



## Legislation Text

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File #: [20-0643], Version: 1

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### **Consider Authorizing an Economic Development Agreement for the East Rosemary Downtown Deck & Redevelopment Project.**

**Special Note: There may be minor changes to the Economic Development Agreement and the Wallace Deck Lease that may be shared early next week with the Council and Public.**

**Staff:**

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

**Department:**

Town Manager  
Town Manager  
Business Management  
Sanford Holshouser

**Overview:** The Town of Chapel Hill is committed to strengthening its fiscal and economic sustainability by enhancing downtown. The Town encourages developing new office space, which was stagnant for over a decade, to help strengthen the economy of downtown.

Several new projects will assist with improving the office market for Chapel Hill in general.

- 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 is building a new 100,000SF office building at Glen Lennox and other office buildings are in consideration.
- Downtown needs office space to begin to move the economy toward a vibrant and business supported district.

This current vision for East Rosemary project came about from Grubb Properties acquisition of the 137 E. Franklin/136 E. Rosemary building and parking deck. There have been many conversations about the possibility of this becoming an innovation hub for downtown with participation by UNC and other organizations. As a part of that idea and vision, Clay Grubb had his team to explore a larger vision that included the redevelopment of East Rosemary in general. He was asked to focus on a singular project that could begin to change the east end of downtown. This vision landed is to begin with a new office building with wet lab and 1100 space parking deck.

Downtown and more specifically the east end of downtown has needed reinvestment to help in building a strong economic climate for all of downtown. Both the existing Grubb building and the proposed office building would work to tap the Meds/Eds/Beds (medical, education and hospital/hospitality) sectors of our market. We believe we have tremendous potential for growth of entrepreneurial technology companies as well as retaining some of the research from UNC with biotechnology companies.

Council began meeting with Clay Grubb and Grubb Properties in December of 2019 and continued at least monthly in public, committee and closed sessions to arrive at the project we are presenting today. Much consideration has been given to the impacts and financial consideration and whether this is the right project for the times we are in.

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 will 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 up to 1,100 parking spaces to meet the needs of our Downtown. That will mean approximately 250 new parking spaces for the east end of downtown which according to our Parking Study in 2018 had a high occupancy and a need for new spaces. This new office and lab space could house as many as 800 new jobs to help in supporting downtown. 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. This Admissions building would be parked in the new parking deck with 100 spaces acquired by the University.

This project in parallel has been progressing through our planning process to allow the Town to grant rights for the construction of a new parking deck to the Town as well as negotiating the legal agreements. There will also be the entitlement of the new office building on the current site of the Wallace Deck and we expect the concept plan to be submitted by the end of November of 2020.

Much of the information about this project is available on the Town's web site at <https://www.townofchapelhill.org/businesses/east-rosemary-street-redevelopment-project>.

#### Legal Agreements:

**Economic Development Agreement** - This Agreement follows the framework established by the adopted Memorandum of Understanding and define key issues and point as a part of the overall project.

**Wallace Deck Lease and Management Agreement** - Provides for the Town to lease, operate and manage the Wallace Deck after the land exchange, while the new parking deck is being constructed, and then for a limited time prior to the construction of the new office building

**UNC Letter of Intent** - Allows the University to acquire 100 parking spaces after construction to be used to support the redevelopment of Porthole Alley redevelopment.

**Construction and Reimbursement Agreement (Improvement Agreement)** - Contract with Grubb Properties to manage and build a 110 space parking deck on behalf of the Town; sets the standard for reimbursement of construction dollars.

**Lot 2 Construction License Agreement** - Allows Grubb Properties to use the lower third of Lot 2/Rosemary-Columbia Parking Lot for construction material management and also the location of a crane for both the construction of the parking deck and re sheathing of the 137 East Franklin building.

If Council adopts the resolution for the Economic Development Agreement, Business Management staff will work to begin draft an Agenda Item for the financing of the parking deck and return to Council for consideration. The goal is that if we proceed to meet with the Local Government Commission for the debt authorization by early 2021.

It is anticipated a Zoning Compliance Permit application would be submitted by Mid November 2020. Grubb would also submit a simultaneous application for the Zoning Compliance and Building Permit with hopes of breaking ground on the new deck around the April/May 2021.

**Recommendations:** That the Council authorize the Town Manager to make minor non-substantive changes and sign the Economic Development Agreement with Grubb Properties regarding a redevelopment project on East Rosemary Street and to proceed with work toward financing the Parking Deck.

#### **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.

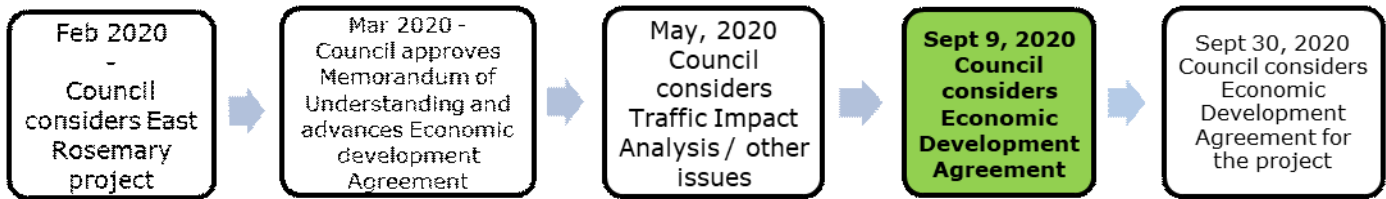
- Supporting a job creating office and wet-lab building totaling 200,000SF.

**Key Issues for Consideration:**

- Consolidation of various parking facilities on East Rosemary and constructing a new 1100 space parking deck.
- 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 \$32.9 million in debt to support the new parking deck. 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
- Economic Development Agreement
- Wallace Deck Lease/Management Agreement
- UNC Letter of Intent
- Construction and Reimbursement Agreement
- Lot 2 Construction Laydown Site Agreement
- Preliminary Construction Approach

**A RESOLUTION COUNCIL TO AUTHORIZE THE TOWN MANAGER TO MAKE MINOR NON-SUBSTANTIVE CHANGES AND TO SIGN AN ECONOMIC DEVELOPMENT AGREEMENT FOR CONSIDERATION OF REDEVELOPMENT ON EAST ROSEMARY STREET (2020-09-30/R-7)**

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 authorizes the Town Manager to make minor non-substantive changes and to sign an Economic Development Agreement with Grubb Properties regarding a redevelopment project on East Rosemary Street, as described in the September 30 meeting materials.

This the 30<sup>th</sup> day of September, 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,  
Bob Jessup, Sanford Holshouser

- a. Introduction and revised recommendation
- b. Comments and Questions by the Mayor and Town Council
- c. Comments from the public
- d. Motion to adopt the resolution to authorize the Economic Development

RECOMMENDATION: That the Council authorize the Town Manager to make minor non-substantive changes and sign an Economic Development Agreement with Grubb Properties regarding a redevelopment project on East Rosemary Street.