

**Town of Chapel Hill
East Rosemary Redevelopment Project
Frequently Asked Questions**

Over the past several months, the Chapel Hill Town Council and staff have spent several months sorting through the numbers and negotiating an Economic Development Agreement for the proposed East Rosemary Redevelopment Project which would involve:

- Swapping of the Town-owned Wallace Parking deck for two parcels across the street
- Construction of an 1,100+/- space parking deck by the Town
- Construction of a 200,000+ square foot commercial office building by Grubb Properties

A public hearing on the proposal was held on September 9th and the Town Council will be voting on whether to move forward on September 30th. Before we vote, I wanted to share information about the project with the community.

Quick facts:

Parking Deck

- Size: 1,100 parking spaces
- Net new spaces: 343
- Project Cost: \$32.9 million (financed over 20 years at 1.5 – 2%)
- Expected completion date: February 2022

Commercial Office Building

- 200,000+ square feet, with 2 floors of wet lab space
- Estimated value: \$80 million
- Entitlement process to begin by November 30, 2020

1. How is UNC contributing to construction and on-going costs in exchange for use of 100 spots?

UNC has identified the need for parking spaces to serve employees and visitors when they move their Admissions Office near Porthole Alley. To accommodate this need, the Town and University have agreed to the following:

- The University will pay for construction of 100 parking spaces through an upfront payment of approximately \$2.95 million – which is equal to the cost per space.
- The University will pay an annual maintenance fee of \$40,000.

2. Why is the Town agreeing to a temporary lease of the Wallace deck?

Currently, the Town manages a number of parking lots in our downtown – including the Wallace Deck – which averaged \$636,000 in annual revenue between 2015 and 2019. As part of our negotiations, the Town and Grubb Properties agreed that it would be in the best interest for all parties if the Town continued to manage parking during this transition under the following terms:

- The Town will manage the Wallace Deck parking during the construction periods of both the new deck and the office building.

- Initially, the Town will keep all revenues and pay Grubb \$30,000 per month (\$360,000 per year).
- Once the new deck becomes operational, the Town and Grubb will split Wallace Deck parking revenues 60/40 after expenses for 3 – 4 years.

3. What steps are in place to ensure that Grubb Properties builds the 200,000 square foot office building?

According to state law, the Town cannot require Grubb Properties to build the 200,000 square foot commercial building in this agreement; however, through the development approval process, Town Council has the ability to ensure that future building on the site results in a commercial office building.

As the Town benefits most from this project if the building is completed in a timely manner, the Economic Development Agreement requires that Grubb Properties “will act with all diligence to complete the land use entitlement process for the New Office Building by November 30, 2021.”

The first step in this process, a Concept Plan, must be submitted by the end of November 2020.

If the building is not built in a reasonable timeframe (still under negotiation), then the Town retains the right to purchase the property back.

4. How will the Town pay for the deck?

The cost of building the parking deck is estimated to be \$32.9 million, which would be self-financed through the Town’s Parking Enterprise Fund at an interest rate of 1.5–2 percent over 20 years.

According to our analysis, the project will not have to draw money from the Town’s main Debt Fund or General Fund, and will not affect our ability to undertake future town projects.

Modeling by our business office and project consultants shows Parking Fund revenues will be sufficient to cover payments on the debt, producing positive cash flow in five or so years. To cover shortfalls before the new deck reaches capacity, we will receive an upfront payment through a financial arrangement with UNC that will allow them – to occupy 100 dedicated spaces during the daytime for their new Admissions Office on Franklin Street.

5. How did the Town arrive at its revenue projections?

Currently, the Town earns over \$1,000,000 a year in annual parking revenue from the Wallace Deck and Lot 2 parking lot combined. Of that, \$636,000 can be attributed to the Wallace Parking deck which has a capacity of 307 spaces.

Parking revenues result from a combination of leased spaces and hourly parking fees. Over the past several months, the Town has worked closely with a parking management firm to establish better parking strategies.

When calculating our projections, we have included the following:

- Increased deck capacity of 343 spaces

- Shift from 24 hour to 12 hour (6 a.m. – 6 p.m.) leases to create more hourly spaces during evenings and weekends
- Increase in hourly rates from \$1.00/hour to \$1.50/hour

One factor worth considering, when comparing revenue numbers is that, over the past several years, the adjacent 136 E. Franklin and 137 E. Rosemary buildings have been undergoing renovation, thus decreasing parking volumes and revenue in our downtown decks.

Using conservative and mid-range assumptions for deck occupancy, revenues are projected to range between \$1.9 and \$2.3 million in the first few years and the deck is expected to be revenue positive by 2026.

Summary information on our projections can be found on Slides 15 – 16 of the [September 9, 2020 Staff Presentation](#).