



# TOWN OF CHAPEL HILL

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

## Legislation Text

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File #: [20-0186], Version: 1

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### **Consider Authorizing a Memorandum of Understanding for the East Rosemary Downtown Redevelopment Project.**

#### **Staff:**

Maurice Jones, Town Manager  
Dwight Bassett, Economic Development Officer  
Amy Oland, Director

#### **Department:**

Manager's Office  
Economic Development/Manager's Office  
Business Management

#### **Overview:**

On the east end of Downtown, Grubb Properties acquired the 137 East Franklin office building and parking deck in 2019 with the intention of turning the building into Class A office space that would attract innovative companies with an eye toward technology and biotechnology.

Grubb is now considering a larger redevelopment project on East Rosemary Street that would build upon the inspiration behind the 137 East Franklin Street Building. Their vision would transform East Rosemary Street into an **Innovation Hub** in Downtown Chapel Hill.

The East Rosemary Downtown Redevelopment Project would require the exchange of the Town's ownership stake in the Wallace Parking Deck for Grubb Properties' ownership of the 137 East Franklin (CVS) Parking Deck and adjacent parcel(s). The project could potentially result in the creation of a new 200,000 square foot office building (on the existing Wallace Deck site) and a new parking deck (on the existing CVS Deck site) with upwards of 1,100 parking spaces to meet the growing needs of our Downtown businesses. Additionally, the University of North Carolina at Chapel Hill (UNC) is exploring the possibility of joining this Innovation Hub and committing to other uses at the 137 East Franklin building. UNC is also in the early stages of designing a new Admissions Center which would be adjacent to Porthole Alley on East Franklin Street.

In 2019 the Town Council passed a set of strategic goals and objectives that focused on seven goal areas. Many of those goals and objectives align directly with the proposal before the Council this evening.

The Town of Chapel Hill has affirmed in recent years its commitment to strengthening its fiscal and economic sustainability by enhancing its Downtown business corridor. The Town has encouraged the development of new office space, a market that until recently had remained stagnant for over a decade. Several new projects will assist with improving the office market for Chapel Hill.

In 2019, Well Dot Inc. announced its plans to invest \$3 million to establish a new operations and corporate center along Franklin Street in Chapel Hill that will create about 400 high-paying jobs over a five year period of time. Grubb Properties also announced its intentions to move forward with the creation of new office space as part of its Glen Lennox redevelopment project.

#### Memorandum of Understanding (MOU) Summary

- Exchange properties (the Wallace Deck in exchange for the CVS Deck and adjacent parcel), with

- a cash payment settling any difference in value.
- Grubb will entitle, design and build (on Town's behalf) the New 1100 space Deck on the CVS Deck Property and adjacent parcel and apply by March 6, 2020 for all necessary land use approvals for the New Deck construction.
- The Town will pay the total cost of the New Deck.
- Complete the EDA by June 30, 2020.
- Grubb will complete TIA that includes an analysis of the expected impact of the New Deck, and the New Office Building.
- If full entitlement has not been completed by June 30, 2020, Grubb will be unlikely to realize its expected full value of the Project and may therefore cease work and negotiation.
- Grubb will design the New Deck to sit on the CVS Deck Property plus the a Lot to include 1100 standard sized parking spaces
- The parties will work together to include in the design the following features:
  - Parking and charging stations for electric vehicles
  - Pedestrian connection from the New Deck to Franklin Street
  - Solar energy collection facilities on the roof of the New Deck
  - Rosemary Street-side activation of the parking deck (ex: incorporation of a green space, retail use, or other public activity space)
- The parties will work together on a parking and construction management plan to minimize the disruption and adverse effects of the New Deck/New Office Building construction.
- Grubb must begin construction (which may include the start of demolition) by September 1, 2020, subject to receipt of all necessary permits and entitlements. Grubb may extend that deadline to no later than December 1, 2020. The New Deck must receive a complete certificate of occupancy for all its intended functions not later than September 30, 2021.
- Town will require approval of the North Carolina Local Government Commission by early October, 2020 to secure financing. To meet this deadline, the Town must have a guaranteed maximum price construction contract for the New Deck approved by the Town not later than September 5, 2020.
- Town will seek a professional, independent opinion on the fairness of the stated final project cost. The parties will work together to resolve any dispute about the fairness of the cost, seeking to complete such resolution on or before September 5, 2020.
- The Town will make available to Grubb and its contractors a construction staging area in Lot 2. At the end of the construction activity, Grubb will consult with the Town and then restore the staging area with suitable plantings and other development as a small urban park or green space.
- The parties agree that their current understanding of Grubb's plans for the building and its design include the following:
  - An office building with wet lab comprising approximately 200,000 square feet.
  - A building profile that steps back from the street above the fourth above-ground level on Rosemary Street.
  - A Town Square - public space at corner of Rosemary and Henderson Streets, developed in conjunction with the building.

Other provisions to be included in the EDA

- Provisions for any future owner of the Wallace Deck Property that is not subject to paying ordinary ad valorem taxes to the Town to make an alternative payment to the Town.
- The Town expects to negotiate additional community benefits from the development of the New Deck and the New Office Building.
- Dual role as land use regulator - The Town acts in separate capacities as a party to a business agreement such as this and the 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.
- Agreements subject to Council approval - The Town's entering into the final EDA, the final agreement to exchange properties and any other required agreements, including agreements related to financing the New Deck, is subject to the Council's approval of substantially final

documents, in some cases after taking comment at public hearings. The Town makes no representation, and can give no assurances, that any further approvals necessary will be forthcoming at any time. Council approval and authorization includes any debt issuance for this project and the EDA will include a non-appropriation clause.

**Recommendations:**

That the Council authorize the Town Manager to make minor non-substantive changes and sign a non-binding Memorandum of Understanding with Grubb Properties regarding a redevelopment project on East Rosemary Street and to proceed with the drafting of an Economic Development Agreement for consideration by Council.

**Decision Points:**

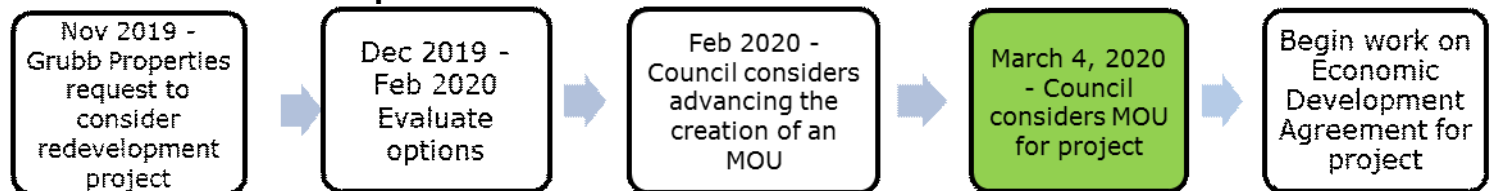
- Selling the Wallace Deck in exchange for the 137 East Franklin (CVS) Parking Deck and adjacent parcel(s) for the creation of a new 1100 space parking deck and other community benefits.
- Supporting a job creating office and wet-lab building totaling 200,000SF.
- Scheduling a public information session to gather additional input from the community (February 27, 2020 at Top of the Hill Great Room, 6:00pm).

**Key Issues for Consideration:**

- Consolidation of various parking facilities on East Rosemary and constructing a new 1100 space parking deck (entitled by June 2020).
- Creation of 200,000SF of wet lab and office space to support job growth, retention of UNC companies, support for existing businesses, and innovation in downtown.

**Fiscal Impact/Resources:** Approximately \$27.3 million in debt to support the new parking deck and parking revenue. Pay off the existing \$1.4 million Wallace Parking Deck debt. Creation of approximately \$50 million in value for new office building, enhancing the Town’s tax base.

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



**Attachments:**

- Resolution
- Draft Staff Presentation
- Draft Memorandum of Understanding

**A RESOLUTION AUTHORIZING THE TOWN MANAGER TO MAKE MINOR NON-SUBSTANTIVE CHANGES TO AND SIGN A NON-BINDING MEMORANDUM OF UNDERSTANDING FOR CONSIDERATION OF REDEVELOPMENT ON EAST ROSEMARY STREET AND TO PROCEED WITH THE DRAFTING OF AN ECONOMIC DEVELOPMENT AGREEMENT FOR CONSIDERATION BY COUNCIL (2020-03-04/R-9)**

WHEREAS, Chapel Hill Town Council desires to strengthen downtown and meet market needs; and

WHEREAS, the Town Council wants to work to strengthen and retain business growth from research on UNC's campus, and

WHEREAS, Grubb Properties presented an opportunity to exchange property to facilitate the creation of a new 200,000SF office building and 1100 space parking deck in downtown, and

WHEREAS, this project can add to the economic vitality of downtown year round,

NOW, THEREFORE, BE IT RESOLVED by the Council of the Town of Chapel Hill that the Council authorizes the Town Manager to make minor non-substantive changes and to sign a non-binding Memorandum of Understanding with Grubb Properties regarding a redevelopment project on East Rosemary Street and to proceed with the drafting of an Economic Development Agreement for consideration by Council.

This the 4<sup>th</sup> day of March, 2020.

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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  
Dwight Bassett, Economic Development Officer  
Amy Oland, Director of Business Management  
Clay Grubb, Grubb Properties

RECOMMENDATION: That the Council authorize the Town Manager to make minor non-substantive changes and sign a non-binding Memorandum of Understanding with Grubb Properties regarding a redevelopment project on East Rosemary Street and to proceed with the drafting of an Economic Development Agreement for consideration by Council.