

# East Rosemary Redevelopment Proposal



September 9, 2020

CHAPEL HILL

OPEN2.BIZ



Clay Grubb of Grubb Properties acquired the 137 East Franklin/136 East Rosemary property in an Opportunity Zone in 2019 and began to create a vision for what the property might become. In working with the University and Town, Mr. Grubb had his staff explore the future vision of all of East Rosemary. After discussions with the Town, Grubb Properties proposed a scaled version of that vision.

**VISION:** The Town builds a 1,100 space parking deck that consolidates and adds new parking spaces. Grubb builds a new office building with wet labs of 200,000SF +/-, bringing up to 800 new jobs to Downtown.

# Project Overview



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

# Project Overview





# Community Benefits



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## Other:

- Improved Streetscape
- Improved pedestrian access and crossing
- The porch gathering space
- Consolidated parking

# Town Goals



## > Economic & Financial Sustainability

### 1- Attract and retain companies that create jobs in Chapel Hill

- Strengthen UNC Town/Gown economic development partnerships, Add commercial office space to the Town to locate Businesses, Strengthen and facilitate the ecosystem for entrepreneurship and innovation

### 2- Make Downtown Chapel Hill a destination with diverse options for work, live and play

- Add more Downtown business and visitor anchors (Market Drivers), Invest in Downtown infrastructure, Conduct Downtown parking analysis and policy expectations (meet demand), Clean and beautify Downtown

## > Environmental Stewardship

### 1- Invest in green infrastructure and build community resiliency

- Increase solar infrastructure , Increase use of alternative transportation through infrastructure investments, Continue electric vehicle infrastructure investment

## > Vibrant and Inclusive Community

### 1- Create diverse opportunities for community to engage with the arts

- Increase public art in both public and private spaces , Improve festivals and events with a focus on **spaces**, policies, partners, sponsorships, content and **infrastructure**

## > Connected Community

### 1- Increase connectivity between walking, bicycling, and multi-modal networks to reduce the amount of driving needed to get around Chapel Hill

- Increase and integrate Downtown parking options to support a “park once” strategy



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

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

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

The EDA will return to Council on September 30<sup>th</sup> for additional public comment.

# Recommendation



- 1) Open a Public Hearing and Consider Authorizing an Economic Development Agreement for the East Rosemary Downtown Deck & Redevelopment Project.**
- 2) Take public comment and Consider Exchanging 150 E. Rosemary for 125 and 135 E. Rosemary to Support the East Rosemary Redevelopment Project and Parking Deck.**
- 3) Close the Public Hearing, allow a 24-hour comment period, and consider items on 9/30.**



**Aerial view from Northeast**

# Consideration



**September 9, 2020** - Council to consider calling a Public Hearing on September 30, 2020 for the entitlement of new parking deck.

**September 9, 2020** – Council to consider first final draft of Economic Development Agreement and consider land acquisition– Public Hearing

**June 5, 2020** – [CCES to discuss any outstanding issues with East Rosemary Parking Deck/Redevelopment and here.](#)

**May 13, 2020** – [Council Work Session](#)

**May 8, 2020** – [CCES to discuss design or parking deck and TIA](#)

**April 22, 2020** – [Council review garage concept plan](#)

**March 2020** – Advisory Boards to review Conditional Zoning application

**March 4, 2020** – [Council to consider authorizing Memorandum of Understanding](#) with Grubb Properties and authorized staff to proceed with drafting an Economic Development Agreement.

**Feb. 27, 2020** – [Public Information Meeting](#)

**Feb. 19, 2020** – [Council authorizes Town Manager to draft a non-binding Memorandum of Understanding](#) with Grubb Properties

# Economic Development Agreement



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

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

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

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

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

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

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

# Other Agreements



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

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

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

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

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

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

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

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

# Parking Deck Financing & Cash Flow Highlights



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

# Parking Deck Revenue & Expense Projections



## COST PROJECTION

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

## FINANCIAL PROJECTION

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

# Parking Deck Cash Flow Projections 1 of 2



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

# Parking Deck Cash Flow Projections 2 of 2



	FY2032	FY2033	FY2034	FY2035	FY2036	FY2037	FY2038	FY2039	FY2040	FY2041	TOTAL
Leased space parking rate	\$140	\$140	\$140	\$145	\$145	\$145	\$150	\$150	\$150	\$150	
# Leased spaces	475	475	475	475	475	475	475	475	475	475	
Occupancy %	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
	\$ 798,000	\$ 798,000	\$ 798,000	\$ 826,500	\$ 826,500	\$ 826,500	\$ 855,000	\$ 855,000	\$ 855,000	\$ 855,000	\$ 15,318,750
Over leases @ 15%	119,700	119,700	119,700	123,975	123,975	123,975	128,250	128,250	128,250	128,250	2,297,813
Overnight leases @ 10%	79,800	79,800	79,800	82,650	82,650	82,650	85,500	85,500	85,500	85,500	1,531,875
	\$ 997,500	\$ 997,500	\$ 997,500	\$ 1,033,125	\$ 1,033,125	\$ 1,033,125	\$ 1,068,750	\$ 1,068,750	\$ 1,068,750	\$ 1,068,750	\$ 19,148,438
Hourly space parking rate	\$1.80	\$1.80	\$1.80	\$1.90	\$1.90	\$1.90	\$2.00	\$2.00	\$2.00	\$2.00	
# Hourly spaces	525	525	525	525	525	525	525	525	525	525	
Hours of Operation	12	12	12	12	12	12	12	12	12	12	
Days of Operation	312	312	312	312	312	312	312	312	312	312	
Occupancy %	86%	88%	90%	90%	90%	90%	90%	90%	90%	90%	
	\$ 3,042,749	\$ 3,113,510	\$ 3,184,272	\$ 3,361,176	\$ 3,361,176	\$ 3,361,176	\$ 3,538,080	\$ 3,538,080	\$ 3,538,080	\$ 3,538,080	\$ 56,028,445
UNC deck maintenance commitment	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 780,000
Total Deck Operating Revenues	\$ 4,080,249	\$ 4,151,010	\$ 4,221,772	\$ 4,434,301	\$ 4,434,301	\$ 4,434,301	\$ 4,646,830	\$ 4,646,830	\$ 4,646,830	\$ 4,646,830	\$ 75,956,883
Total Deck Operating Expenses	(574,100)	(591,323)	(609,063)	(627,335)	(646,155)	(665,539)	(685,506)	(706,071)	(727,253)	(749,071)	(11,271,422)
	\$ 3,506,149	\$ 3,559,687	\$ 3,612,709	\$ 3,806,966	\$ 3,788,146	\$ 3,768,762	\$ 3,961,324	\$ 3,940,759	\$ 3,919,577	\$ 3,897,759	\$ 64,685,461
Total Deck Debt Service	(1,974,000)	(1,941,100)	(1,908,200)	(1,875,300)	(1,842,400)	(1,809,500)	(1,776,600)	(1,743,700)	(1,710,800)	(1,677,900)	(39,809,000)
Net Cash Flows	\$ 1,532,149	\$ 1,618,587	\$ 1,704,509	\$ 1,931,666	\$ 1,945,746	\$ 1,959,262	\$ 2,184,724	\$ 2,197,059	\$ 2,208,777	\$ 2,219,859	\$ 24,876,461
Cumulative Cash Flows	\$ 6,906,270	\$ 8,524,858	\$ 10,229,367	\$ 12,161,033	\$ 14,106,779	\$ 16,066,041	\$ 18,250,765	\$ 20,447,824	\$ 22,656,601	\$ 24,876,461	

# Parking



Replace parking at:

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



**Net approximately 250 new spaces**

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

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

# Time frame



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

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

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

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

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

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

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

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

# Recommendation



- 1) Open a Public Hearing and Consider Authorizing an Economic Development Agreement for the East Rosemary Downtown Deck & Redevelopment Project.**
- 2) Take public comment and Consider Exchanging 150 E. Rosemary for 125 and 135 E. Rosemary to Support the East Rosemary Redevelopment Project and Parking Deck.**
- 3) Close the Public Hearing, allow a 24-hour comment period, and consider items on 9/30.**