



Legislation Text

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Consider Proposed East Rosemary Downtown Redevelopment Project.

Staff:

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

Department:

Manager's Office
Economic Development
Business Management

Overview: 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.

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:

Economic and Financial Sustainability

Attract and retain companies that create jobs in Chapel Hill

**** Strengthen UNC Town Gown economic development Partnerships***

UNC is exploring leasing space in the new projects in Downtown and is also planning to move its Admissions Center near East Franklin Street.

** Add commercial office space to the Town to locate Businesses*

The project could add nearly 200,000 square feet of office space and attract other development opportunities.

** Obtain new and innovative technology solutions to attract and retain businesses that create jobs in Chapel Hill*

** Strengthen and facilitate the ecosystem for entrepreneurship and innovation*

The new Innovation Hub is expected to create over 800 jobs in Downtown, attract new entrepreneurs and retain the businesses that began in Chapel Hill but have outgrown their space.

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

** Add more Downtown business and visitor anchors (Market Drivers)*

Significant amount of new office space along with UNC Admissions Center move to East Franklin Street.

** Invest in Downtown infrastructure*

Significant investment in parking, streetscape improvements and multi-modal improvements along East Rosemary Street.

** Conduct Downtown parking analysis and policy expectations (meet demand)*

There is a need for additional parking in Downtown especially as new office space is created. This project could meet both the present and future needs of Downtown businesses.

The new garage would be managed in a way that ensures self-sufficiency for the project.

Adopt a budget strategy that aligns Town revenues and expenses

** The new office building would bring \$80 million+ in new investment into Downtown that could result in over \$270,000 in tax revenue.*

** The 800 new jobs could have a positive financial effect on the rest of Downtown. One internal estimate has placed the expected value of support for Downtown businesses at \$4.2 million.*

Environmental Stewardship

Invest in green infrastructure and build community resiliency

Increase solar infrastructure

* Both projects will include solar infrastructure on their rooftops including the possibility of a solar canopy on the top floor of the new parking deck

Continue electric vehicle infrastructure investment

* Both projects will offer Electric Vehicle charging stations

Connected Community

Continuously monitor and address road infrastructure utilization throughout the town of Chapel Hill

** A Traffic Impact Analysis (TIA) will be conducted for both projects*

** The Town will be reviewing options to minimize the traffic effects on East Rosemary Street*

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

* Improving the streetscape along East Rosemary Street and enhancing the pedestrian and bicycling experience and increasing safety for multi-modal transportation is a key goal of the Town and Grubb Properties

There are several challenges associated with these projects that the Town and Grubb Properties would need to address:

- **Traffic on East Rosemary Street.** With the consolidation of parking and the addition of new parking spaces in the garage there will be a need to closely examine the impacts on traffic. The Town will be initiating a TIA for both the new office building and the parking garage that will assist in determining any mitigation that may be needed.
- **Expediency of the projects.** There is a sense of urgency related to these projects as a result of time constraints associated with the requirements of the Opportunity Zone. The parking garage would need to be under construction by the fall of 2020 in order to meet the deadline for the completion of the new office building. The entitlement process, however, for both projects will be independent of each other and will offer opportunities for public engagement and input from the Town's advisory boards, including a Public Information Session on Thursday February 27th at 6:00 pm.
- **Cost of the parking garage.** The Town will need to support a bond of roughly \$28 million to construct the new garage. However, unlike other capital projects, this project, once open will generate revenue for the Town that will assist in paying off the debt service. It is the goal of the Town to make this project, and ultimately the entire parking enterprise fund, self-sufficient through improved parking and rate management.

Recommendations:

That the Council authorize the Town Manager to draft a non-binding Memorandum of Understanding (MOU) with Grubb Properties and return to Council on March 4, 2020 for further discussion and consideration.

Decision Points:

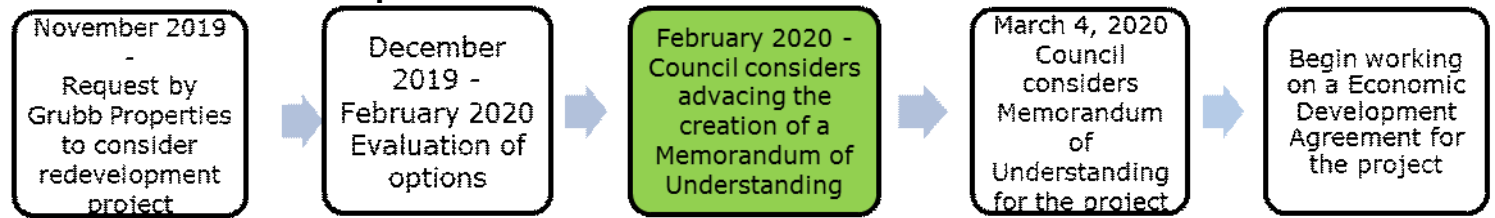
- Selling the Wallace Deck in exchange for the 137 East Franklin (CVS) Parking Deck and adjacent parcel(s) for the creation of a new 1100 space parking deck.
- Supporting a job creating office and wet-lab building totaling 200,000SF.
- Scheduling a public information session to gather additional input 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 \$28.5 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 \$80 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

A RESOLUTION AUTHORIZING THE TOWN MANAGER TO RETURN TO COUNCIL ON MARCH 4, 2020 WITH A DRAFT NON-BINDING MEMORANDUM OF UNDERSTANDING FOR CONSIDERATION OF REDEVELOPMENT ON EAST ROSEMARY STREET(2020-02-19/R-6)

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; 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 authorize the Town Manager to draft a non-binding Memorandum of Understanding with Grubb Properties regarding a redevelopment project on East Rosemary Street and return to Council on March 4, 2020 for consideration.

This the 19th day of February, 2020.

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 draft a non-binding Memorandum of Understanding with Grubb Properties and return to Council on March 4, 2020 for consideration.