

East Rosemary Redevelopment Proposal



September 30, 2020

CHAPEL HILL

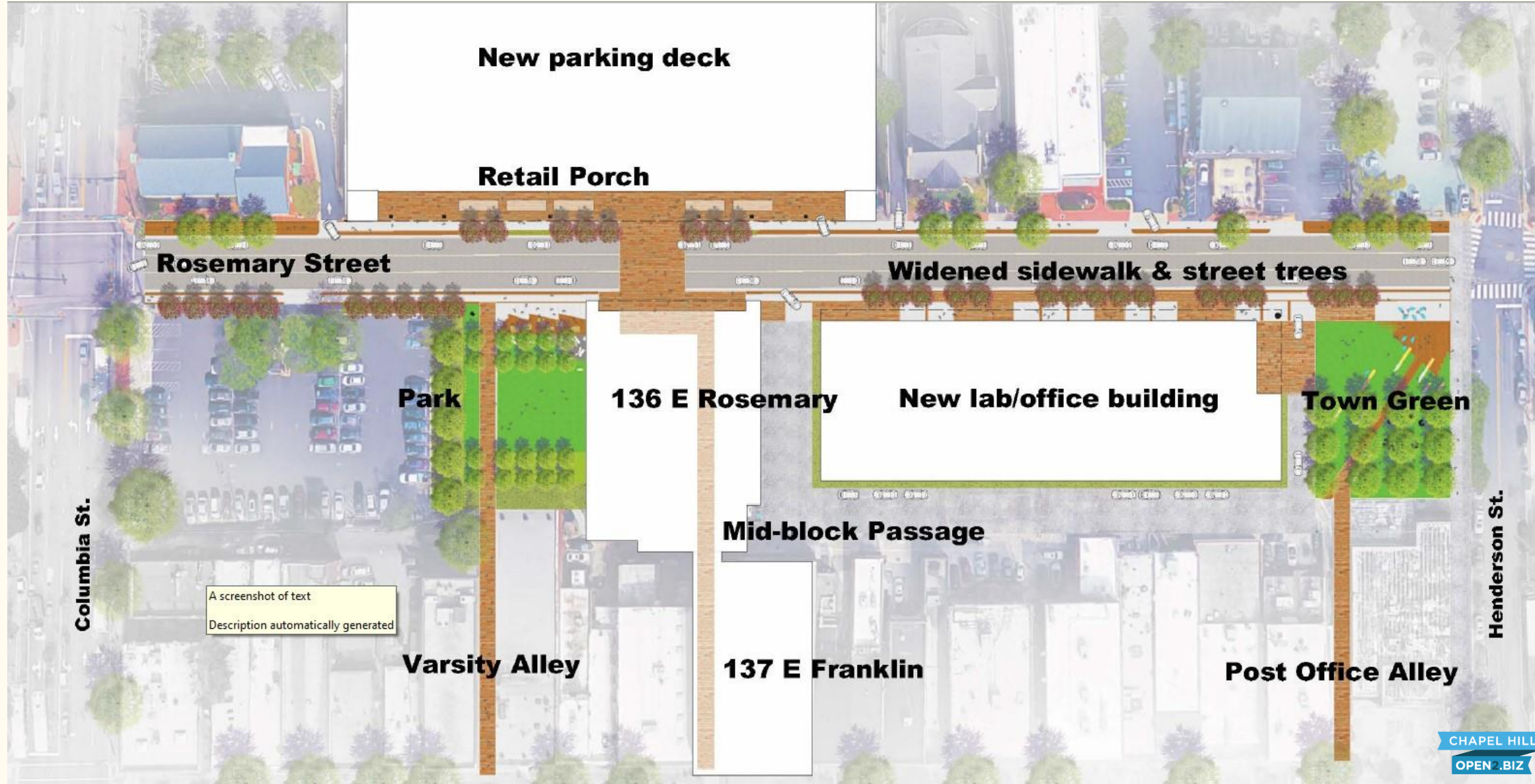
OPEN2.BIZ

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)**
- > Approximately 800 new jobs created in our new innovation district.**
- > 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



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

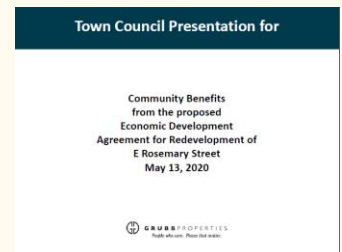
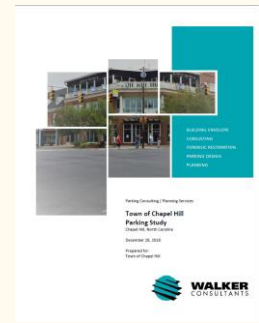
Project review and feasibility



- Council held a meeting with Walker Parking to review the past parking study and understand how this project would fit into our future growth projections. (Walker Parking)
- Council initiated a study on the impacts of the new parking and to see if our demand was sufficient for the 250+/- new spaces. (Business Street – business strategist)
- Council had a review of the mechanics of the deal to determine if the end result was beneficial to the Town from a third party view. (Noell Consulting)
- Grubb Properties made a presentation on their view of community benefits of the project.

Documents related to this project are available at:

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



Project review and feasibility



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

Documents related to this project are available at:

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

Construction



- The Town has a Construction Management Team that will meet monthly to review the current construction status.
- The Town hired Walker Consulting to be our oversight engineer and they have reviewed the current plans and construction budget.
- Grubb Properties, as project manager for the Town, will have a full-time person coordinating and communicating with the Construction Management Team and oversight engineer.
- We have attempted to build in sufficient contingencies to be prepared for any unknowns in the project.

Documents related to this project are available at:

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

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



Businesses »

EAST ROSEMARY STREET REDEVELOPMENT PROJECT

Font Size: [+](#) [-](#) [+ Share & Bookmark](#) [Feedback](#) [Print](#)

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

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

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

Contact

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

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

Recommendation



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



**Future Lab/Office
Building**

**137E Franklin/136E Rosemary
Innovation Hub**

Town Green

**125 E Rosemary
Street Parking Deck**

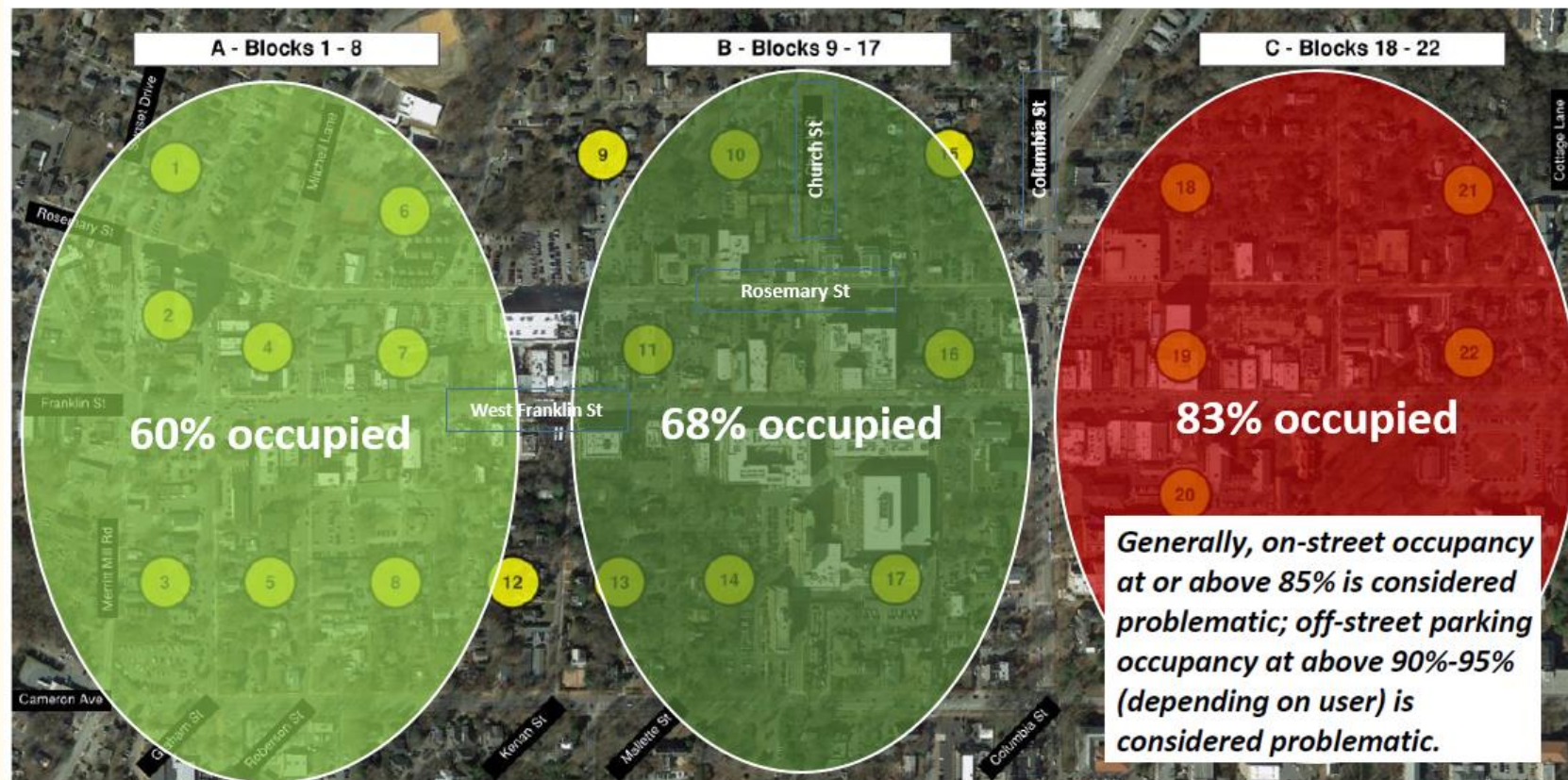
Aerial view from Northeast

Parking



With existing parking demand coupled with the reopening of 137 East Franklin/136 East Rosemary building and the new office building, this new deck will help in the revitalization of the east end of downtown.

Figure 3: Sub-Areas Defined



Source: Walker Consultants

Parking



Replace parking at:

- Wallace Deck,
- CVS Deck,
- Investors Title lot
- 26 spaces at Rosemary/Columbia Parking Lot (for to green space)

Net over 250+ new spaces

- Provides UNC 100 spaces to purchase to support Admissions (outside of net-new spaces)
- If 137 East Franklin/136 East Rosemary, at 118,000SF had a demand for 2 parking spaces per 1,000SF, the demand would be for roughly 236 parking spaces.

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



Parking



Existing Town spaces:

•Lot 2 (Reduction of spaces for green space)		26
•Wallace Deck		309
<u>Total Town spaces</u>		335

Existing Other spaces:

•Replace spaces from 137 Deck (CVS)		285
•Replace spaces at 139 E. Rosemary (Inv. Title)		91
<u>Total Other spaces</u>		376

TOTAL EXISTING SPACES		711
------------------------------	--	------------

New Deck:		1,100
Less: UNC spaces		(100)

TOTAL SPACES IN NEW DECK		1,000
---------------------------------	--	--------------

TOTAL NET NEW SPACES		289
-----------------------------	--	------------



Combined Parking Deck & Office Building TIA Recommendations



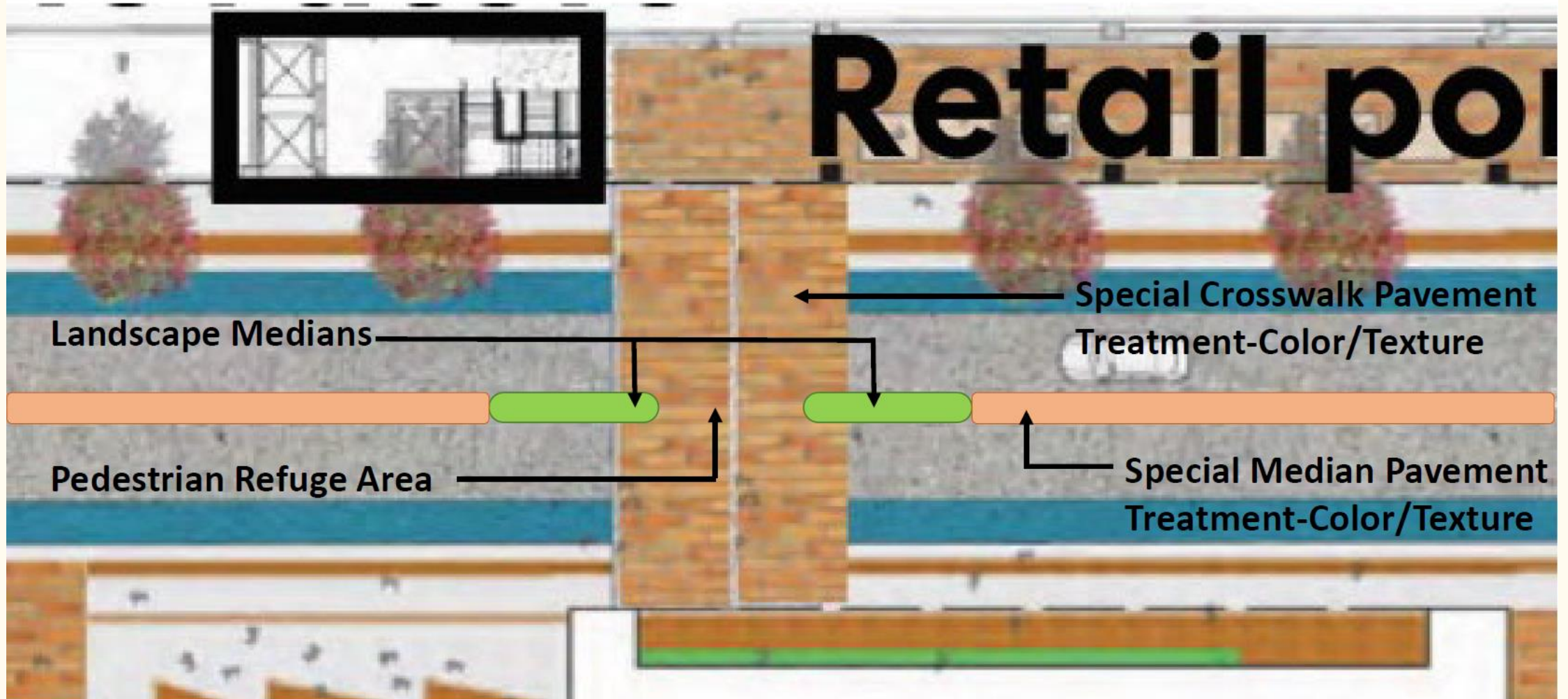
North Street



- Moved drive to first residential parcel for better stacking at North Street/MLK
- Need to evaluate on-street parking on North Street for better traffic flow
- Look at a potential right-turn lane from North Street to MLK
- Full movement traffic light at North Street & MLK (Estimated at \$200,000)



Rosemary pedestrian crossing



East Rosemary Street-Potential Crosswalk Treatment

Rosemary pedestrian crossing



East Rosemary
Street-Potential
Crosswalk Treatment

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
- Model assumes:
 - New rates for leased and hourly spaces as of August 1st
 - Market adjustment of rate structure every three years
 - Occupancy % growth over time
 - 3% inflationary growth on expenses
- Projections reflect \$24.9 million net cash flows over 20 years
- Key Takeaway - Projections reflect a positive annual cash flow

Parking Deck Revenue & Expense Projections



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

Key Takeaway:

Based on assumptions included in this model, the Rosemary Deck project will yield a positive annual cash flow.

Economic Development Agreement



- ❖ **The Economic Development Agreement has its basis in the March Memorandum of Understanding and on-going Council consideration.**

The basic terms of the EDA are largely carried over from the MOU. There has been substantial negotiation over business points between the Town and Grubb, and multiple Council discussions of the proposed terms of the MOU and then the EDA. There were opportunities for public comment at the time of Council's consideration of the MOU, as well as at the September 9 formal public hearing. The land swap does not, as a legal matter, require any public hearing or public comment period, but the Town provided that opportunity on September 9 as well.

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

The draft presented to Council tonight resolves all known points of disagreement between the parties. It achieves the expressed Town goals with well-defined and well-managed risk. By approving the EDA, Council approves the current forms of the ancillary agreements as substantially final, and authorizes the Manager to complete and sign those agreements at the appropriate times.

Economic Development Agreement



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

The 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, and Grubb will also make a \$400,000 cash payment.

❖ 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 disruption as work proceeds on the New Deck and new office building.

New Deck 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 – expected to be by the end of March. The land swap will occur at this same time.

Economic Development Agreement



- ❖ **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.

Economic Development Agreement



- ❖ **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.

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**



Time line



- September 2020 – Secured review of current construction budget and design by Walker Consulting
- September 2020 - Consider EDA
- October 2020 – Execute Investor Title LOI
- October 2020- Investor Title due diligence
- November 2020 – Purchase and sale agreement for Investor Title
- November 2020 – Concept plan for office building
- February 2021 – Final construction numbers from Samet
- March 2021 – Bond debt authorization by Council
- April 2021 – Local Government Commission
- April 2021 – Council authorization of final debt
- April 2021 – Sign the construction contract
- April 2021 – Land exchange
- May 2021 – Begin construction/ deadline for property exchange
- November 2021 – Consider entitlement of office building

Recommendation



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



- **Adopt R-7 authorizing the Town Manager to make minor non-substantive changes and to sign an economic development agreement for consideration of redevelopment on East Rosemary Street**
- **Adopt R-8 authorizing the Town Manager to proceed with acquisition and land exchange to support the East Rosemary redevelopment and the construction of a parking deck**
- **Adopt R-9 reimbursing the Town for East Rosemary deck expenditures**