

COMMITTEE ON REAL ESTATE

April 26, 2016

A meeting of the Committee on Real Estate was held this date beginning at 3:47 p.m. at City Hall, 80 Broad Street, First Floor Conference Room.

PRESENT

Councilmember White, Chair, Councilmembers Riegel and Moody and Mayor Tecklenburg. **Staff:** Mark Aakhus, Manager of Real Estate Management, Frances Cantwell, Assistant Corporation Counsel, Christopher Morgan, Director of Planning, and Laurie Thompson Executive Assistant to the Mayor Also Present: Councilmember Seekings

The meeting was opened with a moment of silence by the Chair.

APPROVAL OF MINUTES

On motion of Councilmember Riegel, seconded by Councilmember Moody, the Committee voted unanimously to approve the minutes of the April 12, 2016 meeting.

REQUEST AUTHORIZATION FROM THE MAYOR TO EXECUTE THE ATTACHED RESOLUTION APPROVING AN AMENDMENT TO THE JOINT COUNTY INDUSTRIAL PARK AGREEMENT BETWEEN CHARLESTON COUNTY AND COLLETON COUNTY SO AS TO INCLUDE 2.153 ACRES OF PROPERTY LOCATED ON DOBBIN ROAD (TMS: 310-69-00-039)

On the motion of Councilmember Moody, seconded by Councilmember Riegel, the Committee voted unanimously to suspend the rules and take the agenda out of order.

Ms. Cantwell stated that back in 1995 Charleston and Colleton Counties entered into an agreement authorized by the State law to create an industrial park. It encourages capital investments in the County. They would get certain tax breaks or tax credits for doing it. The Counties have been operating under that agreement for over 20 years. It provides that if there are properties within the limits of the municipalities to be included, it needs the Committee's consent. There is some property on Dobbin Road. They manufacture some type of small electric vehicle. They are making an investment in the property, and in the term, it probably gets some type of job credit. We would like your authorization for that to happen. Sam Howe stated that he would be happy to answer some questions. Councilmember Riegel asked what was previously there. Steve Dykes said that it was a musical equipment distribution warehouse. The site has a long history. The company is a distributor of go carts and motor bikes and is an assembler of the multi-passenger golf carts. Our staff and the City's staff worked with them when they first came in 2 years ago. Now, they have an opportunity to expand. This investment is for \$125,000 and they will create 23 new jobs. There's an incentive called multi-county industrial park designation. With Charleston County Council and Colleton County Council passing an ordinance together to add Bintelli and with the City's resolution to include them in the City limits, they can take an additional layer of job tax credits against their corporate income tax liability. When a company in South Carolina sells with South Carolina being the origin, the corporate income tax piles up. This is a way to get that amount down. Councilmember Riegel inquired about the current number of employees and how many employees they would be going to. Mr. Dykes stated they currently have 15, and they're trying to add 23.

On the motion of Councilmember Moody, seconded by Councilmember Riegel, the Committee voted unanimously to approve the request for authorization from the Mayor to execute the attached Resolution approving an amendment to the Joint County Industrial Park Agreement between Charleston County and Colleton County so as to include 2.153 acres of property located on Dobbin Road (TMS: 310-69-00-039).

REQUEST APPROVAL OF THE MAYOR TO EXECUTE THE ATTACHED EASEMENT BETWEEN THE CITY OF CHARLESTON AND THE SOUTH CAROLINA ELECTRIC AND GAS COMPANY WHEREBY THE CITY GRANTS TO SCE&G A RIGHT OF WAY OVER THE CITY OWNED TRACT

OF LAND LOCATED ALONG THE SOUTHERLY SIDE OF AUSTIN AVENUE IN CHARLESTON, SC. (TMS: 466-00-00-021; AUSTIN AVENUE)

Councilmember Seekings stated that property and easement are a massive size and have been improved greatly with Greenbelt funds. It's used principally as a park. SCE&G agreed to purchase this easement. \$155,000 is going to the benefit of the easement. He asked the Committee to consider directing staff to see if those funds could be used back at that field for improvements not limited to irrigation. At some point, for it to be active greenspace, it's going to need irrigation. Putting in irrigation won't be difficult, but it will be a big project. There are some complications because of the Greenbelt funds. The original Greenbelt enabling legislation allows for active and passive parks and infrastructure for them. This would qualify. If we don't put the funds back in the park, we're going to have to do it later down the road. Councilmember Moody stated that there's more to it than granting an easement. He asked for an explanation. Ms. Cantwell stated that the property was acquired with Greenbelt funds. With that program, you have to subject it to covenants. One of the agreements was that if we ever sold the property, the proceeds would have to go back into active or passive recreational uses. Since the money started with the Greenbelt fund, it has to go back to the Greenbelt. However, it's earmarked for the City to use anywhere. The \$155,000 will go back to the County and once we make a call on it for recreational purposes, it would be up to City Council to decide where to spend it. Councilmember Seekings stated his hopes that it would be used for irrigation and maintenance.

Councilmember Riegel stated that he doesn't know enough about the property. He inquired if putting the money back into the park for irrigation and maintenance would be money well spent. He has some angst over earmarking the money for the property until he knows more. He would approve it as is. Councilmember Moody stated that that the motion is to sell the easement only. Maybe as part of this, we could recommend that Parks or whoever would be appropriate to look at how we can get that money back. Councilmember Seekings stated that Parks is aware of this. We, as a City, are going to have to go in there at some point in time and put in irrigation and lighting. The request is to look at whether the money is best spent there or somewhere else. This property is very big. The Chair stated that it's about 15 acres. It's in front of Dolphin Cove Marina. It's a very nice piece of property. Councilmember Riegel asked where the residents reside in relation to the park. Mayor Tecklenburg stated that it's not a destination park, not necessarily a neighborhood park. It's one of the few parks we have where there is ample room for playing fields. The closest neighborhood is Rosemont. We should approve the easement as proposed and ask Recreation and Capital Projects to look at what improvements would be appropriate for this site and ask our Legal Counsel to look at what requirements we have from the County in terms of how we can spend the money.

The Chair stated that he's been out there a number of times. It abuts the marsh. Rosemont is the closest neighborhood today. However, with the development at Magnolia, at one point there were some drawings showing connectivity from this property to the marsh. They are going to be needing improvements to that site. There is more value of that property for residents who live in Magnolia in the future. For irrigation, \$155,000 won't touch it. Councilmember Seekings stated that they've been working on an irrigation plan. If you talk to Jason Kronsberg, they think they can do it for less than \$155,000.

On the amended motion of Councilmember Riegel, seconded by Councilmember Moody, the Committee voted unanimously to request approval of the Mayor to execute the attached Easement between the City of Charleston and the South Carolina Electric and Gas Company whereby the City grants to SCE&G a right of way over the City owned tract of land located along the southerly side of Austin Avenue in Charleston, SC. (TMS: 466-00-00-021; Austin Avenue). They directed Recreation and Capital Projects to look at the proper acquisition and the verified use of the funds.

REQUEST AUTHORIZATION OF THE MAYOR TO EXECUTE THE ATTACHED LEASE WHEREBY THE CITY, IN ITS CAPACITY AS A TRUSTEE OF A PUBLIC TRUST THAT OWNS 135 MEETING STREET (THE GIBBES MUSEUM OF ART) AGREES TO ENTER INTO A GROUND LEASE WITH THE CAROLINA ART ASSOCIATION. (TMS: 457-08-04-004; 135 MEETING STREET)
[RESOLUTION AND ORDINANCE]

Ms. Cantwell stated the City and the Carolina Art Association (CAA) are Co-Trustees that own the Gibbes Museum. They have had an extensive fundraising campaign in order to thoroughly renovate the museum. During the course of the renovations, consideration was being given to the potential of selling historic tax credits that would be eligible because the renovations that were being done comply with the Secretary of Interior's requirements for historic preservation. Carolina Art Association, as a non-profit, and the City, as a governmental agency, has no particular need for tax credits, but there are investors who could use the tax credits. The Gibbes has been working very closely with the consulting firm and Mr. Chris Rogers. The idea would be to have the Carolina Arts Association explore the feasibility of generating and being able to sell these tax credits to an investor would require a business transaction whereby the City would lease the building to the Carolina Arts Association. Right now, we own it as partners. There's nothing firm in writing as to who's doing what. They would entire into a Ground Lease for the Gibbes for a term of 55 years. It's a net net net lease. There is no rent, but they would be responsible for the maintenance, upkeep and operating expenses. There will be a series or at least one more sub-Ground Lease to an entity which will have a private party investor. The agreement between them and the Carolina Art Association will allow that investor to be assigned the ability to take the tax credits and use them against their income. The Carolina Art Association will run the museum under the terms of this agreement. The City makes no representation to anyone that those tax credits are available. This will allow the Gibbes to secure some money that they won't have to fundraise or borrow, which would reduce their obligation down the line. We want their outstanding debt paid as soon as possible.

Councilmember Riegel asked who owns the property. He inquired whether they are leasing to themselves or are we leasing to them. Ms. Cantwell stated that the property is owned by Trustees (the City and Carolina Art Association). As a Trustee, we're going to lease the building to them. They, in turn, are going to have a sublease to another entity that will include an investor who will buy the tax credits. Councilmember Riegel asked if they can lease to themselves. Ms. Cantwell stated that she could imagine that there would be a sublease from Carolina Art Association, as Trustee, to Carolina Art Association. After the sublease to the entity with the private investor, there will be another sublease back to the Carolina Art Association for them to run the museum. Councilmember Riegel asked if the private investor is going to be donating money or subletting the ground space. Ms. Cantwell stated that they will be a co-subtenant and they will have responsibilities under their lease. The obligations from the City's lease slow down. Councilmember Riegel inquired if we're held harmless as the City of Charleston at that level. Ms. Cantwell stated that we're the landlord and we're saying here's the lease. As long as you abide by the terms, there won't be any problems.

Councilmember Moody inquired about the stop gap or protection if the Carolina Art Association gets in trouble. He asked if that gets sunk back into our assets somehow or could we find ourselves in partnership with someone we don't want to be in partnership with. Ms. Cantwell stated that our relationship is going to be with the Carolina Art Association. We have acknowledged in the lease that we know they intend to sublet it with another entity for the tax credits. We said that's fine, but we're not making any representations about anything. If the tax credits don't come through, she believes the deal won't go forward. Councilmember Moody stated that typically in a partnership or a Co-Trustee, we have to agree to these. By signing this lease, we're agreeing to what they're doing, and so we're, in effect, taking on another partner. Ms. Cantwell stated that she doesn't think so. The City isn't on any other document except for this Ground Lease. That's not to say that the City's and Carolina Arts Association relationship, as it's been over this time, won't continue. They'll still be requesting money for the City annually to help run the facility, and the City would probably honor that request. We'll be dealing with the same party because they will have the ultimate responsibility to run the museum. Councilmember Moody asked if we're not signing on anything that forces us to pay back or put us in another partnership. Ms. Cantwell replied no. They would be a tenant and they would have to abide by all of the terms of the lease.

Mayor Tecklenburg confirmed that the ground lease also includes our interest in the building. Ms. Cantwell stated that it includes the building and any improvements. The Chair stated that the tax credits have a life of 5 years. Post those tax credits, part of this is going to start unwinding. Chris Rogers stated the entity that the LLC that will be a tenant under this structure will be a partnership between the CAA and this investor. It will be controlled and managed by CAA. If something were to happen to the investor, CAA still controls it. The reason we wanted the Trust to ground lease the

property to the CAA was to separate the City from this transaction because there are always problems with public, governmental entities entering into transactions with private entities.

Councilmember Seekings stated that this is a sizeable amount of money that will go to the bottom line for the Carolina Art Association and the debt on the building, which is about \$2-3 million. Ms. Mack thanked them for the opportunity to discuss this because it could be significant for the institution. Mayor Tecklenburg stated Councilmember Seekings mentioned that the funds that would be available to the Carolina Art Association would go to the debt reduction of the outstanding debt. He stated that as long as the debt is reduced, it limits our liability. There are risks in everything, but it's a worthwhile risk for us to reduce that debt. Councilmember Seekings stated that the Gibbes has gone through a major undertaking to renovate the building. It's going to be a \$14 million plus project, of which \$10 million plus has been raised on the private side by Ms. Mack, Laura Gates and their team. It's been a hugely successful campaign. He commended Ms. Mack on here work. It will go to reduce about \$250,000 a year in mortgage payments if this all comes along. It reduces the City's risk on this project significantly. Councilmember Waring stated that when this first started, Councilmember Seekings wasn't in the majority and he brought us all along. He did a great job on this. This is a great thing for all of us. Councilmember Seekings stated that the grand opening is May 28th.

On the motion of Councilmember Moody, seconded by Councilmember Riegel, the Committee voted unanimously to approve the request for authorization of the Mayor to execute the attached lease whereby the City, in its capacity as a trustee of a Public Trust that owns 135 Meeting Street (the Gibbes Museum of Art) agrees to enter into a ground lease with The Carolina Art Association. (TMS: 457-08-04-004; 135 Meeting Street) [Resolution and Ordinance].

There being no further business, the meeting was adjourned at 4:21 p.m.

Techina Jacques
Clerk of Council's Office