

## COMMITTEE ON REAL ESTATE

August 15, 2016

A meeting of the Committee on Real Estate was held this date beginning at 3:37 p.m. at City Hall, 80 Broad Street, First Floor Conference Room

Notice of this meeting was sent to all local news media.

### PRESENT

Councilmember White, Chair; Councilmembers Waring, Riegel and Moody and Mayor Tecklenburg **Staff:** Colleen Carducci, Director of Real Estate Management; Christopher Morgan, Director of Planning; Frances Cantwell, Corporation Counsel and Rick Jerue, Senior Advisor to the Mayor **Also Present:** Michael Maher and Brian Cordell

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

### APPROVAL OF MINUTES

On the motion of Councilmember Moody, seconded by Councilmember Riegel, the Committee voted unanimously to approve the minutes of the July 19, 2016 meeting.

### REQUEST APPROVAL FOR THE MAYOR TO EXECUTE THE ATTACHED THIRD AMENDMENT TO AGREEMENT TO BUY AND SELL REAL ESTATE WHEREAS FLOURNOY DEVELOPMENT COMPANY, LLC AND THE CITY AGREE TO EXTEND THE TIME FOR CLOSING ON THE PROPERTY. THE PROPERTY OWNER IS FLOURNOY DEVELOPMENT COMPANY, LLC. (TMS: 421-11-00-058, 421-11-00-063; 19 FOLLY ROAD, 25 FOLLY ROAD)

Ms. Carducci stated that this is a request to extend the closing. This is the City's acquisition of the park that's adjacent to the Highway 61 Connector to the James Island Connector. It's near the housing development at Albemarle and Folly Road. The developer is selling the park to the City for \$175,000. The value was \$2 million and the balance is in the form of a charitable contribution. They have been working with the Parks Department and will do sod and the irrigation. They're in the process of finalizing all of their development construction. It will be about 60 days or when they give us notice that they're ready to close. Mayor Tecklenburg stated that he asked staff to ask SCDOT for an encroachment permit for the property under the Herbert Fielding Connector that is immediately adjacent to this property that we're purchasing.

On the motion of Councilmember Waring, seconded by Councilmember Moody, the Committee voted unanimously to request approval for the Mayor to execute the attached Third Amendment to Agreement to Buy and Sell Real Estate whereas Flournoy Development Company, LLC and the City agree to extend the time for closing on the property. The property owner is Flournoy Development Company, LLC. (TMS: 421-11-00-058, 421-11-00-063; 19 Folly Road, 25 Folly Road).

### REQUEST APPROVAL FOR THE MAYOR TO EXECUTE THE ATTACHED THIRD LEASE AMENDMENT WHEREBY THE LEASE BETWEEN THE CITY AND DEE NORTON LOWCOUNTRY CHILDREN'S CENTER, INC. SHALL TERMINATE 30 YEARS FOLLOWING THE EXECUTION OF THIS AMENDMENT. THE PROPERTY OWNER IS THE CITY OF CHARLESTON. (TMS: 463-15-02-096; 1061 KING STREET) [ORDINANCE]

Mayor Tecklenburg stated that it was remarkable that they didn't ask for any money to fix up the building. They are in the beginning of doing capital campaigns to do improvements to the building and to possibly do a satellite location. They're hoping to raise \$5 million. In order to justify the improvements to the building, they want to get their term on the lease extended. Ms. Cantwell stated that the ordinance should actually say 1061 King Street and not 1021 King Street. Councilmember Moody stated that the amendment is very brief. He assumes there is a reverter clause in there. He inquired about what that

verbiage looked like. Ms. Cantwell stated that she didn't draft the amendment. They have a lease to us, and she doesn't believe the lease is assignable without our permission. Ms. Carducci stated that there is a use restriction. The Chair stated that this lease was done a few years ago. Ms. Carducci stated that it had actually been there for many years. In 2011, they requested a similar extension. Then, they had a change in administration and never proceeded with the major fundraising campaign. This is to get them to a point where if they do their fundraising, they will have 30 years. Hopefully, within the first few years, they will raise the funds and then they will have a length of time to enjoy their improvements once they make an investment in the building.

On the motion of Councilmember Riegel, seconded by Councilmember Waring, the Committee voted unanimously to request approval for the Mayor to execute the attached Third Lease Amendment whereby the Lease between the City and Dee Norton Lowcountry Children's Center, Inc. shall terminate 30 years following the execution of this Amendment. The property owner is the City of Charleston. (TMS: 463-15-02-096; 1061 King Street) [Ordinance].

**REQUEST APPROVAL FOR THE MAYOR TO EXECUTE THE ATTACHED PURCHASE AND SALE AGREEMENT WHEREAS THE CITY INTENDS TO PURCHASE 113 CALHOUN STREET FROM SUSTAINABILITY INSTITUTE IN ACCORDANCE WITH THE REMOVAL OF RIGHT OF REVERTER WITH CONDITIONS AGREEMENT FOR THE AMOUNT WHICH SHALL NOT EXCEED \$300,000. THE PROPERTY OWNER IS THE SUSTAINABILITY INSTITUTE. (TMS: 458-01-01-086; 113 CALHOUN STREET)**

Ms. Cantwell stated that this property was formerly owned by the city. It was conveyed to the Sustainability Institute some years ago. There's a restriction in the property that would require in the event that it's up for sale, the Sustainability Institute would provide us notice and the City could decide whether they wanted to purchase the property or let the sale go through and be reimbursed for the value of the land or purchasing the land from the Sustainability Institute up to the value of the first lien no more than \$300,000. The Sustainability Institute has told us that they intend to sell. They asked that the City pays \$300,000 to purchase it back from them so that they can move forward with their plans. Their first lien isn't that much. They're a good group that has done a lot for the City. It will allow the City to get this property back at a very reasonable price. Mayor Tecklenburg stated Brian Cordell and a couple of his board members are here. They worked with the City on a number of initiatives. He worked for the City when the Sustainability Institute got control of this property in the 1990s and the building was in bad shape. They don't utilize the building much anymore with their programs. They need more shop combination office space. With the number of requests we have for office space, and being able to get it for \$300,000 based a lot on the improvements that they have made to the property, it's a very good deal for the City.

Councilmember Moody stated that we sold it to them for \$1 and we're buying it back for \$300,000. He's not sure what the value was when we sold, but there was some value there. Mayor Tecklenburg stated that the building was a liability when we sold it to them. It's probably a property that could have gotten demolition approval. Their whole concept of restoring and sustaining made the building what it is today. Councilmember Moody asked if the reversionary clause says they have to offer it back to us and \$300,000 is the maximum the City has to pay. Ms. Cantwell replied yes. We are agreeing to pay \$300,000 to get the property back. The City can either let the property be sold and divvy up the land that the City would get back. They improved the property, but she's not sure how much they put into it. Councilmember Waring asked if \$300,000 is what they owe. Mayor Tecklenburg replied no. He stated with an agreement from the City, they could go borrow the money if they choose to. We're making a conscious decision to pay them the \$300,000. Councilmember Moody stated he just wanted the record to reflect what's happening. There is the original value and the total value today, which he isn't sure what that value is. Ms. Cantwell stated that the value is in excess of \$800,000.

Councilmember Waring stated that price-wise, it's good for everyone. He asked if the City was doing this the right way. He doesn't want to make it seem as though the City isn't being as transparent as possible. He wants to follow the reverter clause as closely as possible. He doesn't disagree with the \$300,000.

We're getting a lot of value. Ms. Cantwell stated that is why they're having the discussion about what the reverter says and what the deal is. The first mortgage isn't \$300,000. They're requesting that we buy it from them for that and we're recommending it for the aforementioned reasons the Mayor said earlier. Councilmember Moody asked where the mortgage is going. Ms. Cantwell stated that it's going to be paid off. Councilmember Waring inquired about how much the mortgage is. Mr. Cordell stated that it's \$160,000. Councilmember Waring said that we would pay the \$300,000 and they would get a little equity back, about \$140,000. He questioned whether the \$140,000 should be shown differently. He asked what would happen if someone came around later on and inquired about what was done. Ms. Cantwell stated that it's going to be in the minutes and the Chair can mention it in his report. Councilmember Waring stated that they want to do it. He just wants to make sure it's done correctly.

The Chair inquired about the reverter clause. Ms. Cantwell stated that it says the amount of the first mortgage, not to exceed \$300,000. Their first lien is capped at \$300,000. Councilmember Riegel confirmed that the City's obligation was only \$160,000. He asked why the extra \$140,000. Councilmember Waring said it should be a win-win on each side and that's what we're trying to do. He questioned whether we should pay the \$160,000 and do the \$140,000 from another source. The Chair asked what the value of improvements made by the Sustainability since they acquired it was. Mr. Cordell stated that it's about \$130,000 in hard costs since 2010. The Chair stated that by way of the \$140,000, they will recoup part of the hard costs they put in on their own. Mr. Cordell stated that they're in two different locations. They're leasing a spot on Meeting Street and we're busting at the seams. They need to get into a new location. We want to take some of the investments and put it into the new place. Mayor Tecklenburg confirmed that the initial renovation was done in the 1990s. Mr. Cordell stated that the initial renovations were done through a consortium led by the 113 Calhoun Street Foundation. Mayor Tecklenburg stated that 20 years ago, the building was uninhabitable and falling apart. Today, the building is substantial.

Councilmember Riegel stated that a better, clearer proposition would be that the \$300,000 that we're going to pay to Mr. Cordell is a payoff off the mortgage plus their investment, construction costs, renovation costs, and things like that. That sounds like a better report. The Chair said that it would be valuable, if we move forward with the \$300,000, if between today and tomorrow the Committee could be provided with the Sustainability Institute's costs into this so that it could be put on the record. Councilmember Moody stated that he doesn't think that has any merit. It's about the fair market value of the property. What they put into it doesn't matter. As long as we put into the record that the fair market value of the property is in excess of \$300,000, he's okay with it. Mayor Tecklenburg inquired about the appraised value. Ms. Carducci stated that she didn't have it with her, but it was less than \$300,000 attributable to the building and \$530,000 attributed to the land.

Councilmember Riegel stated that he originally voted nay on the item. He would like if we could include the wording that we're reimbursing or covering the construction costs. That's more tangible to him. Councilmember Moody stated that he was satisfied that we had value and the record will show that we received value for the \$300,000. He didn't try to quantify what that value was. Councilmember Riegel stated that he would change his vote in support. He was worried that someone would say something. The construction costs are a hard, tangible concrete thing and the appraised market estimate could go sideways.

On the amended motion of Councilmember Moody, seconded by Councilmember Riegel, the Committee voted unanimously to exercise their reverter rights and pay \$300,000, inclusive of the improvement costs related to the property, to acquire property at 113 Calhoun Street, which is appraised at about \$800,000.

**REQUEST APPROVAL OF THE ORDINANCE AND RELATED PUBLIC INFRASTRUCTURE IMPROVEMENTS AGREEMENT BETWEEN THE CITY OF CHARLESTON AND HORIZON PROJECT FOUNDATION, INC. THE PROPERTY OWNERS ARE CITY OF CHARLESTON AND MUSC FOUNDATION. (TMS: MULTIPLE; WESTEDGE DISTRICT (AKA HORIZON DISTRICT) (ORDINANCE)**

Ms. Carducci stated that as this development occurs and Horizon Project Foundation (HPF) is tasked with making improvements to the roads and infrastructure in order to allow the subdivision and sale of all the contributed properties that the City and MUSC Foundation (MUSCF) have put into the HPF. The TIF District was established in 2007, and this year was the first year that it moved into a positive territory for funding with the market economy the way it was. Earlier this year a resolution came to Council that this portion of WestEdge was being developed by the developer under the Agreement of Purchase and Sale and Development Agreement that we did with the 99 WestEdge Developers. In that Agreement, the City and the MUSCF agreed to the developer that they be paid for that road construction. Each agreed to pay half of what was a \$6 million cost. The resolution that Council approved said that MUSCF would have the ability to rely on getting repaid from the first TIF borrowing that occurs from this area. They have started. The first development in the Horizon District is 10 WestEdge, the corner of Spring and Lockwood. As part of that Agreement, the parking garage and the building are being funded by the developer. They're building it and will own it. There's an Infrastructure Development Agreement with HPF that will be done at the closing of that sale. At the time that is being built, the developers will build WestEdge Street, Horizon Street, as well as the spur that will connect through MUSC's Harborview property. The land sales proceeds in the contribution agreement that we have with HPF and MUSCF are intended to be repaid to the City and MUSCF at such time that HPF has the revenues to pay from the land sales. Because the TIF is just starting to generate revenue, once these buildings are completed and they hit the tax rolls, we're anticipating that they'll be in a position to fund the infrastructure that's occurring here. In the interim, the land sales from the corner parcel will be put into escrow and will be used to initially pay for the improvements of WestEdge, Horizon and District Drive. They will make some additional improvements to the Lockwood intersection as well. We have been working on drainage improvements in this area, and there are costs related to that. There are also costs to continue WestEdge Street through to connect behind the Marriott. The owners of the Marriott have plans to do some additional improvements on their property. Councilmember Moody stated that they better have some plans to increase the parking because it looks the street is going to take out their parking. Councilmember Waring asked if it's a private street. Ms. Carducci stated that it's going to be a public street. It's going to be dedicated right-of-way. Councilmember Waring stated that it appears to be a wide right-of-way. Mr. Maher stated that under the zoning that's in the district, the right-of-way is defined as 80 feet.

Mayor Tecklenburg, referring to the plat, asked Mr. Maher if the property needed for the connection had been secured. Mr. Maher replied no and stated that they have had ongoing discussions with the owners of the Marriott, who are very receptive and eager for this additional improvement. Councilmember Riegel asked if there was a median strip with plantings and trees. Mr. Maher stated that it's a 2-lane roadway with 2 bike lanes on the sides. There is about 15 feet of sidewalk on one side and a 30-foot section on the other side that has trees, dining areas, and landscaping. It's a signature street for the district and will be very active. This area was a former municipal landfill and settlement is an ongoing problem there. The engineering of these streets include a system of consolidating ground, which will help alleviate and prevent the kind of settlement we see all around this area. The ground improvement is important, but it's an added cost to the project. Councilmember Waring inquired about the plans and conversations with the College on the building that they purchased from the State. Mr. Maher stated that their intention is to renovate it for satellite office space. We've had some initial discussions about what their long-term plans are. They don't have the long-term plans fully envisioned. Having them have their footprint in the research district for the City is a win. Over time, we hope that they will become a part of the district in a more robust way. We've done a lot of modeling of the TIF to make sure that we're being very conservative and that we're efficient and effective in the way that we use TIF to fund this infrastructure. Councilmember Waring asked when the anticipated bond capacity would be implemented. Mr. Maher stated that if these projects deliver under their current schedule, 99 will deliver in 4<sup>th</sup> quarter 2017. 10 and 22 would deliver towards the end of the second quarter 2018. They would hit the tax rolls in 2019 and 2020. We're considering asking the developers to waive their appeal period so that they can get to the tax rolls quicker.

The Chair stated that 22 WestEdge is the first significant office building that will go up in this research campus. He asked if there was currently a tenant that would anchor that 146,000 square feet. Mr. Maher stated that MUSC's Bioinformatics Department's would anchor a floor and a half. Their lease is at the

Budget and Control Board next month. There's another pre-lease in place for a firm that does intellectual property. They're working on some technology driven approaches to taking products to patent and market. We have a letter of intent with SCRA as well. We've had some discussions with other smaller companies as well. Mayor Tecklenburg stated that some of those are conventional tenants. Mr. Maher stated that the first floor is primarily retail, restaurants, and commercial space. They're most small business oriented. Councilmember Waring inquired about the future for Harborview Tower. Mr. Maher stated that they've had a lot of discussions and provided a lot of resources to MUSC about the opportunity for them. We've been working with them about how it might occur, and we'd like to see it happen sooner than later because it would bring multiple benefits. The building is in compliance with the zoning. With its success and other project going on around it, we believe it will give us some additional funding capacity for dealing with some of those drainage and wetland issues.

On the motion of Councilmember Moody, seconded by Councilmember Waring, the Committee voted unanimously to request approval of the Ordinance and related Public Infrastructure Improvements Agreement between the City of Charleston and Horizon Project Foundation, Inc. The property owners are City of Charleston and MUSC Foundation. (TMS: Multiple; WestEdge District (aka Horizon District) (Ordinance).

**REQUEST APPROVAL FOR THE MAYOR TO EXECUTE THE ATTACHED PARKING AGREEMENT WITH THE SOUTH CAROLINA STATE PORTS AUTHORITY (SCSPA) RELATING TO THE CONCORD GARAGE. THE PROPERTY OWNER IS CITY OF CHARLESTON. [TMS: 458-09-02-068; 1 CUMBERLAND STREET (CONCORD PARKING GARAGE)] (ORDINANCE)**

Ms. Carducci stated that the City has an agreement with the Ports Authority. It was a part of a land transaction. In their agreement, they have the right to 100 parking spaces and more if they can show they need them for port-related activities. That agreement had no end date written in it. Now that they want to sell to a third party that is not port-related, this proposed agreement would allow the Port's agreement to stay in place. They do not pay for the monthly access cards, but they do pay for the operating expenses to the City, which is about 30 something thousand dollars and escalates over time. Once the Port sells their property and vacates the office building, it is anticipated to be about 2 years after the closing. There's a 5 year period where they will pay 50% of the monthly parking rate that's being charged in the garage at that time for 2 years. The final 3 years would be at 75% of the market rate. Thereafter, it would go to the full market rate, which is a very good agreement for the City. They will have the right to 100 access cards nonreserved or overnight parking. They can tell us how many of each they want. If they want 50 more spaces and if they're available, the City can make those spaces available to them. That garage has a very lengthy waiting list. It's proposed to be a hotel, so we'll have a good mix of parkers in the garage with this.

Councilmember Moody asked if the 100 spaces meets the zoning requirements for a hotel of the size that is proposed. Ms. Carducci stated that they have over 90 parking spaces on their site. Councilmember Moody stated that he was aware of the parking onsite. He assumed that with the 100 additional spaces, it would meet the zoning requirement. Ms. Carducci replied yes. Councilmember Riegel stated that it's a good deal for the City. For the 100 spaces the Port wasn't paying anything except operating costs. He asked if the entity would tell us in advance about what they needed. Ms. Carducci stated that they would give us 60 days advanced notice to change the ratio with how they anticipate using those spaces. From an operational standpoint, whether it's a monthly parker or a hotel overnight parker, we have to reserve the space in the event they show up. We can over park in some cases, but we find that a lot of the hotel users in this City come in, park and stay. The garage gate system operates so that once we've allowed so many transient users in there, we have the ability to stop additional transients from coming in. The garage operators monitor the system regularly. That garage can fill. Councilmember Riegel stated that it's a terrific utilization of that resource. Ms. Carducci stated that Council recommended that we move to that automated system. The Concord Garage doesn't have it yet, but once it's activated, the hotel will have the ability to activate in the hotel their overnight guest passes. It is counted in our system, so we know what they've activated. It's set up to work well. We're working through the garages.

Mayor Tecklenburg stated that those spaces won't be reserved when the Ports Authority leaves. Ms. Carducci confirmed. She stated that it was advantageous to not have those. The hotel wanted those. Having those decreases the ability to backfill those spaces. Councilmember Waring inquired how many spaces were in the garage. Ms. Carducci stated that she didn't recall. Councilmember Riegel asked who manages the garage. Ms. Carducci stated that all of the City parking facilities are managed by ABM Parking. Mayor Tecklenburg stated that the Ports Authority wanted us to convey the same rights in the agreement to whoever bought their property. This agreement gets us up to market rate for the parking spaces as opposed to them just paying the operating costs. The difference is about \$150,000 in parking revenue to the City. We felt that it was fair to phase them in over the 5 year period. Councilmember Riegel inquired about what the market parking rate was per space. Ms. Carducci stated that there are different rates available. \$125 per month per access card is for business hours from 6am- 6 pm and Saturday mornings. 24/7 access cards are \$160 per month. The overnight hotel parking rate is \$17. It allows them to come and go throughout the day. There are a few garages where we have reserved spaces, and those are higher. The County's garage at Cumberland matches our rates, but the County garage on Queen is higher. Councilmember Riegel commended the Mayor and Ms. Carducci for negotiating this agreement.

Councilmember Waring stated that the area where Tent City was located was supposed to be turned over by DOT to the City. Mayor Tecklenburg stated that they requested an encroachment permit for all of the property under the bridge, but they have not received it yet. Ms. Carducci stated that land behind the Trolley Barn is under a lease to the City. The delay is getting approval of the final plan and specifications from the DOT on the design of the lot.

On the motion of Councilmember Riegel, seconded by Councilmember Moody, the Committee voted unanimously to request approval for the Mayor to execute the attached Parking Agreement with the South Carolina State Ports Authority (SCSPA) relating to the Concord Garage. The property owner is City of Charleston. [TMS: 458-09-02-068; 1 Cumberland Street (Concord Parking Garage)] (Ordinance).

**CONSIDER THE FOLLOWING ANNEXATIONS:**

1. 4 Forest Creek Court (TMS# 358-07-00-034) 0.34 acre, West Ashley (District 10). The property owners are James Lynch and Hannah Lynch.
2. 303 Stinson Drive (TMS# 350-09-00-100) 0.35 acre, West Ashley (District 5). The property owner is Richard Benson.

Mr. Morgan stated that the annexations are single-family residential properties.

On the motion of Councilmember Moody, seconded by Councilmember Waring, the Committee voted unanimously to approve the annexations listed above.

Councilmember Waring stated that the NoMo apartment complex on Morrison Drive did a wonderful job of creating parking underneath the flyover of the Ravenel Bridge. He was wondering if we could get that where Tent City was. We could create shuttle parking spaces for employees at a much more affordable cost. Mayor Tecklenburg stated that they've requested an encroachment for everything under the bridges. We had a nice article in the paper about the bus rapid transit system that is now on the referendum. On the map, it showed that the terminus of the bus route transit system was at Meeting and Line Street. He's not sure where at the corner of Meeting and Line they intended to put the terminus. We're going to need every inch of space under the bridge for a combination of public space and for parking. It may tie into a future parking and transit station. Councilmember Riegel stated that he attended the meeting and it was interesting. The voters will have their say in November. He stated that Councilmember Waring's idea was wonderful and we needed that. Morrison Drive is unbelievable. Councilmember Waring stated that it came out great.

There being no further business, the meeting was adjourned at 6:17. p.m.

Techina Jacques  
Council Secretary