester, indicating that students pay to park long-term.

5. Special event parking. This includes things like basketball and football games, but it is probably a relatively minor source of income.

#### Current Conditions

According to the Walker Report, there were 4843 spaces downtown in 2018. Only about 200 spaces, or five percent of the total, are on the street, metered and available for general use. That is an average of about one metered on-street space for every every 80 feet of curb, a low density of on-street parking.

About 60 percent of downtown parking (about 2920 spaces) is in surface lots, many of which are small, privately-managed, and not available for general use public use. Slightly more than one third of the downtown parking inventory (36%) is in public and private garages and available for public use. The Town manages a total of 754 spaces in the 140 West garage, the Wallace deck and the Rosemary deck. The rates and hours for Town-managed parking downtown are as follows:

	On-Street Metered	Off-Street Lots	Off-Street Garages
Hourly Rate	\$1.75	\$1.50	\$1.00
Hours of Operation	8-6 M-Sat	8-8 M-Sat	8-8 M-Sat
Length of Stay	3 hours	10 hours	12 hours
Monthly Rate	N.A.	\$115	\$115

#### Sub-Area Conditions

According to the Walker Report, there are about 1200 spaces in the eastern sub-area of downtown that includes E. Rosemary St. and E. Franklin St. The Town controls almost all of these spaces. According to the Walker Report, the overall parking occupancy rate for this area was about 83% in 2018, compared to 70% for the downtown as a whole.

The anticipated transaction would involve replacing the Wallace deck, the Rosemary decks, part of the Rosemary/ Columbia lot, and the Fine Lot or other adjacent properties with a single, 1100-space garage. Here is the current number of occupied spaces in the affected portions of these properties.

Lot/ Location	Occupied Monthly	Occupied Hourly <sup>1</sup>	Vacant	Total
Wallace Deck	65	146	98	309
Rosemary Deck	68	167	50	285
Rosemary/ Columbia Lot	0	27	0	27
Fine Lot <sup>2</sup>	80	0	0	80
Total	213	340	148	701

1 This data was provided by the Town. The figures for occupied spaces are for the equivalent of one space rented for the entire billable period of the day.

2 The Fine Lot is not available for hourly parking.

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### Elasticity of Demand

One law of supply and demand is that people buy less of something when the price goes up. The question is how much, and "elasticity" measures this. Demand is relatively elastic and very responsive to changes in price for things like foreign travel, which is relatively expensive, not essential, and easily replaced with other recreation. Demand is relatively fixed and inelastic for things like running water, which is almost essential, relatively inexpensive, and for which there are few substitutes.

For calculating the market response to changes in parking rates in downtown Chapel Hill, the Walker Report recommends using elasticity figures of -.16 to -.20. These figures are from the Victoria Transportation Policy Institute, an international authority on transportation research.<sup>3</sup> These figures mean that for every one percent increase in parking rates, hourly occupancies would fall by .16 to .20 percent. For the proposed increase of \$.50 per hour, these figures imply that demand, as measured by the number of fully occupied hourly spaces, would fall from the current level of 340 spaces to a lower level of about 310 spaces<sup>4</sup>. For monthly parking, the impact on occupancies of the proposed \$10 rate increase would probably be very small, on the order of one to two percent, a reduction of fewer than four spaces<sup>5</sup>.

### New or Additional Sources of Demand

Because there is so little new retail development in the eastern sub-area of downtown, demand for hourly parking is not likely to significantly increase over the next five years. Increased demand for hourly parking from visitors to the Grubb Properties will probably be met by new parking beneath the new Grubb Properties' building.

For monthly parking, there will likely be an increase in demand, particularly from office tenants in the new building and the newly-leased UNC Innovation Center. Those two buildings would likely generate demand for about 760 monthly spaces over and above what Grubb Properties will provide onsite<sup>6</sup>. UNC would also like to lease 100 spaces for its admissions office, and there is a waiting list for at least 100 monthly spaces, of which a substantial share could be converted to actual leases.

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3 Nationally, there has been relatively little research on the elasticity of parking under different conditions, and most municipal parking studies have looked at "demand" irrespective of pricing. At this point in the transaction, the VTPI reasonable figures are a reasonable starting point for calculating the response to a rate increase, but as noted in the conclusions to this memo, the elasticity estimates should be refined in future due diligence investigations.

4 The proposed hourly rate increase would be 50% increase on the existing base (\$.50 per hour on a base of \$1.00 per hour). Multiplying this by an elasticity ratio of -.16 to -.20 yields an 8-10% drop in demand for hourly parking, or about 27 to 34 spaces on a base of 340. The mid-point of the reduction is 30 spaces, reducing demand to 310 hourly spaces.

5 A \$10 per month increase on the existing base of \$115 per month is about 9%. Multiplying that percentage by the elasticity range of -.16 to -.20 yields a drop in monthly occupancies of 1.4-1.8%. On an existing base of about 200 monthly contracts, that is a drop of fewer than four spaces.

6 This assumes 300,000 square feet of office space in the new building and the UNC Innovation Center, occupancy rates of one employee per 250 square feet of office space, single car commuting rates of 80 percent per employee, and an offset of 200 parking spaces provided beneath the new building.

The following table shows that after the rate increase and with new development, there would probably be total demand for 1,150 spaces of monthly parking:

Current demand for monthly spaces	~210 spaces
Increases in monthly demand	
Net office demand	760
UNC master leasing	100
<u>Waiting lists<sup>7</sup></u>	<u>80</u>
Total	940 spaces
New monthly demand:	1,150 spaces

#### Financial Coverage

The following table shows the cash flow per space for hourly and monthly spaces on a per space basis:

	<u>Per hourly space</u>	<u>Per monthly space</u>
Revenues	\$5,616 <sup>8</sup>	\$1500 <sup>9</sup>
Operating and capital expenses <sup>10</sup>	(625)	(625)
<u>Debt Service<sup>11</sup></u>	<u>(1,715)</u>	<u>(1,715)</u>
Cash Flow	\$3,276	(\$1,240)

These calculations shows that the cash flow from each hourly space would support the losses on 2.6 monthly spaces.

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7 After 20% allowance for names that are out-of-date.

8 312 days, 12 hours per day, \$1.50 per hour. Normally it is recommended that there be a buffer of about 10% for circulation losses and to avoid frustration that might prevent parkers from trying to park in the garage, but in this case the monthly parking could be oversold to provide this buffer.

9 12 months at \$125 per month.

10 Based on figures from the Walker Report. This includes \$100 for labor, \$300 for other operating expense, and \$250 for capital replacement. The latter is about a 1% replacement rate.

11 Estimate provided by Town.



If there is demand for 310 hourly spaces in an 1100-space garage, this leaves 790 spaces for monthly. That number of monthly spaces would be considerably below demand if the accompanying office buildings are constructed and leased up<sup>12</sup>. The following table shows the annual cash flows for this mix of hourly and monthly spaces:

<u>Revenues</u>	<u>No.</u>	<u>Unit</u>	<u>Total</u>
Hourly parking	310	\$5,616	\$1,740,960
Monthly parking	790	1,500	1,185,000
Total/ Average	1100	2,660	2,925,960
 <u>Operating Expenses</u>	 1100	 625	 687,500
Net Operating Income	1100	2,035	2,238,460
 <u>Debt Service</u>	 1100	 1,715	 1,886,500
Cash Flow	1100	\$320	\$351,960
 Coverage ratio (NOI/debt service)			1.19

### Conclusions

This preliminary analysis indicates that this project could have relatively healthy debt service coverage. Debt service could also be increased by reducing bond amortization in the early years of the project.

There are a number of benefits to this project and the Town should pursue this transaction, subject to additional due diligence investigations. As the Town enters into more definite agreements, those investigations should include the following tasks:

1. Confirm or modify the figures for current hourly demand.<sup>13</sup>
2. Calculate a more local estimate of elasticity for this particular facility. This figure should reflect the type of facility, location, hours of operation, sources of demand, and substitutes.<sup>14</sup>
3. Quantify the impact of better pedestrian links and way-finding between E. Franklin St. and the new garage. This could boost demand for hourly parking.
4. Quantify how overselling the monthly parking spaces for hourly parking could increase revenues.
5. Confirm or modify the figures for operating expense and capital costs.

12 The office lease-up is a risk. That risk could be mitigated by having the developer master-lease the monthly parking for some period of time.

13 Because of the way the parking system is currently managed, and the resulting information systems, there is some uncertainty in the data on the mix of hourly and monthly occupied spaces and resulting revenues. These figures should be checked with additional analysis of the financial data and new field surveys carried out multiple times of the day on multiple days of the week, including Saturdays.

14 There is a wealth of data available in Seattle and San Francisco for the calculation of a more local elasticity figure in Chapel Hill. While those cities are much different from Chapel Hill, they have sub-areas from which useful inferences can be drawn about the elasticity at different times of the day and for different sources of demand.

6. Create a "sources and uses" pro forma that shows cash flows for the project from planning through construction, opening, lease-up and stabilized operation. This pro forma would be useful in testing different bond payment schedules.
7. Identify changes in the parking system necessary to synchronize the operation of this new garage with existing properties. That may include changes in rates, hours of operation, and length of stay either in the system as a whole or in individual lots.

**s☆h draft of May 7**

## **Economic Development Agreement**

### **For the Rosemary Street Redevelopment – Opportunity Zone Project**

This Economic Development Agreement (the “Agreement”) is dated as of \_\_\_\_\_, 2020, and is between the Town of Chapel Hill, North Carolina (the “Town”), and Grubb Management LLC (“Grubb”).

*Unless the context clearly requires otherwise, capitalized terms used in this Agreement and not otherwise defined have the meanings set forth in Exhibit A.*

The parties have engaged in a series of discussions concerning an economic development project (the “Project”) whereby:

- The parties will exchange parking deck and related properties, with a cash payment settling the difference in value;
- Grubb will entitle, design and build, as a fee developer for the Town’s account and not for its own account, a new parking deck, with the Town paying for the new deck; and
- Grubb will then entitle, design and build a new office building, all as further described and provided for in this Agreement.

The Project is an economic development project for the Town. The Town expects that the Project will enhance the Town’s taxable property, employment, and business prospects.

This Agreement spells out the parties’ mutual obligations with respect to the project summarized above.

# **1. The parties will exchange properties**

a) Exchange of deeds. At a time and place to be agreed upon by the parties, but prior to the beginning of construction on the New Deck and in any event by November 1, 2020,

i) The Town will execute and deliver to Grubb a fee simple general warranty deed conveying marketable title to the Wallace Deck Property and the Corner Lot.

ii) Grubb will execute and deliver to the Town a fee simple general warranty deed conveying marketable title to the CVS Deck Property and the Fine Lot.

iii) The Town will pay \$\_\_\_\_\_ to Grubb to reconcile the difference in property values exchanged.

iv) The Parties will execute and deliver the "Wallace Deck Lease" in the form of Exhibit B, with only such additional changes as the parties may agree upon. The execution and delivery of the final form Lease will constitute conclusive evidence that the parties have agreed on any such changes.

The acts of executing, delivering and paying described above will be referred to as the "Closing," and the date of those actions will be referred to as the "Closing Date." If the Closing has not occurred by the end of the calendar day on November 1, 2020, neither party shall have any further obligations under this Agreement.

The parties will execute and deliver such certificates and other documents as may be reasonably appropriate to effect the planned conveyances. The only monetary adjustment to the transfers stated above will be to pro-rate taxes on the CVS Deck Property and the Fine Lot to the Closing Date.

b) Provision for future tax payments. The deed referenced in (a)(i) above will include a provision to the effect that any future owner of the Wallace Deck Property that is not subject to paying ordinary ad valorem taxes to the Town must nevertheless make annual payments to the Town so as to hold the Town harmless from any loss of ad valorem tax revenues. The required payment will be calculated

from year to year based on the then-current property value and tax rate. This provision must be in form and substance acceptable to the Town.

c) Warranties of Title. (i) Each party promises to the other, as part of the consideration for the exchange, that it is seized of and has the right to convey its particular property (that is, the Wallace Deck Property and the Corner Lot in the case of the Town, and the CVS Deck Property and the Fine Lot in the case of Grubb) in fee simple, that the title is free and clear of all liens and encumbrances other than "Permitted Encumbrances," that title to the property is marketable, and that the seller will forever warrant and defend title to the property (subject to the Permitted Encumbrances) against the claims of all persons.

"Permitted Encumbrances" means minor and ordinary rights-of-way and utility easements that do not have a material adverse effect on the planned use of the property.

(ii) Notwithstanding the above, the parties acknowledge that the CVS Deck property is subject to a lien recorded at Book \_\_\_\_\_, Page \_\_\_\_\_, Orange County Registry. Grubb promises that the CVS Deck Property will be released from this lien at or in connection with the Closing.

d) Environmental Warranties. Each of the Town and Grubb makes the following promises and statements of fact with respect to its own particular property (as described in (c) above), with the understanding and intent that the other party will rely on these statements in making its decision to enter into this Agreement.

(i) It has no knowledge (A) that any industrial use has been made of its particular property, (B) that the particular property has been used for the storage, treatment or disposal of chemicals or any wastes or materials that are classified by federal, State or local laws as hazardous or toxic substances, (C) that any manufacturing, landfilling or chemical production has occurred on the particular property, or (D) that there is any asbestos or other contaminant on, in or under the particular property.

(ii) To its knowledge, the particular property complies with all federal, State and local environmental laws and regulations.

(iii) It will promptly notify the other property of any change prior to the Closing in the nature or extent of any hazardous materials, substances or wastes maintained on, in or under the particular property or used in connection therewith. It will send to the other party copies of any citations, orders, notices or other material governmental or other communication received prior to the Closing with respect to any other hazardous materials, substances, wastes or other environmentally regulated substances affecting the particular property.

To the extent permitted by law, each of the Town and Grubb promises that it will indemnify and hold the other party harmless from and against any and all damages, penalties, fines, claims, liens, suits, liabilities, costs (including cleanup costs), judgments and expenses (including attorneys', consultants' or experts' fees and expenses) of every kind and nature suffered by or asserted against the other party as a direct or indirect result of any warranty or representation made by the party in this subsection (d) being false or untrue in any material respect

## **2. Grubb will work to entitle the New Deck, and Grubb and the Town will work together on the design**

a) Grubb will continue its process to obtain entitlement to build the New Deck through the Town's land use regulatory process. Grubb and the Town, as the prospective future owner of the New Deck and the related property, will work together to complete this process by June 30, 2020.

b) Grubb and the Town will work together to design the New Deck to sit on the CVS Deck Property plus the Fine Lot. Grubb and the Town will continue to cooperate for the final design of the New Deck so as to meet the construction and other deadlines specified in Sections 3 and 4. The New Deck will be designed to encompass 1100 standard sized parking spaces, with a final as-built tolerance of plus or minus 1%.

c) The Town ratifies and consents to the following firms' providing professional services for the design and construction of the New Deck: Perkins & Will, Ballentine Associates, P.A. and NV5, Inc.

d) The parties will work together on a parking and construction management plan designed to minimize the disruption and adverse effects of the New Deck and New Office Building construction and Renovation projects on downtown traffic and parking, and on the operation of downtown businesses. This management plan will include the provisions set out in Exhibit C.

### **3. The Town will contract for and pay for the New Deck**

a) Grubb and the Town have selected Samet Corporation (“Samet”) to be the general contractor for the New Deck construction project. The Town has elected to work with Samet as the general contractor under the authority of the Town Charter provisions (Sections 4.20 through 4.25) that allow the Town to enter into private construction contracts related to economic development projects. The Town ratifies prior action by Grubb to retain Samet for the work.

b) Grubb and the Town will work with Samet to prepare final design, drawings, plans and specifications for the New Deck so that the Town will have in hand by August 5, 2020 (the “Contract Deadline”) the following items (the “LGC Requirements”):

i) A construction contract between Samet and the Town that states a guaranteed maximum price

ii) Written approval from [the Town’s independent review consultant] as to the fairness of the stated maximum price

iii) 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

Grubb, the Town, Samet and [the Consultant] will work together to allow [Consultant’s] on-going review of estimated construction costs. The parties will work together with Samet and [the Consultant] to resolve any disagreements over construction costs and contract amounts, so as to allow [the Consultant] to give its approval as contemplated in the previous paragraph prior to the Contract Deadline.



c) Grubb may extend the Contract Deadline by prior notice to the Town to a stated time not beyond September 5, 2020, provided that Grubb waives any damages or allowances for additional time. If the Contract Deadline is not met, neither party shall have any additional rights or obligations under this Agreement.

d) The parties acknowledge as follows: The Town plans to borrow money to pay the New Deck costs. This borrowing requires the LGC's approval. The Town will pursue LGC approval in a timely and professional manner, but the Town cannot guarantee the outcome of the LGC approval process. As part of the approval process, the LGC will require delivery of the LGC Requirements. The parties plan to complete the Closing described in Section 1 in connection with closing on the Town's financing for the New Deck, and not before.

e) The New Deck Contract must include the following, along with any other terms and conditions the Town may specify:

i) Payment and performance bonds from Samet in favor of the Town as would be required in a conventional Town construction project.

ii) Construction warranty bonds in favor of the Town

iii) Identification of the Town as a loss payee or additional insured, as appropriate, on all policies of insurance provided by the contractor. These policies must include builders' risk insurance and property and liability insurance.

iv) A requirement that Samet and all subcontractors maintain workers' compensation as provided by law

v) That Samet must begin construction (which may include the start of demolition) promptly upon Samet's receipt of a notice to proceed from the Town

vi) A construction period of not more than [365 days]

f) The Town will pay Samet for the costs of construction as provided in the New Deck Contract. The Town expects that the payment process will proceed substantially as described in Exhibit D.

g) (i) The Town will provide Grubb, Samet and their contractors and subcontractors a non-exclusive license to use a portion of Lot 2, generally as shown on Exhibit E, as a construction staging area (the “Staging Area”). Grubb, Samet and their contractors and subcontractors may use this staging area for all purposes of constructing the New Deck, constructing the New Office Building and carrying out the Renovation, but not beyond December 31, 2022.

(ii) At the end of the construction activity (or after December 31, 2022), Grubb will promptly prepare the Staging Area by removing all asphalt, seeding the property with grass, defining a walkway from Rosemary Street through the Staging Area to Franklin Street, cutting off the access between the currently existing upper and lower portions of Lot 2, and constructing any appropriate retaining walls.

(iii) Grubb will indemnify the Town and hold it harmless for any claims or losses asserted against the Town by any person or entity related to or arising out of actions taken at the Staging Area, activities at the Staging Area, or the condition of the Staging Area while the license is in effect. This indemnification will not apply in the case of actions or omissions on the part of Town employees.

#### **4. Grubb will apply to build the New Office Building**

a) Grubb will apply for all necessary land use approvals for the New Office Building construction, on its own behalf, by July 1, 2021 in order to meet its projection of beginning construction by fall 2021.

b) The initial applications for entitlement must include the following features for the New Office Building:

i) Approximately 200,000 square feet of office space across not more than six floors, in addition to two levels of parking at or below street grade.

- ii) Two floors that constitute Wet Lab space
- iii) A building profile that steps back from the street above the fourth aboveground level on Rosemary Street.
- iv) A community green space in the Corner Lot, developed in conjunction with the building

The parties acknowledge that through the land use entitlement process, Grubb may not receive permission to build a building the includes all the features described above.

c) Grubb must make a concept plan presentation to the Town Council before the Town is required under this Agreement to enter into any construction contract for the New Deck.

## **5. Other provisions related to the New Office Building**

- a) The office space must be finished to a Class A level.
- b) Parking in the New Office Building must be restricted to use by tenants, customers and visitors to the New Office Building and the buildings that are the subject of the Renovation. The parking may not be made available to members of the general public from and after the New Deck Occupancy Date.
- c) In connection with the New Office Building construction, Grubb will develop the Corner Lot into a community green space with plantings and amenities (such as grass, trees and benches) reasonably appropriate to a space of that size in that location. Promptly upon taking occupancy of the New Office Building, Grubb will dedicate the community green space to the Town. The dedicated green space does not need to match the existing boundaries of the Corner Lot, but the Town expects that the approximate dimensions and location will match.
- d) Parking revenue commitment. The Town must sell to Grubb, and Grubb must purchase from the Town, the right to park 250 vehicles per day in the New Deck on business days between the hours of 7:00 a.m. and 7:00 p.m. These rights will be sold on an annual or a month-by-month basis, as the parties may agree from time to

time, and will be evidenced by parking passes, electronic transponders or any other method in use by the Town from time to time for similar rights in its parking facilities. The Town will offer these rights, and Grubb will purchase these rights, at the price the Town establishes from time to time for the sale of similar monthly or annual rights to others.

The Town and Grubb have these obligations beginning with the first full month after the earlier to occur of New Building Completion or completion of the Renovation work at either 137 East Franklin or 136 East Rosemary Streets. These obligations continue while any portion of the Town's financing for the New Deck is outstanding (including the term of any refinancing). Grubb's obligation under this paragraph will be limited, however, to 75 vehicles per day for the first six months and then 150 vehicles per day for the next six months.

e) Appearances before Council. At any time and from time to time, between the Closing Date and Office Building Occupancy, at the Town's request, Grubb will provide for a representative to appear before the Town Council to provide a narrative update on the Project and to provide full and complete answers to questions from Councilmembers. The Town does not expect that these requests will occur more frequently than every two months.

f) Right of First Offer To Purchase. The Town will have the right to make a first offer to purchase Grubb's property between the Closing and the date that Grubb takes occupancy of the New Office Building, as provided in Exhibit F.

## **6. Defaults and Remedies; Dispute Resolution**

a) Defaults. A party is in default under this Agreement (i) if it fails to observe and perform any covenant, condition or agreement on its part to be observed or performed for a period of 30 days after notice specifying the failure and requesting that it be remedied has been given by the other party or (ii) if any representation or warranty provided in this Agreement is found to be incorrect or incomplete in any material respect as of the Closing.

b) Remedies. Whenever any default is continuing, the non-defaulting party may take either or both of the following remedial steps:

(i) At its option, cure the default by paying money or taking any other appropriate action, in which case the defaulting party must reimburse the defaulting party for all costs and expenses reasonably incurred in curing the default, including legal costs.

(ii) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of a party under this Agreement.

c) No remedy exclusive; other provisions No remedy conferred or reserved in this Agreement is intended to be exclusive, but instead is intended to be cumulative. No delay or omission to exercise any right or power accruing upon any default constitutes a waiver of that right or power. A waiver of any default is limited to the default so waived and does not waive any other default. If a party incurs legal or other costs and expenses to collect any payments due under this Agreement, or to enforce the performance or observance of any obligation or covenant under this Agreement, then to the extent permitted by law each party promises to reimburse a non-defaulting party for all reasonable legal and other fees and costs incurred in the collection or enforcement.

d) Dispute resolution. In the event of a dispute between the parties concerning the terms or performance of this Agreement, the parties will take the following steps prior to commencing any proceeding before a court or administrative body:

(i) Exchange of positions. Any party noting a dispute under this Agreement will notify the other party of the nature of the dispute and the first party's proposed resolution. Within ten days after the effective date of the notice, the other party must respond in writing as to its view of the dispute and its position on the proposed resolution.

(ii) Meet and confer. If the parties are unable to reach an agreement on the dispute and upon notice from any party, the parties will promptly hold a meeting attended by representatives with appropriate authority to resolve the dispute. At this meeting, the parties will attempt in good faith to negotiate a resolution of the dispute.

(iii) Mediation. If the dispute remains unsettled by negotiation, the parties will engage the services of a professional mediator agreed upon by the parties. The parties will then attempt in good faith to resolve the dispute through mediation. The Town and Grubb will each pay one-half of the mediator's fees and expenses and each party will pay all its own legal fees and other expenses related to the mediation. Each party must be represented at the mediation by a representative with appropriate authority to resolve the matters in dispute. Only after mediation may a part initiate legal or administrative proceedings.

## **7. Miscellaneous provisions.**

a) Notices. Any communication provided for in this Agreement must be in writing (not including facsimile transmission or electronic mail). Any communication under this Agreement will be deemed given on the delivery date shown on a certified mail receipt, or a delivery receipt (or similar evidence) from a national commercial package delivery service, if addressed as follows:

If intended for the Town, to Town of Chapel Hill, c/o Town Manager, Town Hall, 405 Martin Luther King, Jr. Blvd., Chapel Hill, NC 27599

If intended for Grubb, to \_\_\_\_\_

Any addressee may designate additional or different addresses for communications by notice given under this subsection to the other.

b) General Representations. The Town and Grubb each represents, covenants and warrants for the other's benefit as follows:

(i) Neither the execution and delivery of this Agreement, nor the fulfillment of or compliance with its terms and conditions, nor the consummation of the transactions contemplated by this Agreement, results in a material breach of the terms, conditions and provisions of any agreement or instrument to which either is now a party or by which either is bound, or constitutes a material default under any of the foregoing.

(ii) To the knowledge of each party, there is no litigation or other court or administrative proceeding pending or threatened against that party (or against any other person) concerning that party's rights to execute or deliver this Agreement or to comply with its obligations under this Agreement. Neither the party's execution and delivery of this Agreement, nor its compliance with its obligations under this Agreement, requires the approval of any regulatory body or any other entity the approval of which has not been obtained.

c) Limits on Town's power to agree. (i) Grubb acknowledges that the Town's ability to agree to provisions in this Agreement, and to carry out its agreements, is limited by its status as a unit of local government, and in particular its role as a land use regulator. The Town acts in separate capacities as a party to a business agreement such as this EDA, and as a land use regulator. The Town makes no representation, and can give no assurances, that any land use or related approvals necessary for the Project will be forthcoming at any time.

(ii) Grubb acknowledges that the Town is a governmental entity, and the Agreement's validity is based in part upon the availability of public funding under the authority of its statutory mandate. If public funds are unavailable and not appropriated for the performance of Town's obligations under this Agreement, then this Agreement shall automatically expire without penalty to the Town thirty (30) days after notice to Grubb of the unavailability and non-appropriation of public funds. It is expressly agreed that the Town shall not activate this non-appropriation provision for its convenience or to circumvent the requirements of this Agreement, but only as an emergency fiscal measure during a substantial fiscal crisis that generally affects its governmental operations.

(iii) A failure of the Town to receive LGC approval or to appropriate funds, or the failure of any aspect of the Project to receive a necessary land use approval from the Town, will not be an event of default on the part of the Town. The Town, however, promises to process requests for regulatory approvals and necessary appropriations in a timely and professional manner.

d) Public Records Law. Any information furnished under this instrument is subject to the North Carolina Public Records Law.

e) E-Verify. Grubb shall comply with the requirements of Article 2 of Chapter 64 of the North Carolina General Statutes.

f) Each party will bear its own costs. Each party will bear its own costs of the fees and expenses of its counsel and consultants, and of the studies or surveys required under this Agreement or that it otherwise commissions or obtains for its use under this Agreement.

g) Limitation on liability of officers and agents. No officer, agent or employee of the Town will be subject to any personal liability or accountability because of the execution of this Agreement or any other documents related to the transactions contemplated by this Agreement. Those officers, agents or employees will be deemed to execute such documents in their official capacities only, and not in their individual capacities. This provision does not relieve any officer, agent or employee from the performance of any official duty provided by law.

h) No assignment. Neither party may assign any of its rights or obligations under this Agreement without the express consent of the other.

i) Amendments. This Agreement may only be modified in writing signed by all parties.

j) Governing law. The parties intend that North Carolina law will govern this Agreement and all matters of its interpretation. To the extent permitted by law, the parties agree that any action brought with respect to this Agreement must be brought in the North Carolina General Court of Justice in Orange County, North Carolina.

k) Severability. If any provision of this Agreement is determined to be unenforceable, that will not affect any other provision of this Agreement.

l) Binding effect. Subject to the specific provisions of this Agreement, this Agreement will be binding upon and inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

m) Entire agreement. This Agreement constitutes the entire agreement between the Town and Grubb with respect to its general subject matter.



n) No third-party beneficiaries. There are no parties intended as third-party beneficiaries of this Agreement.

o) Time. Time is of the essence of this Contract and each and all of its provisions.

p) Definitions. Unless the context clearly requires otherwise, capitalized terms used in this Contract and not otherwise defined have the meanings set forth in Exhibit A.

q) Counterparts. This Agreement may be executed in several counterparts, including separate counterparts. Each will be an original, but all of them together constitute the same instrument.

***[The remainder of this page has been left blank intentionally.]***

**IN WITNESS WHEREOF**, the Town and Grubb have caused this Agreement to be executed and delivered as of the day and year first above written by duly authorized officers.

**(SEAL)**

**ATTEST:**

**TOWN OF CHAPEL HILL  
NORTH CAROLINA**

\_\_\_\_\_  
Sabrina Oliver  
Town Clerk

By: \_\_\_\_\_  
Maurice Jones  
Town Manager

**GRUBB MANAGEMENT LLC**

By: \_\_\_\_\_

Printed name: \_\_\_\_\_

Title: \_\_\_\_\_

Exhibits:

- A – Definitions
- B – Form of the Wallace Deck Lease
- C – Key provisions of Parking and Construction Management Plan
- D – Contract payment terms
- E – Staging Area designation *[will be a diagram]*
- F – Terms of Right of First Offer

[Economic Development Agreement dated as of \_\_\_\_\_, 2020]

## **Exhibit A – Definitions**

References to Columbia Street, Rosemary Street, Franklin Street and North Street are references to those streets in downtown Chapel Hill, North Carolina.

“Corner Lot” means the Town-owned lot at the southwest corner of Rosemary and Henderson Streets and is further identified by PIN # \_\_\_\_\_ in the Orange County land records.

“CVS Deck” means the existing 270-space parking deck located on Rosemary Street. “CVS Deck Property” means this deck and its related real estate, which comprises approximately 1.6 acres and is further identified by PIN # \_\_\_\_\_ in the Orange County land records.

“Fine Lot” means \_\_\_\_\_ and is further identified by PIN # \_\_\_\_\_ in the Orange County land records.

“LGC” means the North Carolina Local Government Commission, a department of the office of the North Carolina State Treasurer, or any successor to its functions.

“Lot 2” means the Town-owned, 102-space surface parking lot located near the corner of Rosemary and Columbia Streets and is further identified by PIN # \_\_\_\_\_ in the Orange County land records.

“New Building Completion” means the earliest date of substantial completion of permitted work for the New Office Building, whether or not the property is occupied or a certificate of occupancy issued.

“New Deck” means the new 1,100-space parking deck to be constructed for the Town under Section 3.

“New Deck Contract” means the final construction contract for the New Deck between the Town and Samet as contemplated by Section 3.

“New Deck Total Cost” means the total of all costs related to placing the New Deck in service for its intended purposes. These costs include land acquisition, design, construction, traffic impact assessment, and related legal, administrative and financing costs.

“New Office Building” means the new office building to be designed and constructed as described in Sections 4 and 5.

“Project” means the project as described in the preambles to this Agreement.

“Renovation” means Grubb’s planned renovation of the existing buildings located at 137 East Franklin and 136 East Rosemary Streets. The Renovation will be considered complete under this Agreement upon substantial completion of the permitted work, whether or not in either case the property is occupied or a certificate of occupancy issued. Renovation may be considered complete for one building before the other.

“Wallace Deck” means the existing Town-owned, 309-space parking deck located on Rosemary Street. “Wallace Deck Property” means this deck and its related real estate, which comprises approximately 1.6 acres and is further identified by PIN # \_\_\_\_\_ in the Orange County land records.

“Wet Lab” means a laboratory equipped with appropriate plumbing, ventilation, and equipment to allow for hands-on scientific research and experimentation, including the direct handling of potentially hazardous materials.

### **Exhibit B – Form of the Wallace Deck Lease**

### **Exhibit C – Key provisions of Parking and Construction Management Plan**

[Both of these, to come]

### **Exhibit D – Standard construction contract payment terms**

The Town will pay construction cost requests to Samet upon Samet's providing a payment request to the Town in the form provided in the New Deck Contract, which will require Samet to provide proof of any stated third-party expenditures and appropriate lien waivers. The Town will have the right as the owner (but not the obligation) to inspect the work done from time to time and to request additional information from Samet to resolve any questions or apparent discrepancies. The Town will generally pay requisitions based on a "percentage of completion" basis, subject to the contract's retainage provisions, and will make payments within 30 days of the receipt of a payment request. The Town will not process more than one payment request in any calendar month.

To the extent the final terms of the New Deck Contract provide for different procedures, the terms of the New Deck Contract will govern.

### **Exhibit E – Staging Area designation**

[To come]

## **Exhibit F -- Right of First Offer**

From the Closing (if Closing shall occur) until substantial completion of the New Office Building, if Grubb elects to sell any or all of the real property comprising any portion of the Wallace Deck Property or the Corner Lot (the "**Designated Sale Parcel**"), Grubb shall deliver to the Town the proposed purchase price (the "**Offer Price**") at which Grubb would be willing to allow the Designated Sale Parcel to be sold to the Town, together with a contract of sale to complete the sale and purchase of the Designated Sale Parcel (the "**Parcel ROFO Offer**"). The Town shall have forty-five (45) days within which to accept or reject the Parcel ROFO Offer in writing to Grubb.

Grubb shall have the right to market the Designated Sale Parcel during the Town's 45-day election period, but Grubb may not enter into any contract to sell a Designated Sale Parcel during that time (unless that contract is contingent on the Town's rejecting the Parcel ROFO Offer). If the Town accepts a Parcel ROFO Offer, the Town shall deliver the executed contract as a condition of acceptance thereof, the form of which: (i) shall not provide any additional due diligence period or contingencies, (ii) shall contain knowledge-qualified representations by Grubb with respect to the condition and operation of the Designated Sale Parcel, (iii) will require a non-contingent earnest money deposit within ten days after execution of the contract equal to the lesser of 5% of the Offer Price or \$1,000,000, and (iv) will provide for a closing date that is acceptable to both Grubb and the Town, provided that the date is not later than 90 days following delivery of the earnest money deposit unless agreed to by Grubb in its sole discretion.

If, following the Town's acceptance of the Parcel ROFO Offer, the Town defaults under the contract of sale, all deposits shall be forfeited to Grubb, the terms of Section 5(f) and this Exhibit F will be deemed void and of no effect, and Grubb will have the right to sell the Designated Sale Parcel on any terms and conditions as it may elect in its sole discretion.

If the Town does not accept the Parcel ROFO Offer, then Grubb shall be free to enter into a binding contract to sell the Designated Sale Parcel in Grubb's sole and absolute discretion.

The terms of Section 5(f) and this Exhibit F will be immediately void in the event of a termination of this Agreement. Notwithstanding anything to the contrary herein, the terms of Section 5(f) and this Exhibit F shall benefit and bind only Grubb and the Town, and shall not bind any purchaser from Grubb after either (a) the Town's rejection of a Parcel ROFO Offer (b) substantial completion of the New Office Building.

May 7, 2020

### Chapel Hill/Rosemary St. Redevelopment – Agreement Summary

<b>Discussion Point – <i>all points are agreed unless indicated otherwise in the Notes</i></b>	<b>Notes</b>
<b>Section 1 – Land Swap and Wallace Deck Operation</b>	
Town will swap the Wallace Deck and the Corner Lot for the CVS Deck and the Fine Lot. This will occur when the Town is ready to start demolition and construction for the New Deck (as soon as late September), but must occur at least by November 1.	
Grubb will acquire the Fine Lot and include that in the land swap.	Grubb is in contact and negotiations with the Fines.
At the time of the swap, the Town will pay approximately \$500,000 to Grubb to even up the values of the exchanged property (Town will include this amount in the amount financed for the New Deck).	Parties have agreed to use the existing appraisals to calculate the difference.



<p>The deed to the Wallace Deck that Grubb receives will provide that any subsequent owner of the Deck has to either be a property-tax paying entity or agree to make a payment in lieu equal to the property taxes that would otherwise be due.</p>	
<p>After the swap, the Town will lease the Wallace Deck back from Grubb. Town will operate and maintain the Wallace Deck, and keep all the revenues, except the Town will pay Grubb a monthly rent of \$30,000. This will continue until the New Deck is operational and Grubb is ready to demolish the Wallace Deck. (These provisions will be in the Lease) (Later provision says can't have public parking in Wallace Deck after the New Deck is open.)</p>	
<p><b>Section 2 – New Deck Entitlement and Design</b></p>	
<p>Grubb and the Town will continue to work on the entitlement of the New Deck so that's complete by June 30.</p>	<p>Town is responsible for the costs of the entitlement since the Town will be the Deck owner. Grubb is advancing some of these funds. Town can reimburse itself for these costs in the Deck financing.</p>
<p>Grubb and the Town will continue to work together on the New Deck design. The New Deck will encompass approximately 1100 standard-</p>	

<p>sized parking spaces. The New Deck will have design features specified by Council, including Rosemary St. “activation,” and EV charging facilities. The Town is paying the total New Deck cost, so the Town will bear the cost of these features.</p>	
<p>Grubb and the Town will work on a construction management plan designed to minimize disruption from the planned building and renovation projects to downtown parking and traffic and downtown businesses.</p>	<p>EDA will include highlights of the plan. First working group meeting on the plan was held May 7.</p>
<p><b>Section 3 – Town will contract for and pay for the New Deck</b></p>	
<p>Samet, the general contractor, will work with Grubb and the Town to have final plans and specifications and a general construction contract ready to sign by August 5 (can be extended by Grubb to September 5). This contract will include a guaranteed maximum price for the construction of the new Deck.</p>	
<p>The Town will have the opportunity to get a third-party opinion on the fairness of the construction costs</p>	<p>The Town will have its 3d-party reviewer actively engaged in the design process so that disputes will not affect the timeline. The Town is</p>

	in the process of completing a contract with a reviewer.
The Town will borrow money to pay the costs of the New Deck. The Town will pay the general contractor under the construction contract over time as construction progresses.	August 5 deadline for the construction contract allows LGC approval of Town borrowing in early September and closing on the Town's financing by end of September.
The Town will provide the use of the lower level of Lot 2 as a construction staging area for the duration of construction of the New Deck and the New Office Building (on until 12/31/2022, whichever comes first). When Grubb is done (or the term ends), Grubb will remove all asphalt, cut off the ramp between the two parking levels, seed the area with grass and define a path from Rosemary St. up to Franklin, and constructing any necessary retaining walls. Grubb estimates total cost of this work, with minimal additional amenities, at approximately \$200,000.	
<b>Sections 4 and 5 – Grubb will apply to build the New Office Building; related provisions</b>	
Grubb is required to seek entitlement to build a new office building that encompasses up to 6 floors (plus two levels at or below ground for	

parking), with approximately 200,000 square feet of Class A office space including 2 floors of wet lab space Grubb will apply for this entitlement by July 2021. Parties acknowledge that Grubb may not be able to get this full building entitled.	
Grubb must make a concept plan presentation on the New Office Building before the Town is required to sign a construction contract for the New Deck.	
Parking in the New Office Building is restricted to tenants, employees and visitors to the New Office Building and Grubb's other project. No public parking in the Wallace Deck either after New Deck complete.	
Grubb will redevelop the Corner Lot as a community green space and dedicate that property back to the Town.	
Grubb will make a commitment to the "revenue equivalent" of leasing 250 spaces in the New Deck, with allowances for a ramp-up period. This obligation begins once Grubb has completed either the New Office Building or its renovation project.	Renovation project may be done first.

If Grubb decides to sell any of the Wallace Deck or Corner Lot property (prior to occupancy of the New Office Building), Grubb will first offer the property to the Town at a price set by Grubb.	Time periods for this offer and sale process are still to be determined.
Grubb will appear before Council to update the progress and answer questions, as requested by Council, through occupancy date for the New Building.	
<b>Section 6 – Defaults and remedies</b>	
<b>Section 7 -- Miscellaneous</b>	



# TOWN OF CHAPEL HILL

Town Hall  
405 Martin Luther King Jr.  
Boulevard  
Chapel Hill, NC 27514

## Item Overview

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**Item #:** 3., **File #:** [20-0317], **Version:** 1

**Meeting Date:** 5/13/2020

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### **FY 2020-21 Budget Update.**



#### **Attachments:**

- Draft Staff Presentation

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**The Agenda will reflect the text below and/or the motion text will be used during the meeting.**

PRESENTER: Maurice Jones, Town Manager  
Amy Oland, Business Management Director

The purpose of this item is to provide an update on the status of the FY 2020-21 Budget.



# FY 2020-21 Budget Update



**ORANGE COUNTY** **MARCH 27 - APRIL 30, 2020**

## STAY AT HOME

**YOU CAN**

- Go to the grocery store
- Go to medical appointments and the pharmacy
- Get take-out, delivery or drive thru from restaurants
- Walk your dog, ride your bike, be in nature
- Pick up essentials for neighbors or loved ones in need of assistance

**YOU SHOULD NOT**

- Go to work unless providing an essential service
- Socialize or gather in groups
- Visit loved ones in the hospital or nursing home, except under limited circumstances

**ORANGE COUNTY HEALTH DEPARTMENT**

[orangecountync.gov/Coronavirus](https://orangecountync.gov/Coronavirus)

# FY 2020 Impact Update

- Financial forecast continues to change
- Adjusted revenue estimates:
  - Sales Tax
  - Occupancy Tax
  - Vehicle Tax
- Initiated a hiring freeze in response to generate personnel savings
- Held individual department budget meetings to discuss opportunities for operational savings
- Focus = to protect the services that the Town provides to the community

DRAFT

## FY 2021 Budget – Recap of 4/13 Budget Work Session

- Maintaining a status quo budget
- Limited number of budget adds
- No pay increase recommended
- Hiring freeze to continue tentatively through FY 21 Q1
- Council feedback:
  - More conservative sales tax revenue estimates
  - Flexibility in budget to shift resources

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# FY 2021 Budget Unknowns

- Many unknowns related to COVID-19:
  - Longevity of event
  - Extent of revenue shortfalls
  - Impacts to service delivery
- Built in buffer in fund balance to help offset these unknowns
- Response aligned with 2008 recession
- Intent to come back before Council to provide updates and make any budget adjustments based on actual revenue impacts

DRAFT

# General Fund – Revenue Comparisons

Revenue Source	Adopted FY2019-20	Preliminary FY2020-21	Difference
Property Taxes	\$ 32,117,500	\$ 32,587,500	1.5%
Sales Taxes	14,741,869	13,336,343	(9.5%)
Other Taxes	1,386,000	1,292,500	(6.7%)
State Shared Revenues	7,791,256	7,829,256	0.5%
Charges for Service	5,002,662	4,899,000	(2.1%)
Licenses & Permits	2,842,305	2,731,390	(3.9%)
Grants	679,399	679,399	0.0%
Other Revenues	566,243	544,100	(3.9%)
Approp. Fund Balance	3,355,766	2,489,512	(25.8%)
Total	\$ 68,483,000	\$ 66,389,000	(3.0%)

DRAFT

# Revised Strategy Proposed for FY 2021 Budget

- Goal of FY 2021 budget is to maintain current level of core operational services
- One-Time Reductions to Budget:
  - Streets
  - Building Maintenance
  - Vehicle Replacement
  - Pay-Go capital projects
  - Library collection material
  - Transfer to Blue Hill Tax Increment Financing
  - OPEB pre-funding contribution
- No reductions in AHDR funds/Human Services Agency Funding

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# REVISED DATES for Budget Process as of 05.13.20

<b>May 13</b>	Budget Work Session
<b>May 20</b>	Presentation of Manager's Recommended Budget
<b>May 27</b>	Budget Work Session (if needed)
<b>June 3</b>	Budget Work Session (if needed)
<b>June 10</b>	Public Hearing
<b>June 24</b>	Proposed Budget Adoption

**2020-21 Budget Development Page**

[www.townofchapelhill.org/budget](http://www.townofchapelhill.org/budget)

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