



TOWN OF CHAPEL HILL

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

Item Overview

Item #: 13., **File #:** [19-0037], **Version:** 1

Meeting Date: 1/16/2019

Update on the Negotiations for the Amity Station Development Agreement.

See Staff Report on next page.

The Agenda will reflect the text below and/or the motion text will be used during the meeting.

PRESENTER: Amity Station Council Subcommittee Member

RECOMMENDATION: That the Council consider adopting the attached Resolution, authorizing the Town Manager to work with the Amity Station Council Subcommittee to proceed with Development Agreement negotiations.



UPDATE ON THE NEGOTIATIONS FOR THE AMITY STATION DEVELOPMENT AGREEMENT

STAFF REPORT

TOWN OF CHAPEL HILL PLANNING DEPARTMENT

Ben Hitchings, Director

Judy Johnson, Operations Manager

PROPERTY ADDRESS 318-326 West Rosemary Street	BUSINESS MEETING DATE January 16, 2019	APPLICANT CA Ventures
AMITY STATION COUNCIL SUBCOMMITTEE'S RECOMMENDATION That the Council adopt the attached Resolution, authorizing the Town Manager to work with the Amity Station Council Subcommittee to proceed with Development Agreement negotiations.		
DEVELOPMENT AGREEMENT PROCESS		
UPDATES Since the summer of 2018, the Amity Station Council Subcommittee has met three times to review several possible development scenarios proposed by the applicant team. After reviewing and discussing the possible scenarios, the Council Subcommittee is before the Council this evening to propose proceeding with the Development Agreement negotiations.		
DECISION POINTS There are four types of topics for the Amity Station Development Agreement: Policy issues, Technical issues, Fiscal issues, and Legal issues.	BACKGROUND At the October 11, 2017 ¹ Council meeting, the Council created an Amity Station Council Subcommittee, comprised of Council members Anderson, Bell, Oates, and Parker, to initiate development agreement negotiations and authorized the Town Manager and Town Attorney to support the effort. Six negotiation sessions between the applicant and the Amity Station Council Subcommittee, facilitated by the Dispute Settlement Center, were held between January 2018 and May 2018. Negotiations were delayed over the issue of tenant age limitations, with the Amity Station Council subcommittee desiring a minimum age of 22 years and the applicant team requesting a minimum age of 21 years. During the summer of 2018, the applicant team continued exploring options and proposed to re-open negotiations on the project with a provision to limit the minimum tenant age to 22 years. Additional project information is available at this link: https://www.townofchapelhill.org/town-hall/departments-services/planning-and-sustainability/development-projects/development-activity-report/amity-station .	
A. Policy Issues: The Council Subcommittee has identified the following key issues: <ul style="list-style-type: none"> • Age restrictions, including whether undergraduate students are allowed to live there; • Scope of Development (height and density), including what the project looks like along Rosemary Street, and how the project transitions to the Northside neighborhood; • Permitted uses and mix of uses; and • Community Benefits including affordable housing, commercial/entrepreneurial space, and public parking. 	B. Technical Issues: These Development Agreement items would be technical or staff recommendations, with public input, and then brought to Council for final approval. Technical Focus items would generally default to existing standards in the Land Use Management Ordinance or in the Town Code;	
C. Fiscal Issues: The applicant has requested tax incentives; and	D. Legal Issues: Items that need to be included in the Development Agreement as North Carolina statutory or factual requirements noted as legal team responsibilities.	
ATTACHMENTS	<ol style="list-style-type: none"> 1. Resolution authorizing reopening of Development Agreement negotiations by the Amity Station Council Subcommittee 2. Amity Station Council Subcommittee Feedback 3. CA Ventures Letter dated August 16, 2018 4. CA Ventures Proposal for Amity Station November 2018 5. Market Analysis by Noell Consulting Group 6. Follow-up information requested by Council November 18, 2018 	

¹ http://chapelhill.granicus.com/MetaViewer.php?view_id=21&clip_id=3299&meta_id=179337

A RESOLUTION TO PROCEED WITH NEGOTIATIONS ON A DEVELOPMENT AGREEMENT FOR AMITY STATION AND AUTHORIZE THE TOWN MANAGER AND TOWN ATTORNEY TO ORGANIZE AND SUPPORT THE AMITY STATION COUNCIL SUBCOMMITTEE'S EFFORT (2019-01-16/R-6)

WHEREAS, a Development Agreement has been identified as a regulatory tool between the Town and developers to guide future development; and

WHEREAS, on [October 11, 2017](#)¹, the Council of the Town of Chapel Hill authorized creation of an Amity Station Council Subcommittee, with Council members Jess Anderson, Donna Bell, Nancy Oates, and Michael Parker, to proceed with negotiations, consistent with the guiding principles in the West Rosemary Street Development Guide and community input for a Development Agreement for 318-326 West Rosemary Street; and

WHEREAS, on June 6, 2018, the Amity Station Council Subcommittee informed the Council of the Town of Chapel Hill that negotiations had reached a delay over the issue of tenant age limitations; and

WHEREAS, the Amity Station Applicant Team has brought forward a revised proposal to the Council Subcommittee for consideration, and the Council Subcommittee has met three times to discuss it, ask questions, and clarify information.

NOW, THEREFORE, BE IT RESOLVED by the Council of the Town of Chapel Hill that the Amity Station Council Subcommittee proceed with negotiations with the Amity Station Applicant Team, consistent with community input, and that the Town Manager and Town Attorney continue to organize the resources to support this effort.

This the 16th day of January, 2019.

¹ http://chapelhill.granicus.com/MetaViewer.php?view_id=21&clip_id=3299&meta_id=179337

Council Subcommittee Feedback
Amity Station Development Agreement

Topic	Council Subcommittee Feedback
Tenant Age	Subcommittee in agreement on a minimum tenant age of 22 years.
Community Benefits	Affordable housing was one of the top community benefits; Entrepreneurial space and public parking spaces were also considered.
Affordable Housing	Top priority of several subcommittee members; 18 affordable units were proposed.
Public Parking	Concern about additional traffic on Rosemary Street; additional internal discussions necessary
Entrepreneurial Space	Interest in activating first floor; potentially subsidizing rents; additional internal discussions necessary
Density Bonus	Subcommittee willing to consider a density bonus
Tax Abatement	To be considered if public parking part of scenario
Solar Setback exemption	Uniform agreement in not granting a solar exemption

August 16, 2018

Mary Jane, Andy, Council Sub-Committee members and DA Committee members,

Shown below, additional concessions have been made to the Modified Development Proposal offered on May 29, 2018. These concessions result from additional research by the development team and from preliminary feedback from the Northside Community subsequent to that date.

SUMMARY OF CHANGES

From:

80% residential tenant base equal to 21+ years of age without regard to class status and
20% residential tenant base equal to or under 21 years of age without regard to class status.

To:

100% residential tenant base equal to 22+ years of age without exception.

This concession could potentially have an economic impact on the developer and the likelihood of a successful project. As such, the developer would anticipate the city's assistance in addressing the financial gap, if any, as identified by the Noell Consulting Group's analysis by means of:

1. Development density increase. 2. Other to be determined, e.g. Financial offset via tax abatement and/or permit/impact fee waiver/etc.

From:

No position

To:

Requiring the person on the lease to be the person occupying the unit; not allowing parent/guardian to sign with the student occupying the unit.

From:

No preference

To:

Actively promote/encourage the development of commercial square footage to better provide resources conducive to entrepreneurship. Potential commercial square footage estimated at 15,000 square feet or greater.

This concession could also have an economic impact on the developer and the likelihood of a successful project. As such, the developer would anticipate the Town's assistance in addressing the financial gap, if any, as identified by the Noell Consulting Group's analysis by means of:

1. Development density increase. 2. Other to be determined, e.g. Financial offset via tax abatement and/or permit/impact fee waiver"

From:

Look back verification of age and status audit

To:

Proactive verification of age and status audit to begin during the initial and subsequent lease-up phases.

From:

"Most Favored Nation clause"

To:

This request is deleted

Thank you for your consideration of these changes in our overall plan. We hope that they have a positive impact during your upcoming deliberations and ultimately can be factored into a financially successful and aesthetically pleasing development within the Council's desired building envelope.

Francisco Rios
Chris Johnson
Larry T. Short
Amity Station Development Team



Amity Station Proposal

November 2018

Q&A

- Is some measure of surface parking possible with this project?
 - Because of the size of the site (~2 acres), surface parking is not possible on the site and would remove the ability to provide commercial and residential square footage on the site. Furthermore, would result in less annual taxes to the Town
- Please provide a side by side comparison of the cost of a market rate residential unit versus an affordable unit
 - See page 4
- Can we apply additional value offered in Scenario 3 to provide other community benefits instead of public parking?
 - Scenario 3 assumes no solar setbacks
 - Yes, removing the public parking and maintaining the \$300,000 in tax abatement would allow the model to (1) absorb additional affordable housing units of approximately 20-30%, depending on the percentage of AMI; and, (2) up to an 80% discount to commercial rents
- If front-loading tax abatement has more value to the developer, how much more community benefit could you provide with this arrangement?
 - No, the front-loading of the tax abatement has the same value to the developer as if it were spread over 15 years. For example, in scenario 3, the value of the tax abatement today is \$2.8. The front-loading of this tax abatement results in approximately the same community benefits – (1) absorb additional affordable housing units to approximately 20-30%, depending on the percentage of AMI; and, (2) up to an 80% discount to commercial rents

Q&A Cont'd

- How much more community benefit would the developer provide if you could do it off site?
 - This is uncertain as it would require the evaluation of several variables, including site acreage, land cost, construction cost and location
- Can you provide more information on what the development might look like? Will it have a high quality appearance?
 - The development will be an institutional quality asset and be of high quality
- Is the developer proposing to block Nunn Alley?
 - No
- Would the developer be willing to improve Nunn Alley up to Town standards?
 - Open to discussing.

Side-by-Side of Market Rate vs. Affordable Housing

- The value of a market rate unit is approximately \$45K, and the cost of an affordable housing unit is approximately \$52K.

	<u>Unit Analysis</u>		<u>Total Analysis</u>	
	Market Rate <u>Unit</u>	Affordable Housing <u>Unit</u>	Market Rate <u>Total</u>	Affordable Housing <u>Total</u>
Development Cost	\$49,009,148	\$49,009,148	\$49,009,148	\$49,009,148
Units	208	246	208	246
Per Unit Cost	\$235,621	\$199,224	\$235,621	\$199,224
Rent	\$1,650	\$1,035	\$4,808,732	\$3,146,980
Vacancy	(\$83)	(\$52)	(\$240,437)	(\$157,349)
Parking Revenue	\$125	\$125	\$305,292	\$305,292
Other Revenue	\$350	\$350	\$84,516	\$84,516
Total Revenue	\$2,043	\$1,458	\$4,958,103	\$3,379,438
Expenses				
Management Fee	\$894	\$514	\$185,929	\$126,505
G&A	\$242	\$212	\$50,437	\$52,097
Marketing	\$239	\$179	\$49,623	\$43,911
Insurance	\$193	\$144	\$40,088	\$35,473
Taxes	\$3,002	\$2,534	\$624,460	\$623,419
Utilities	\$1,521	\$1,363	\$316,544	\$335,232
Payroll	\$1,725	\$1,386	\$358,806	\$340,983
Maintenance	\$307	\$230	\$63,801	\$56,457
Turnover	\$223	\$168	\$46,787	\$41,402
Total Operating Exp.	\$8,346	\$6,730	\$1,736,475	\$1,655,479
Net Operating Income	(\$6,304)	(\$5,272)	\$3,221,628	\$1,681,009
Required Capital Reserve	\$150	\$150	\$42,951	\$42,951
Return on Cost	-2.74%	-2.72%	6.49%	3.34%

Enterprise Value Analysis

NOI	\$3,221,628	\$1,681,009
Cap Rate	5.50%	5.50%
Valuation	\$58,575,062	\$30,563,796
Per Unit	\$281,611	\$146,941
Incremental Value to Developer (Enterprise Value - Cost to Build)	\$45,990	(\$52,283)

Executive Summary

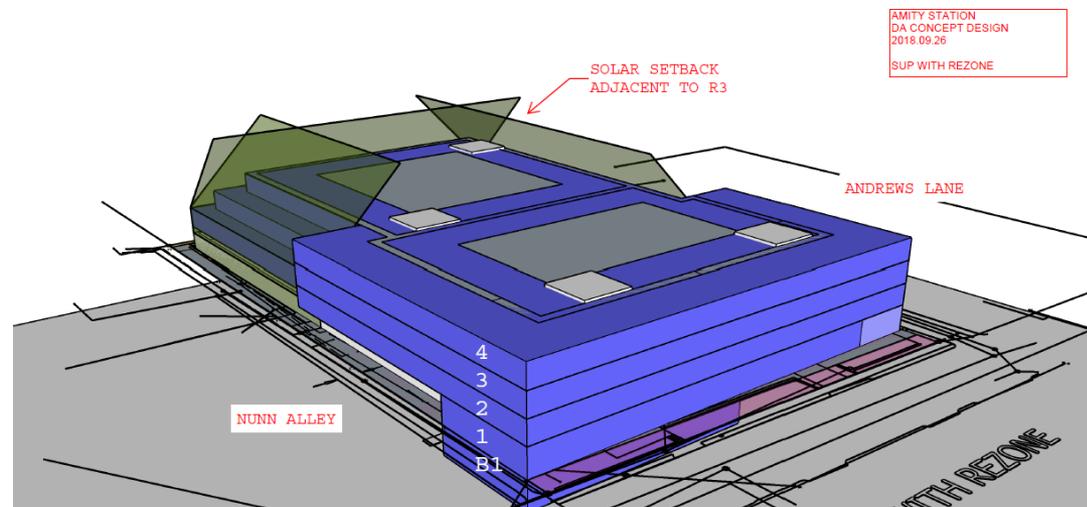
- The Amity Station development team (“Amity”) has prepared scenarios of potential alternatives based on the financial analysis performed by the Noell Consulting Group (attached as Exhibit A)
- The scenarios herein are suggestions and the Amity team is open to other scenarios which may better achieve the community benefits the council desires
- Amity has proposed the following community benefits to the project:
 - Commercial space of 14,465 SF
 - 10% affordable units at 80% of AMI
 - Live-work units
 - Micro units
- Compensation for the community benefits, per the Noell Group:
 - One additional floor (i.e., 5th floor) of residential (either with or without solar setbacks), ranging from 39,000-50,300 square feet
 - Waiving of permit / impact fees
 - Potential property tax reductions

Summary of Alternatives

	West Rosemary Guide Base Scenario	Scenario 1	Scenario 2	Scenario 3
Base Units	• 208 units	• 184 units	• 184 units	• 184 units
Commercial	• --	• 14,465 sq. ft. @ \$22 • Cost – \$265 / SF	• 14,465 sq. ft. (50% of sq. ft. leased at 50% of market rate) • Cost – \$375 / SF	• 14,465 sq. ft. • Cost – \$265 / SF
Affordable Housing	• --	• 10% at 80% AMI • Cost – \$90,000 / unit	• 10% at 80% AMI • Cost – \$90,000 / unit	• 10% at 80% AMI • Cost – \$90,000 / unit
Live-Work Units	• --	• Yes	• Yes	• Yes
Additional Private Parking Spaces	• --	• 1 per additional unit (excluding micro and affordable housing units) • Cost – \$50,000 / space	• 1 per additional unit (excluding micro and affordable housing units) • Cost – \$50,000 / space	• 1 per additional unit (excluding micro and affordable housing units) • Cost – \$50,000 / space
Additional Public Parking Spaces	• --	• --	• --	• 170 spaces (entire 2 nd floor underground) • \$50,000 / space
Micro Units	• --	• 10% of total units	• 10% of total units	• 10% of total units
Additional Density	• --	• 5 th floor with solar setbacks – 39,000 sq. ft. • Each additional unit is \$40,000	• 5 th floor with no solar setbacks – 50,300 sq. ft. • Each additional unit is \$40,000	• 5 th floor with no solar setbacks – 50,300 sq. ft. • Each additional unit is \$40,000
Permit / Impact Fee Relief	• Fees waived (\$25,000-\$50,000)	• Fees waived (\$25,000-\$50,000)	• Fees waived (\$25,000-\$50,000)	• Fees waived (\$25,000-\$50,000)
Tax Abatement	• --	• \$100,000 / Yr. for 15 years • Value today: \$929,498	• \$100,000 / Yr. for 15 years • Value today: \$929,498	• \$300,000 / Yr. for 15 years • Value today: \$2.8 million

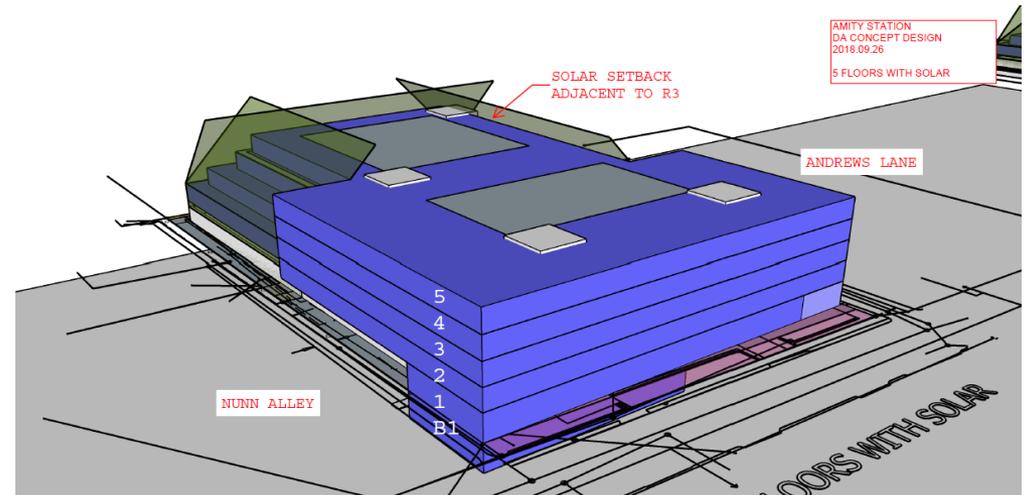
West Rosemary Guide Base Scenario

	West Rosemary Guide Base Scenario
Base Units	• 208 units
Commercial	• --
Affordable Housing	• --
Live-Work Units	• --
Additional Private Parking Spaces	• --
Additional Public Parking Spaces	• --
Micro Units	• --
Additional Density	• --
Permit / Impact Fee Relief	• Fees waived (\$25,000-\$50,000)
Tax Abatement	• --



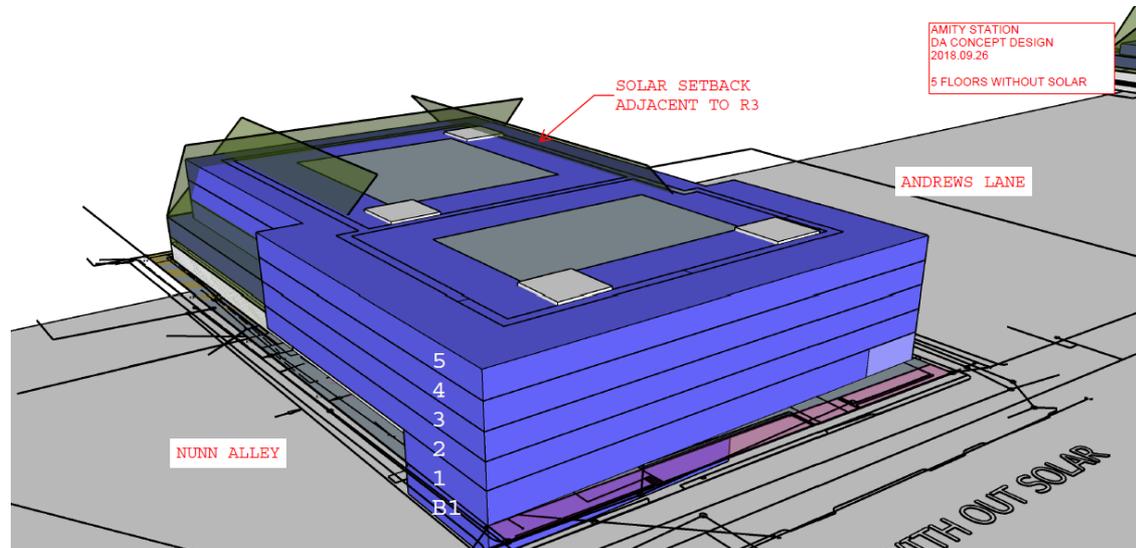
Scenario 1 – 5th floor with solar setbacks

	Scenario 1
Base Units	<ul style="list-style-type: none"> • 184 units
Commercial	<ul style="list-style-type: none"> • 14,465 sq. ft. @ \$22 • Cost – \$265 / SF
Affordable Housing	<ul style="list-style-type: none"> • 10% at 80% AMI • Cost – \$90,000 / unit
Live-Work Units	<ul style="list-style-type: none"> • Yes
Additional Private Parking Spaces	<ul style="list-style-type: none"> • 1 per additional unit (excluding micro and affordable housing units) • Cost – \$50,000 / space
Additional Public Parking Spaces	<ul style="list-style-type: none"> • --
Micro Units	<ul style="list-style-type: none"> • 10% of total units
Additional Density	<ul style="list-style-type: none"> • 5th floor with solar setbacks – 39,000 sq. ft. • Each additional unit is \$40,000
Permit / Impact Fee Relief	<ul style="list-style-type: none"> • Fees waived (\$25,000-\$50,000)
Tax Abatement	<ul style="list-style-type: none"> • \$100,000 / Yr. for 15 years • Value today: \$929,498



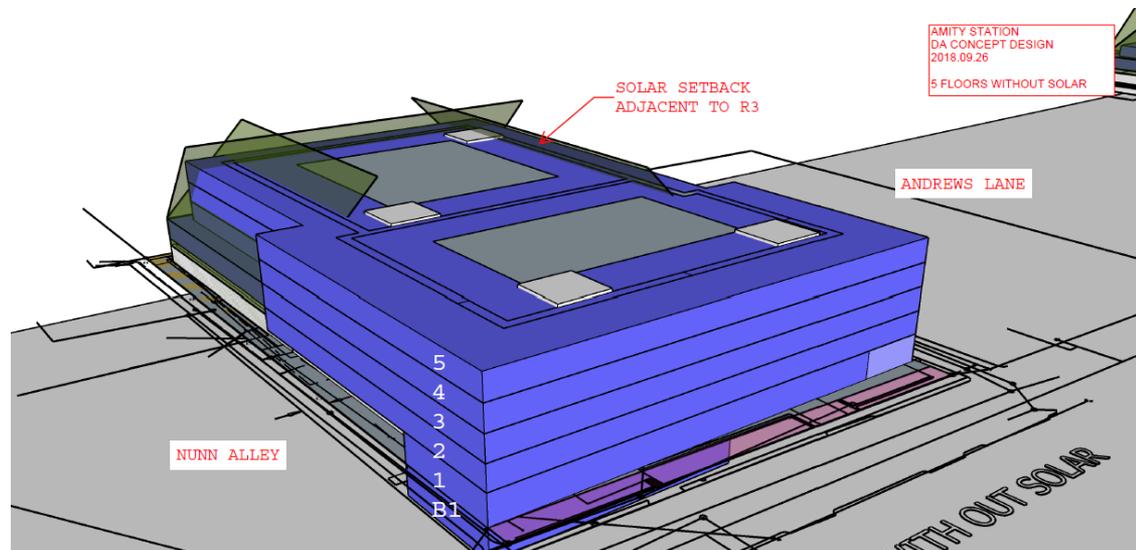
Scenario 2 – 5th floor with no solar setbacks

	Scenario 2
Base Units	<ul style="list-style-type: none"> 184 units
Commercial	<ul style="list-style-type: none"> 14,465 sq. ft. (50% of sq. ft. leased at 50% of market rate) Cost – \$375 / SF
Affordable Housing	<ul style="list-style-type: none"> 10% at 80% AMI Cost – \$90,000 / unit
Live-Work Units	<ul style="list-style-type: none"> Yes
Additional Private Parking Spaces	<ul style="list-style-type: none"> 1 per additional unit (excluding micro and affordable housing units) Cost – \$50,000 / space
Additional Public Parking Spaces	<ul style="list-style-type: none"> --
Micro Units	<ul style="list-style-type: none"> 10% of total units
Additional Density	<ul style="list-style-type: none"> 5th floor with no solar setbacks – 50,300 sq. ft. Each additional unit is \$40,000
Permit / Impact Fee Relief	<ul style="list-style-type: none"> Fees waived (\$25,000-\$50,000)
Tax Abatement	<ul style="list-style-type: none"> \$100,000 / Yr. for 15 years Value today: \$929,498



Scenario 3 – 5th floor with no solar setbacks and 2nd Level of Public Parking

	Scenario 3
Base Units	<ul style="list-style-type: none"> • 184 units
Commercial	<ul style="list-style-type: none"> • 14,465 sq. ft. • Cost – \$265 / SF
Affordable Housing	<ul style="list-style-type: none"> • 10% at 80% AMI • Cost – \$90,000 / unit
Live-Work Units	<ul style="list-style-type: none"> • Yes
Additional Private Parking Spaces	<ul style="list-style-type: none"> • 1 per additional unit (excluding micro and affordable housing units) • Cost – \$50,000 / space
Additional Public Parking Spaces	<ul style="list-style-type: none"> • 170 spaces (entire 2nd floor underground) • \$50,000 / space
Micro Units	<ul style="list-style-type: none"> • 10% of total units
Additional Density	<ul style="list-style-type: none"> • 5th floor with no solar setbacks – 50,300 sq. ft. • Each additional unit is \$40,000
Permit / Impact Fee Relief	<ul style="list-style-type: none"> • Fees waived (\$25,000-\$50,000)
Tax Abatement	<ul style="list-style-type: none"> • \$300,000 / Yr. for 15 years • Value today: \$2.8 million



Appendix – No Permit/Impact Fee Relief and No Tax Abatement

	West Rosemary Guide Base Scenario	Scenario 1	Scenario 2
Base Units	• 208 units	• 184 units	• 184 units
Commercial	• --	• 10,000 sq. ft. @ \$22 • Cost – \$265 / SF	• 10,000 sq. ft. (50% of sq. ft. leased at 50% of market rate) • Cost – \$375 / SF
Affordable Housing	• --	• 10% at 80% AMI • Cost – \$90,000 / unit	• 5% at 80% AMI • Cost – \$90,000 / unit
Live-Work Units	• --	• Yes	• Yes
Additional Private Parking Spaces	• --	• 1 per additional unit (excluding micro and affordable housing units) • Cost – \$50,000 / space	• 1 per additional unit (excluding micro and affordable housing units) • Cost – \$50,000 / space
Additional Public Parking Spaces	• --	• --	• --
Micro Units	• --	• 10% of total units	• 10% of total units
Additional Density	• --	• 5 th floor with solar setbacks – 39,000 sq. ft. • Each additional unit is \$40,000	• 5 th floor with no solar setbacks – 50,300 sq. ft. • Each additional unit is \$40,000
Permit / Impact Fee Relief	• --	• --	• --
Tax Abatement	• --	• --	• --



Amity Station Updated Development Review December 3, 2018



UPDATES

- Since discussions last ended in June the following changes have occurred:
 - Applicant has agreed to a 22+ age-restriction on all units
 - Applicant has revised the building program to fit within current allowable zoning conditions to model as base case scenario
 - Now 208 units with 208 parking spaces
 - Desire by both Town and applicant to understand potential financial impacts of the following items:
 - 22+ age-restriction
 - Entrepreneurial space (14,465 SF)
 - Micro units (under 400 SF)
 - Live-Work units
 - 10% Affordable units at 80% AMI
 - Incremental public parking spaces

COMMUNITY BENEFITS

Benefit	Cost to Applicant
22+ Age-Restriction	Minimal
Entrepreneurial Space	Minimal if market rents, \$125/SF if rental rates are 50% of market (\$1.8M on 14,465 SF)
Micro Units	Minimal as long as under 10% of mix
Live-Work Units	Minimal as long as under 10% of mix
Affordable Units (80% AMI)	\$75,000 per unit
Incremental Public Parking	\$50,000 per space

APPLICANT BENEFITS

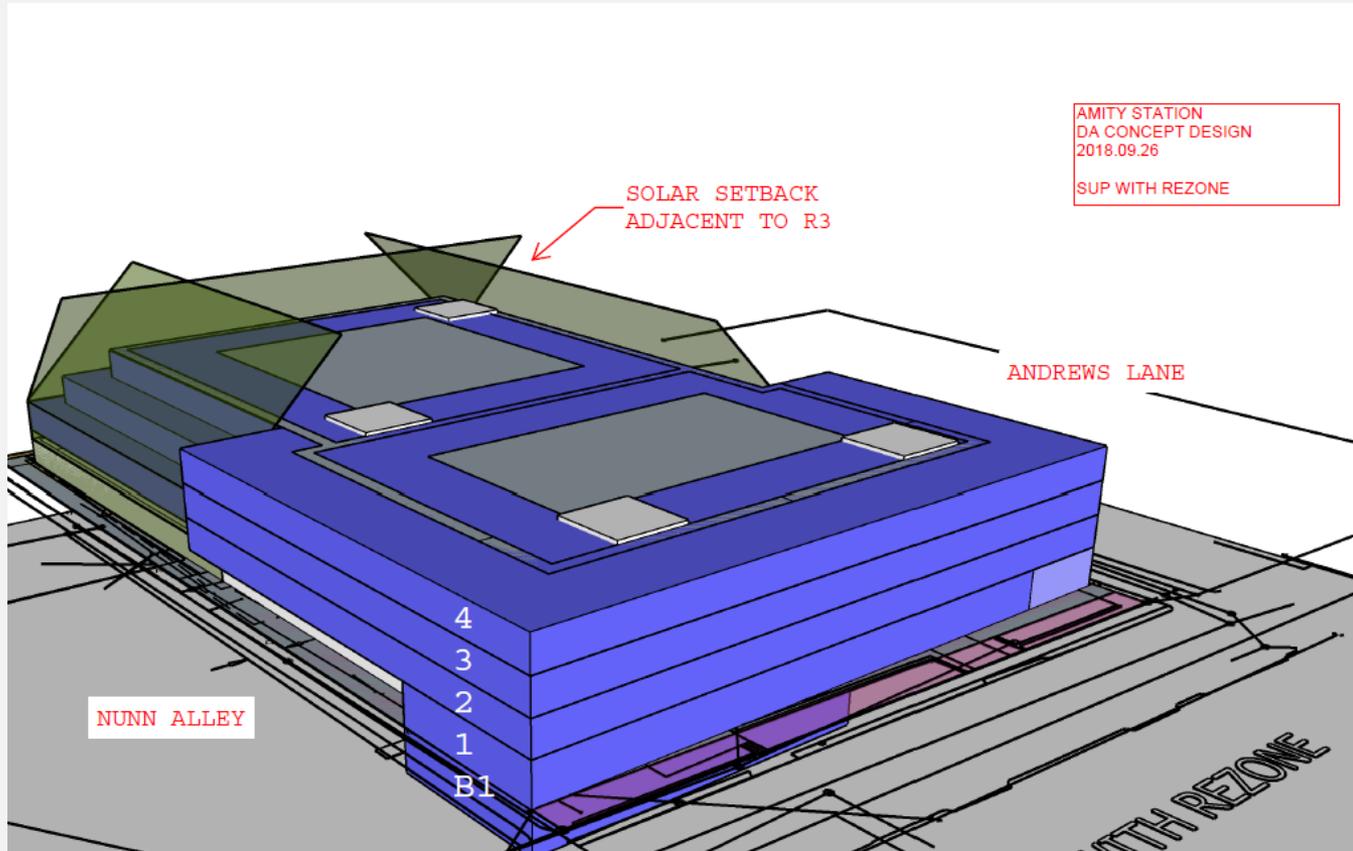
Benefit	Value to Applicant
Property Tax Abatement	\$0-2.8M
Impact Fee Waiver	\$25,000-50,000
Additional Density	\$46,000 per unit

SUMMARY OF VARIOUS SCENARIOS

	Base Scenario	Scenario 1	Scenario 2	Scenario 3	Alt. 1	Alt. 2
Within Rosemary Guidelines	✓					
Additional Density on Rosemary		39,000 SF	39,000 SF	39,000 SF	39,000 SF	39,000 SF
Additional Density Adjacent to neighborhood			11,300 SF	11,300 SF		11,300 SF
Fee Waiver	\$25-50k	\$25-50k	\$25-50k	\$25-50k		
Tax Abatement		\$1.5M	\$1.5M	\$4.5M		
Public Parking				170 Spaces		
Micro Units		✓	✓	✓	✓	✓
Live-Work Units		✓	✓	✓	✓	✓
Affordable Units		18 Units	18 Units	18 Units	18 Units	18 Units
Entrepreneurial Space		14,456 at Market Rate	14,456 at 50% Rate	14,456 at Market Rate	10,000 at Market Rate	10,000 at 50% Rate



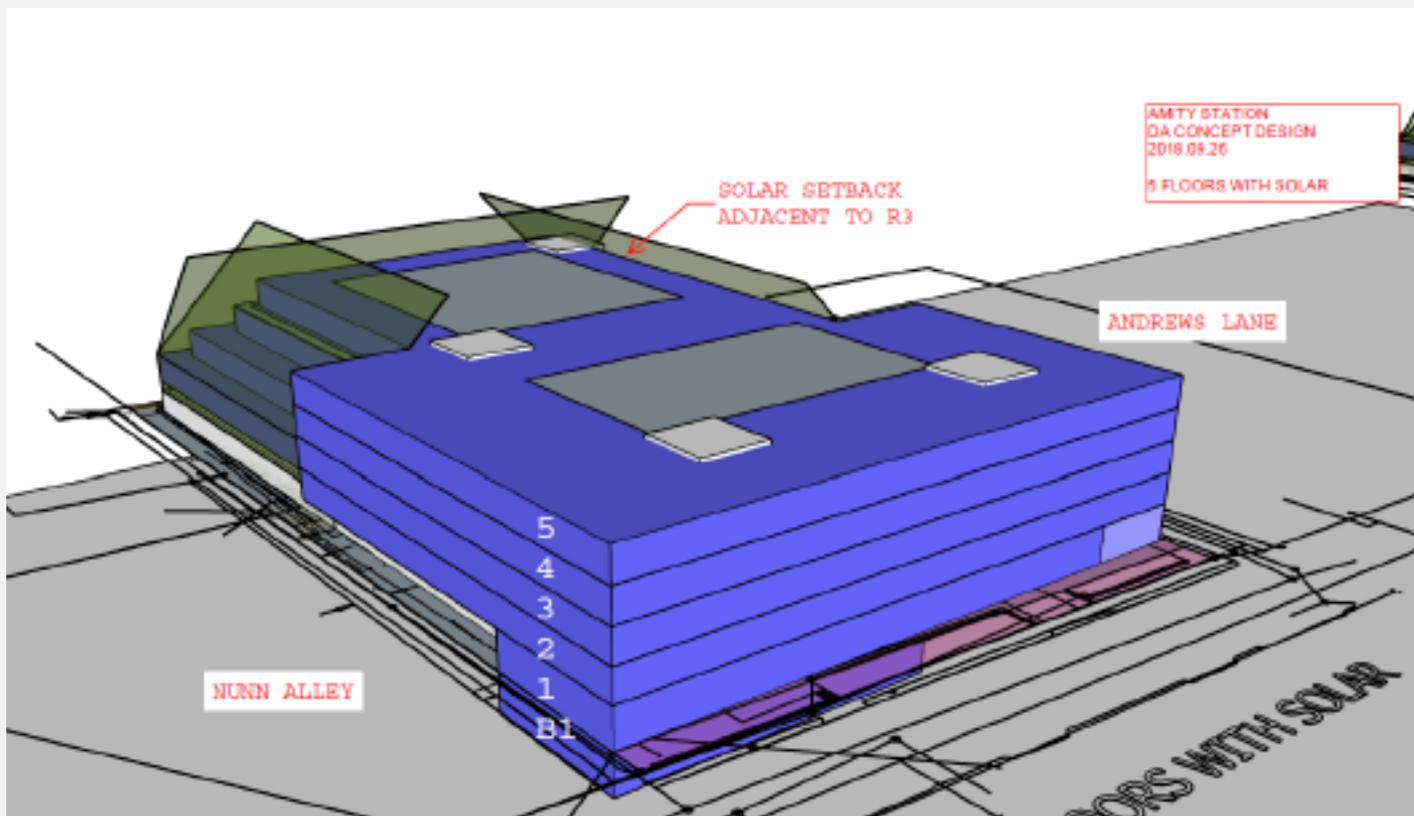
REVISED DEVELOPER PROGRAM – BASE SCENARIO



- 208 units
- \$25-50k fee waiver

- **NCG Opinion:** Approximate \$300k gap from “working”, but meets West Rosemary guidelines, for which the applicant is requesting a fee waiver in the amount of \$25-50k = minimal cost to Town, but no direct community benefit beyond taxes/development.

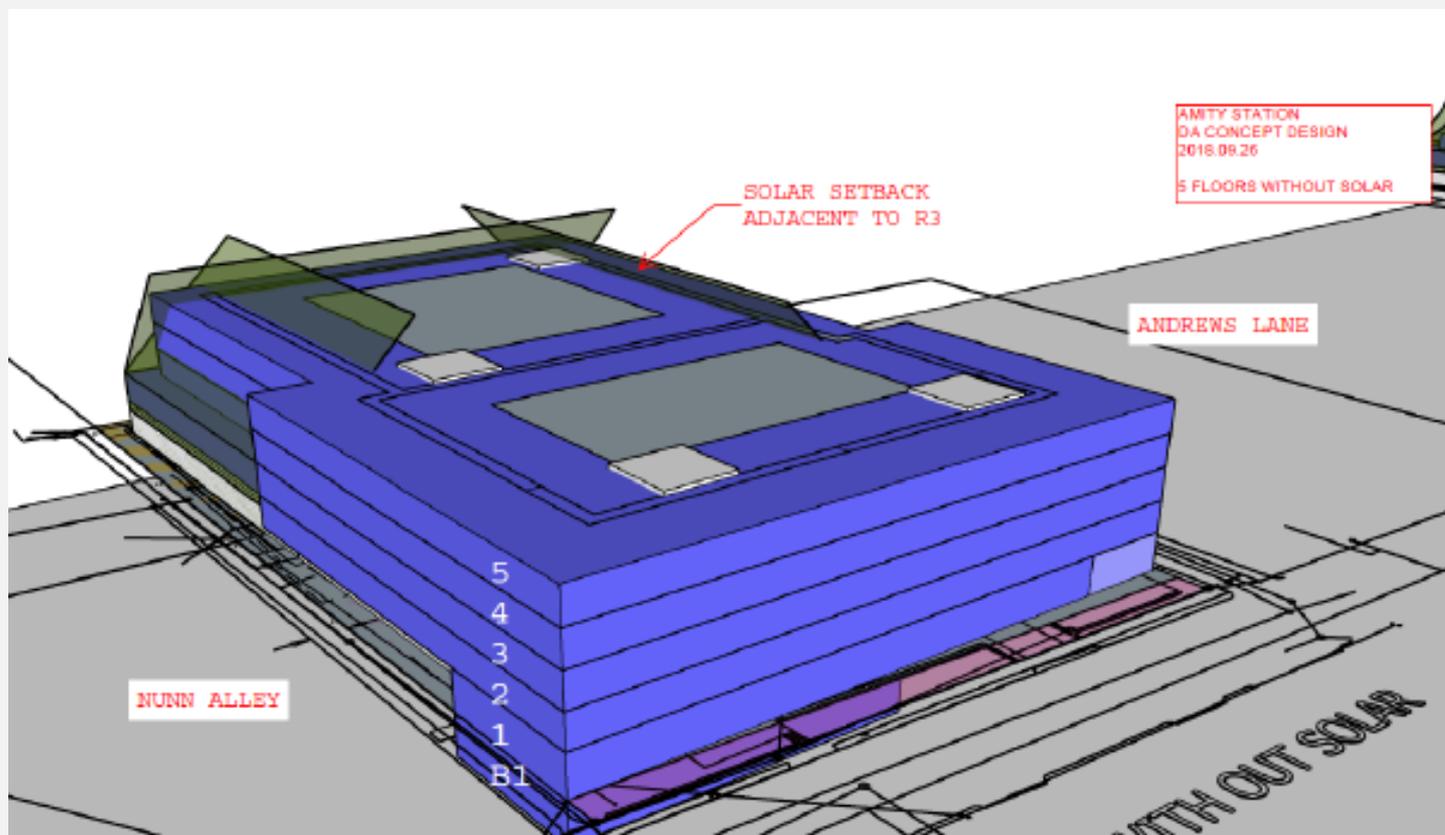
SCENARIO 1 (5TH FLOOR W/ SOLAR SETBACKS)



- 184 units
- 14,465 SF of retail at market rates
- 10% affordable units at 80% AMI
- Live/work units included
- 10% Micro units
- 39,000 SF of additional density
- \$25-50k fee waiver
- \$1.5M tax abatement over 15 years (\$930k today)

- **NCG Opinion:** Gives the Town approximately \$1.35M (\$75k/unit) worth of affordable housing in exchange for \$980k of lost revenue (taxes & fees) and one additional floor of density valued at @ \$2.4M = **significant out-of-pocket costs to Town & Rosemary height impact, but with tangible community benefits.**

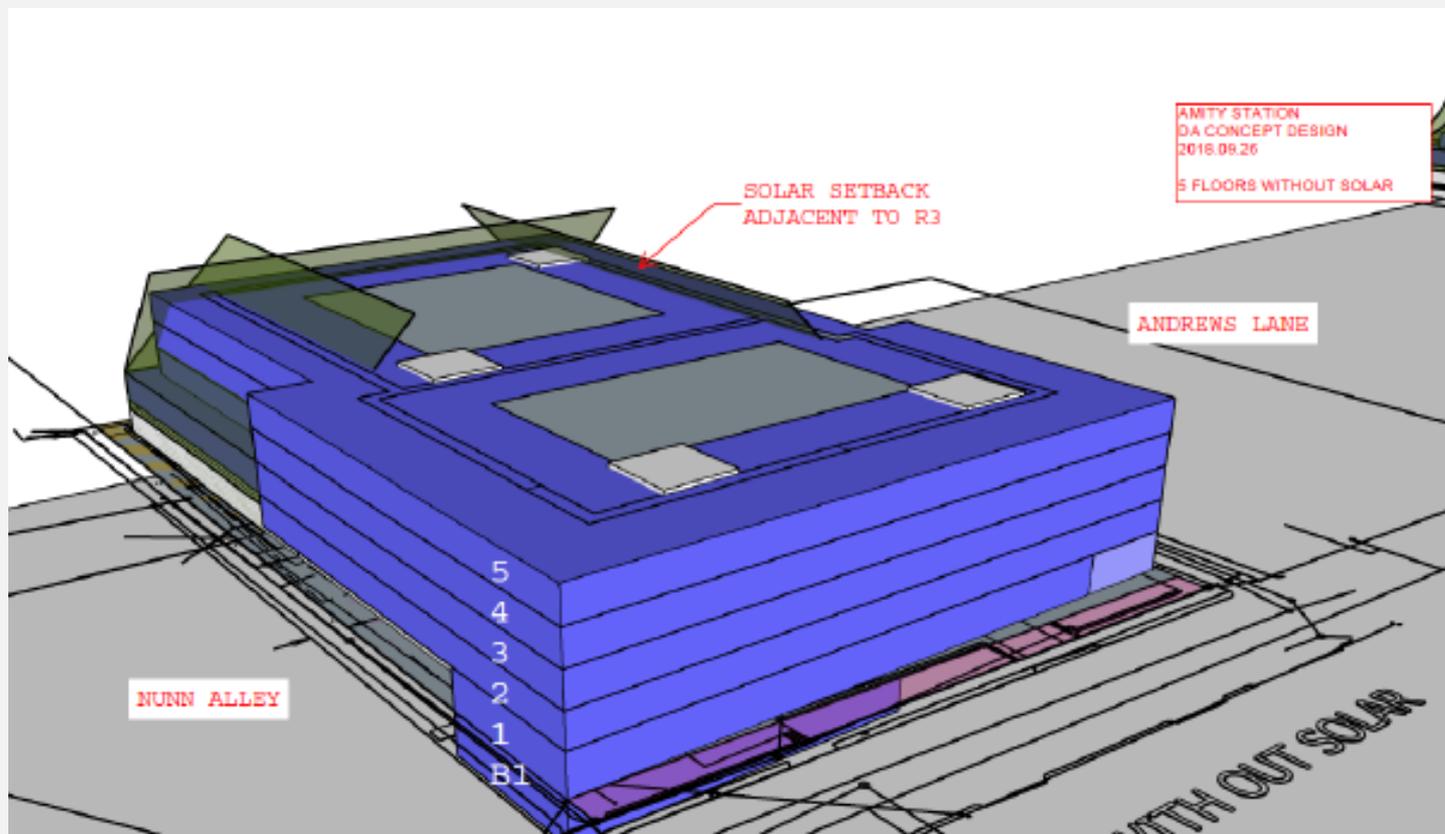
SCENARIO 2 (5TH FLOOR W/NO SOLAR SETBACKS)



- 184 units
- 14,465 SF of retail at 50% of market rates
- 10% affordable units at 80% AMI
- Live/work units included
- 10% Micro units
- 50,300 SF of additional density
- \$25-50k fee waiver
- \$1.5M tax abatement over 15 years (\$930k today)

- **NCG Opinion:** Gives the Town approximately \$1.35M (\$75k/unit) worth of affordable housing, and \$1.8M worth of below market retail space in exchange for \$980k of lost revenue (taxes & fees) and one additional floor of density & no setbacks valued at @ \$3.1M = significant out-of-pocket costs to Town, plus Rosemary and neighborhood height impacts, but with significant community benefits.

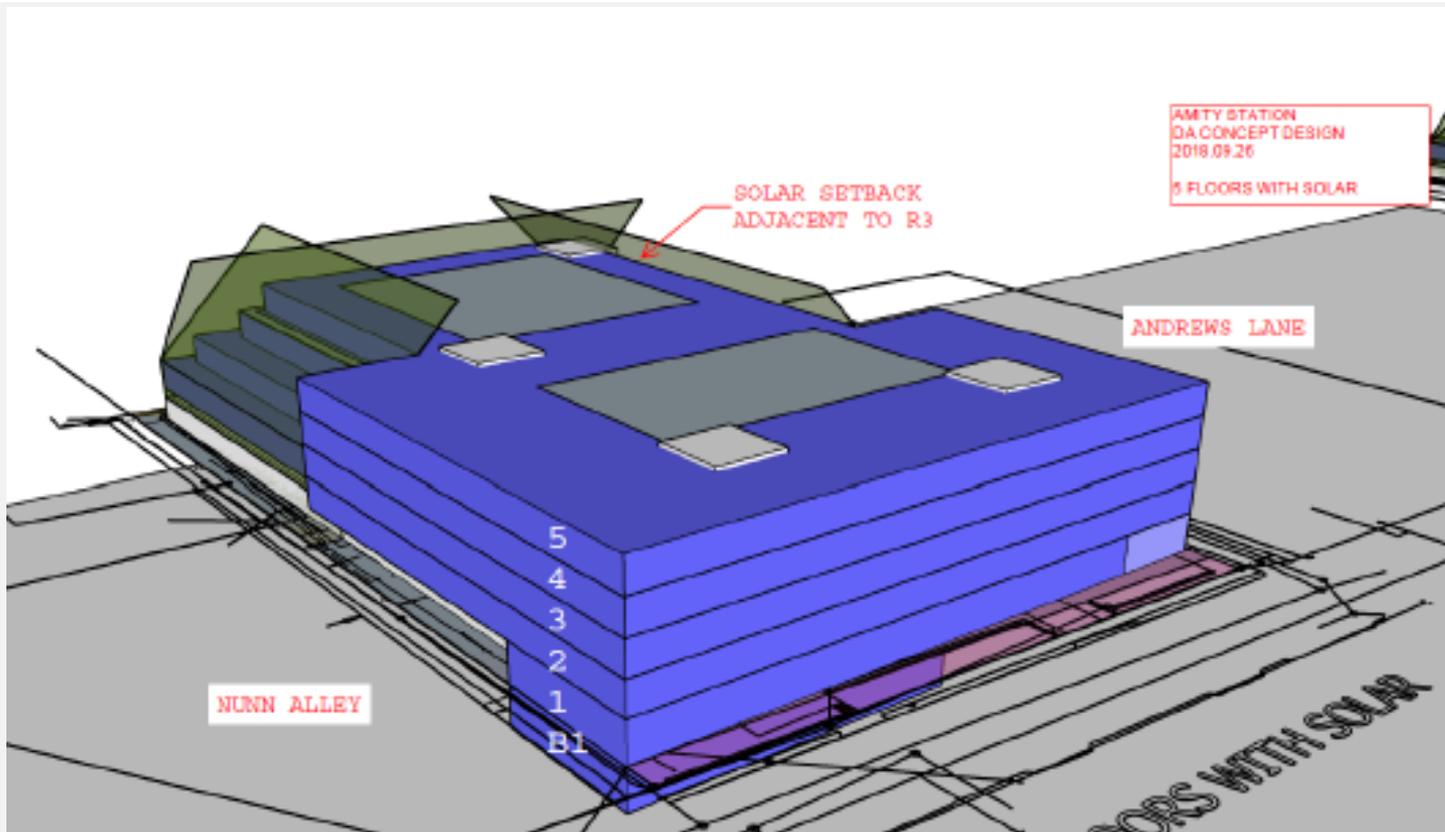
SCENARIO 3 (5TH FLOOR W/NO SOLAR SETBACKS & PUBLIC PARKING)



- 184 units
- 14,465 SF of retail at of market rates
- 10% affordable units at 80% AMI
- Live/work units included
- 10% Micro units
- 170 public parking spaces
- 50,300 SF of additional density
- \$25-50k fee waiver
- \$4.5M tax abatement over 15 years (\$2.8M today)

- **NCG Opinion:** Gives the Town approximately \$1.35M (\$75k/unit) worth of affordable housing, and \$8.5M worth of public parking spaces in exchange for \$2.85k of lost revenue (taxes & fees) and one additional floor of density & no setbacks valued at @ \$3.1M = very high out-of-pocket costs to Town, plus Rosemary and neighborhood height impacts, but with extensive community benefits.

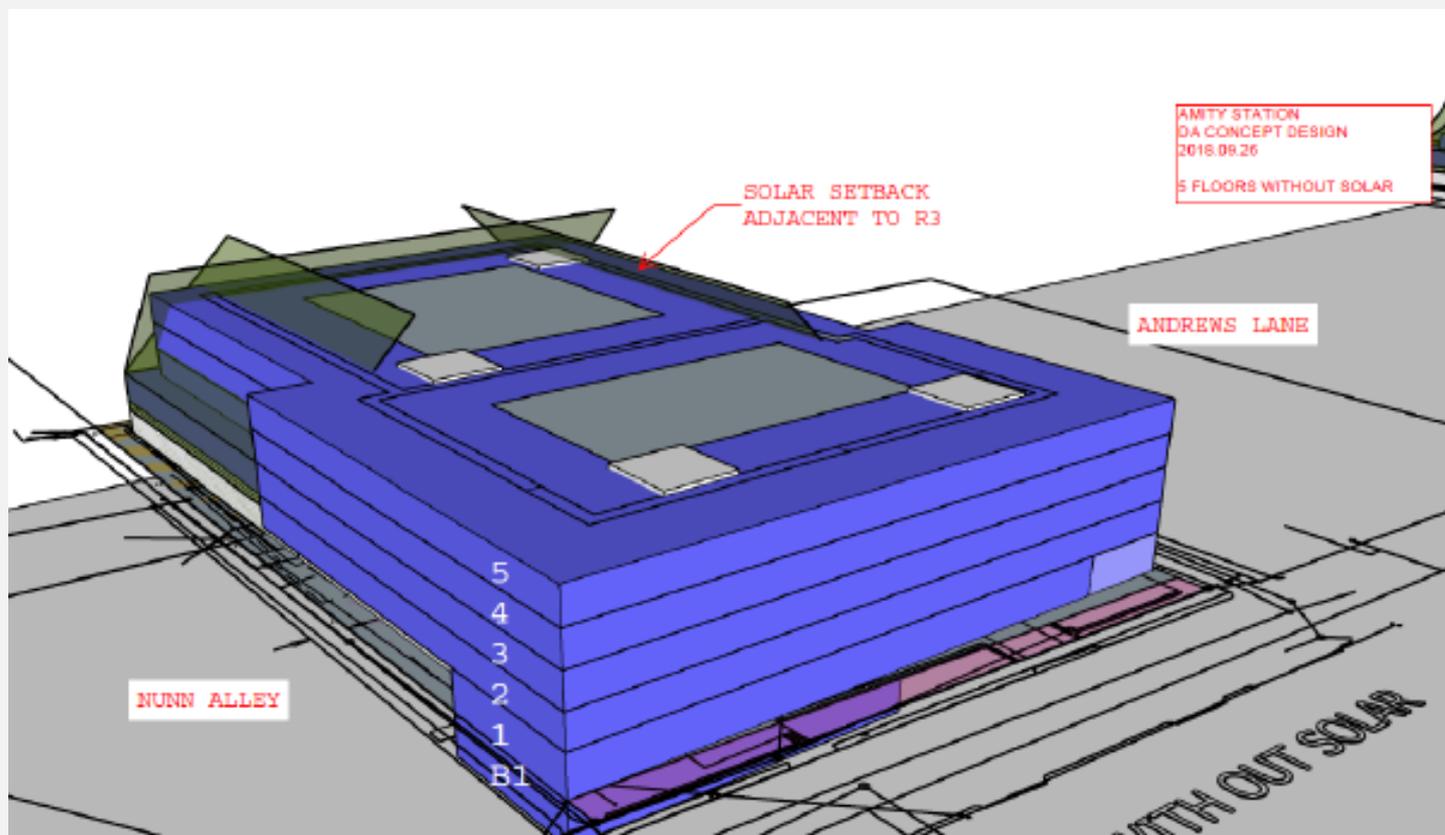
APPENDIX SCENARIO 1 (NO FEE RELIEF OR TAX ABATEMENT)



- 184 units
- 10,000 SF of retail at of market rates
- 10% affordable units at 80% AMI
- Live/work units included
- 10% Micro units
- 39,000 SF of additional density

- **NCG Opinion:** Gives the Town approximately \$1.35M (\$75k/unit) worth of affordable housing in exchange for one additional floor of density valued at @ \$2.4M = no out-of-pocket costs to Town, and only Rosemary height impact, but with tangible community benefits.

APPENDIX SCENARIO 2 (NO FEE RELIEF OR TAX ABATEMENT)



- 184 units
- 10,000 SF of retail at of **50%** market rates
- 5% affordable units at 80% AMI
- Live/work units included
- 10% Micro units
- 50,300 SF of additional density

- **NCG Opinion:** Gives the Town approximately \$675k (\$75k/unit) worth of affordable housing and \$1.25M in below market commercial space in exchange for one additional floor of density and no setbacks valued at @ \$3.1M = **no out-of-pocket costs to Town, and Rosemary & neighborhood height impacts, but with tangible community benefits.**

**AMITY STATION FOLLOW-UP INFORMATION
REQUESTED BY COUNCIL SUBCOMMITTEE
(Draft, Nov. 18, 2018)**

Council Questions

Affordable Housing:

- **Council Question:** What amount of parking with the affordable units might be desirable?
- **Staff Response:** In a car-dependent area such as Chapel Hill, the parking ratio for affordable units should not differ from market rate units. The presumption is that car ownership for households living in a 1BR apartment and earning 80% of AMI would not differ from that of households paying market rate for a 1BR apartment.

If targeting specific populations that are known to drive less, such as the elderly or disabled, it may make sense to consider reducing parking assumptions for affordable units.

The NC Housing Finance Agency Qualified Action Plan, which details the selection criteria and application requirements for state Low Income Housing Tax Credits, requires a minimum parking ratio of 1.75 spaces for family projects and 1 space per unit for senior projects, both targeting households earning less than 60% of AMI. In a recent tax credit project, a Town affordable housing developer partner provided 1.5 spaces per unit for a site serving both families and seniors in adjacent buildings.

Council Question: Who do we envision living in the affordable housing here?

Staff Response: The proposed affordability level of 80% AMI is equivalent to \$45,150 for a single-person household and \$51,600 for a 2-person household.

The demand for affordable housing in Chapel Hill is strong, and is likely to fill quickly by whomever can apply first. 42% of households in Chapel Hill make less than \$50,000, or approximately 80% of AMI for a 2-person household.

Council Question: Will the micro units suffice? For whom might they provide a good housing option?

Staff Response: The applicant has not proposed the micro units to be offered as affordable units. Their proposed rents (\$1100-\$1200) are much higher than the area Fair Market Rent of \$834. The applicant might have a specific demographic or profile in mind for renters of micro units.

Council Question: What other guidance does Staff have on affordable housing in the project?

Staff Response: Current affordable housing strategies we recommend considering include:

- **Employee Housing Incentives:** designate affordable units for public employees. Security deposit and utility connection assistance could be provided through the recently adopted Employee Housing Incentive program.
- **Master Leasing:** lease a set of affordable units to the Town or another housing partner to manage. An example of this strategy is the agreement with the Grove Park development for the Town to rent the units for \$1/month for 30 years.
- **Deeper affordability:** providing affordable units to households at lower income levels (60% AMI and below) Rents serving households at 60% of AMI would range from \$848 for a 1 person household to \$968 for a 2 person household.
- **Monitoring:** jointly develop and agree upon implementation of a monitoring process to ensure that residents meet the established affordability requirements. For example, an annual certification of income.
- **Performance Agreement:** development of an affordable housing performance agreement, as required in the Inclusionary Zoning Ordinance, that could include the following information:
 - the approximate square footage of each affordable unit;
 - the location of the affordable units;
 - rental rates; and
 - use of energy efficient and durable design materials to minimize ongoing maintenance cost for the units.

Development Features and Finance

- See responses from Development Team in ***Attachment 3: Updated Development Team Proposal for Amity Station.***

Economic Development:

- **Council Question:** What amount of public parking would be desirable?
- **Staff Response:** I believe that there is a minimum demand for 100 spaces in the west end of downtown and there is an additional opportunity to help stand up additional office space and other developments in downtown. The overall demand could range from 100-500 spaces to support current and future growth.
- **Council Question:** How might the commercial space fit into the plans of the Town and/or its partners to provide entrepreneurial space?
- **Staff Response:** Launch has yet to map out future plans and there are other growth opportunities that might rate equal to this option. It is a good location for such use and given a commitment of partners and private investors could make this a unique and desirable opportunity. There remains a need for space for growing companies and this could be the right location for such activity.
- **Council Question:** Would the commercial space provide a return on investment (under market and subsidized levels)?

- **Staff Response:** It would be for the creation of jobs more than anything. The financial return would be on the creation, retention and expansion of companies in our local economy which supports job growth.

Site Considerations

- **Council Question:** Is there additional information we should know about Nunn Alley?
- **Staff Response:** The alley is adjacent to the proposed project. As a result, we'll be looking to any adjacent development project to make improvements to a transportation facility running along its property. In this case, the Town standards include access for pedestrians, bicycles, and fire vehicles, but not a regular vehicular connection. Staff can scope this out in more detail once there is a more specific development plan to review.

Public Finance:

- **Council Question:** What are the implications of providing a tax abatement? Can a tax abatement (or other Town payment) be provided over a number of years?
- **Staff Response:** Pursuant to G.S. 105-380, governing bodies are prohibited from releasing, refunding, or compromising all or any portion of taxes levied against a property within its jurisdiction. This makes providing a tax abatement illegal under North Carolina law.

However, local governments do have the authority to offer incentives granted through G.S. 158-7.1. This statute allows local governments to provide cash incentives for developments that is contingent on investment in taxable property, creation of jobs, etc.

Financial Impact:

One-time payment:

There are three scenarios that have been presented by the developer that call for a tax abatement. The first two scenarios request a one-time payment of \$929,498 from the Town to be paid directly to the developer, while a third scenario requests a one-time payment of \$2.8 million from the Town directly to the developer.

At this time, a payment of this magnitude would require the Town to allocate Fund Balance from the General Fund. A healthy fund balance is vital for local governments for a number reasons such as cash flows, insurance against emergencies, etc. A stable fund balance also factors into a Town's bond rating which can determine the interest rates for borrowings. As of June 30, 2018, the Town of Chapel Hill had a 22.1% unassigned General Fund fund balance, which is average (22%) for a NC AAA bond rated jurisdiction of the Town's size. Using fund balance for this purpose would have an adverse effect on the Town's fund balance percentage.

Annual payment (15 year timeframe):

The alternative to the one-time payments for each of the three scenarios is an annual payment over a 15-year period.

Summary of Proposed Scenarios

	Valuation	Town Property Tax	Annual Payment	Net Gain
Scenario #1	\$ 61,960,512	\$ 351,638	\$ 100,000	\$ 251,638
Scenario #2	64,977,516	369,680	100,000	269,680
Scenario #3	68,319,512	389,665	300,000	89,665

In both scenarios #1 & 2, the Town would pay \$100,000/year for 15 years, while in scenario #3 the Town would pay \$300,000/year for 15 years. The charts below shows the amount of property taxes that would be generated to offset these payments for each scenario:

Annual Property Tax Revenue at Full Build-out - Scenario 1

Proposed Property Use

Property Use	Projected Value at Full Build-Out	Town of Chapel Hill (52.8 cents)	Downtown Service District Tax (7 cents)	Orange County (85.04 cents)	School District (20.18 cents)
Mixed Use	\$ 61,960,512	\$ 327,152	\$ 43,372	\$ 526,912	\$ 125,036
Less current tax		16,675	2,211	26,857	6,373
Total	\$ 61,960,512	\$ 310,476	\$ 41,162	\$ 500,055	\$ 118,663

FY19 Tax Rates	0.00528	0.0007	0.008504	0.002018
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Current Tax (from County Assessment Records)

	Town of Chapel Hill	Downtown Service District	Orange County	School District
Parcel # 9788178220	\$ 6,094	\$ 808	\$ 9,814	2,329
Parcel # 9788178053	8,190	1,086	13,191	3,130
Parcel # 9788179085	2,391	317	3,851	914
Total	\$ 16,675	\$ 2,211	\$ 26,857	\$ 6,373

Notes

1. Projected Values based on estimate provided by developer
2. Tax Rates are based on FY19 rates
3. Current Taxes on property from County Tax Records

Annual Property Tax Revenue at Full Build-out - Scenario 2

Proposed Property Use

Property Use	Projected Value at Full Build-Out	Town of Chapel Hill (52.8 cents)	Downtown Service District Tax (7 cents)	Orange County (85.04 cents)	School District (20.18 cents)
Mixed Use	\$ 64,977,516	\$ 343,081	\$ 45,484	\$ 552,569	\$ 131,125
Less current tax		16,675	2,211	26,857	6,373
Total	\$ 64,977,516	\$ 326,406	\$ 43,274	\$ 525,711	\$ 124,751

FY19 Tax Rates	0.00528	0.0007	0.008504	0.002018
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Current Tax (from County Assessment Records)					
	Town of Chapel Hill	Downtown Service District	Orange County	School District	
Parcel # 9788178220	\$ 6,094	\$ 808	\$ 9,814		2,329
Parcel # 9788178053	8,190	1,086	13,191		3,130
Parcel # 9788179085	2,391	317	3,851		914
Total	\$ 16,675	\$ 2,211	\$ 26,857		\$ 6,373

Notes

1. Projected Values based on estimate provided by developer
2. Tax Rates are based on FY19 rates
3. Current Taxes on property from County Tax Records

Annual Property Tax Revenue at Full Build-out - Scenario 3

Proposed Property Use

Property Use	Projected Value at Full Build-Out	Town of Chapel Hill (52.8 cents)	Downtown Service District Tax (7 cents)	Orange County (85.04 cents)	School District (20.18 cents)
Mixed Use	\$ 68,319,512	\$ 360,727	\$ 47,824	\$ 580,989	\$ 137,869
Less current tax		16,675	2,211	26,857	6,373
Total	\$ 68,319,512	\$ 344,052	\$ 45,613	\$ 554,132	\$ 131,496

FY19 Tax Rates	0.00528	0.0007	0.008504	0.002018
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Current Tax (from County Assessment Records)					
	Town of Chapel Hill	Downtown Service District	Orange County	School District	
Parcel # 9788178220	\$ 6,094	\$ 808	\$ 9,814		2,329
Parcel # 9788178053	8,190	1,086	13,191		3,130
Parcel # 9788179085	2,391	317	3,851		914
Total	\$ 16,675	\$ 2,211	\$ 26,857		\$ 6,373

Notes

1. Projected Values based on estimate provided by developer
2. Tax Rates are based on FY19 rates
3. Current Taxes on property from County Tax Records