

**Town of Chapel Hill**  
**East Rosemary Redevelopment Project**  
**Frequently Asked Questions**  
**Updated 11/16/2020**

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 9<sup>th</sup> and the Town Council voted to move forward on September 30<sup>th</sup>.

**Quick facts:**

**Parking Deck**

- Size: 1,100 parking spaces
- Net new spaces: 343
- Project Cost: \$33.2<sup>i</sup> 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 will the Town pay for the deck?**

The cost of building the parking deck is estimated to be \$33.2 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.

**2. 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.

### **3. How is UNC participating with the Town in this project?**

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.
- The details for these spaces are being negotiated.

### **4. 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. This includes 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 the one-year transition so the Town has agreed to lease the deck for \$30,000 a month (\$360,000). In exchange, we will keep the revenues we collect.

The lease can be extended for up to 4 years. Should this happen, the Town would manage the deck with net revenues split 60/40 between Grubb and the Town.

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

As part of the Economic Development Agreement, Grubb Properties is proposing to construct a 200,000+ square foot commercial office building with wet lab space on the current Wallace Deck site.

According to state law, the Town cannot require Grubb Properties to build the building; however, because the Town benefits most from this project if the building is completed in a timely manner, the EDA 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, submittal of a Concept Plan to our Planning Department, must be complete by the end of November 2020, and we understand that Grubb Properties is on track to meet this deadline. The concept plan will then be reviewed by the Community Design Commission (CDC) before coming to Council early next year, and the rest of the approval process will proceed according to Town regulations, with a vote on the rezoning and final plans expected by November 2021.

In the event that the building is not constructed, provisions have been spelled out in the EDA to allow the Town to repurchase the property so we can explore other redevelopment options.

**6. How much tax revenue is the new office building expected to generate?**

Upon completion, the building is expected to be valued at \$80 million and would bring in \$1,290,000 in local property taxes annually, broken out as follows:

Town taxes	\$435,000
County taxes	\$694,000
CHCCS taxes	\$161,000

The project would also contribute \$56,000 in Downtown Service District taxes.

**7. What green features are being integrated into the new parking deck project?**

There are a number of green features being planned for the deck and adjacent areas including:

- A living wall on the East & North side, facing the neighborhoods
- 20 EV charging stations with the ability to expand to 80
- Engineering and conduit to support roof-top solar arrays
- A new public greenspace between the new deck and Lot 2
- Bike storage and pedestrian improvements to support multi-modal safety and connections
- Street trees along East Rosemary

We will also be utilizing green construction practices such as recycling the concrete.

**8. How does this project further the Town’s land use and transportation goals?**

The Chapel Hill community and our downtown benefit from this project for a number of reasons:

First, by consolidating parking we are creating opportunities for shared parking and, also, freeing up other downtown parcels to be used for more productive purposes. Additionally, we will be creating opportunities for shared parking in the future.

This includes opportunities for redevelopment of parcels that are currently used as surface parking lots. It also creates new possibilities for smaller properties where redevelopment has been stymied by the need to include parking on-site.

Overall, having more people living and working in downtown year-round will improve the vitality of the area, enhance the viability of our downtown business district and contribute to our tax base.

Second, the project includes \$1.1 million in community benefits which will improve placemaking and connectivity. These include:

- Streetscape enhancements on the 100 block of Rosemary Street with improved sidewalks, streetscape landscaping, benches and bike racks.
- A covered outdoor porch area which will provide opportunities for outdoor retail, events and art.
- An urban nano park (Lot 2) that provides a mid-block pedestrian connection from Rosemary Street to Varsity Alley and Franklin Street
- A linear greenspace and connection from North Street to Rosemary Street

#### **9. Who will be managing the project for the Town?**

Management of the project for the Town will be overseen by a Construction Management Team which includes the Town Manager, staff representatives with experience in engineering, planning, community safety, emergency management, finance, communications and economic development.

The team will also include a representative from Walker Consulting, a national company that has extensive expertise in designing and building parking decks and serves as an oversight consultant on the project.

As needed, the team will work with Perkins & Will (architects), Ballantine Associates (civil engineers), NCDOT and Grubb Properties.

#### **Notes:**

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<sup>i</sup> Cost projection increase from \$32.9 million to \$33.2 million reflects anticipated costs for road improvements to North Street.