

Committee on Real Estate

February 7, 2022

A meeting of the Committee on Real Estate was held this date beginning at 3:35 p.m. over video conference call.

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

Present: Councilmember Appel, Chair, Councilmember Gregg, Councilmember Shahid, and Mayor Tecklenburg. **Also Present:** Leigh Bailey, Philip Clapper, Julia Copeland, Melissa Cruthirds, Tracy Doran, Matthew Frohlich, Geona Shaw Johnson, Tracy McKee, Christopher Morgan, Peter Rascoe, and Velvett Simmons.

Chair Appel called the meeting to order.

The meeting was opened with an invocation provided by Councilmember Shahid.

Approval of Minutes

On the motion of Councilmember Shahid, seconded by Mayor Tecklenburg, the Committee voted unanimously to approve the minutes of the January 24, 2022 meeting.

- a. An ordinance authorizing the Mayor to execute on behalf of the City a utility easement, approved as to form by the office of Corporation Counsel, to Dominion Energy South Carolina, Inc., encumbering a portion of the City's real property designated as Charleston County TMS No. 459-05-04-116, within the right-of-way shown on drawing D-84107, to permit installation of duct bank to transfer electricity to multiple affordable housing projects, including James Lewis, Jr. Eastside Apartments. The property is owned by the City of Charleston. (Block of Lee Street, Nassau Street, Hanover Street and Cooper Street)

Items A and B were taken together.

- b. An ordinance authorizing the Mayor to execute on behalf of the City a utility easement, approved as to form by the office of Corporation Counsel, to Dominion Energy South Carolina, Inc., encumbering a portion of the City's real property designated as Charleston County TMS No. 459-05-03-005, within the right-of-way shown on drawing D-84107, to permit installation of duct bank to transfer electricity to multiple affordable housing projects, including James Lewis, Jr. Eastside Apartments. The property is owned by the City of Charleston. (Nassau Street and Lee Street)

Ms. Copeland said the first two Items were easements for Dominion Energy.

An image was presented showing the easement plan between Hanover, Lee, and Nassau Streets. Dominion would attach to a power box near Hanover, and underground ductwork would connect it to a transformer closer to Nassau. The line would then split, and would go both north and south along Nassau, ending in power boxes.

The project was specific to the JLI property, and could potentially be used for a future affordable housing site.

Chair Appel asked if the easements were related to undergrounding power lines, or if they were normal easements.

Ms. Copeland said she did not know if they were specific to undergrounding, but all of the ductwork was being placed underground to run electricity, so she assumed that was the purpose.

Mayor Tecklenburg said it had become policy for the City to try, both from a resiliency and an aesthetic point of view, to underground power lines when developing new affordable housing. The project in question had been done before the City's new schema for undergrounding had been developed, and so the cost for this particular undergrounding fell squarely upon the City, which had set aside funding in the Cooper River TIF district. The City was also working on undergrounding for Ms. Doran's project at Archer School, as well as another small undergrounding project for the Charleston Housing Authority on Huger Street. He was hopeful that both of those projects would fall under the new schema, so that the City would only have to pay for half of the cost.

Councilmember Gregg asked if Dominion had given the City an estimate for the project.

Mayor Tecklenburg said they generally gave estimates, and asked staff if they had that information.

Ms. Copeland said she was unsure if they had gotten that far yet, but she said she could ask the engineer who had submitted the drawings for the cost of the easement itself.

Mayor Tecklenburg said he could safely say it would be more money than the City would have liked. But, in the long term, it was worthwhile.

On the motion of Councilmember Shahid, seconded by Mayor Tecklenburg, the Committee voted unanimously to approve Items A and B.

- c. **Request the Mayor and City Council approve the sale of the Shires Apartment to Harmony Housing, Inc., a Georgia-based nonprofit organization to re-capitalize and maintain the units as affordable rental housing for persons or families earning sixty (60%) and below the Area Median Income for a period of not to exceed 30 years. The previous investment the City of Charleston made in the approximate amount of \$379k, known as Home Investment Partnerships Program Community Housing Development Organization (CHOO) proceeds awarded by the Department of Housing and Urban Development will be returned to Humanities Housing (CHOO for the Humanities Foundation) CHOO to be reinvested in CHOO eligible housing activities in the City of Charleston. Humanities Foundation will provide the City of Charleston an annual report illustrating where said funds are invested.**

Ms. Johnson said Item C was a request from the Humanities Foundation to sell the Shires Apartments. The covenants that existed on the property went to 2027. Their goal was to sell the property to Harmony Housing, Inc., which would retain it as affordable for a minimum of 30 years. The development would continue to serve residents earning 60% and below the AMI. Also, the City had invested approximately \$379,000 into the property itself and the acquisition and construction over 7 years. She said she had indicated on the Committee Council Agenda Form that a portion of that amount, approximately \$140,000, would be returned to the City. Those funds would be reinvested into community housing development organization (CHODO)-eligible projects.

Ms. Doran said two of their older City properties had been sold to the CRC, and most of the properties were at 50% AMI rents. After around 14-17 years of operations, they didn't carry themselves anymore, leading to deferred maintenance issues and having to lend money to the properties. They therefore wanted to sell the properties to someone who could keep them affordable and improve them. Harmony Housing would be able to do that. The City could then invest in new ventures around the State, but mainly in the City of Charleston. The money from the sale of the property would go into other properties that

also had deferred maintenance problems, as well as into advocacy activities on the Eastside as the City continued to look at future development and potentially working on an RFP with the Charleston Housing Authority. They could also use some of the funding for predevelopment.

Mayor Tecklenburg asked if the reduction in the amount of money that the City was making back was a result of some kind of amortization, since the property was kept at an affordable rate for so long.

Ms. Johnson said they had invested \$379,000 in home CHODO funds, and they then divided what they invested into the total development cost at that time, which came out to \$6,661,000. \$379,000 was 5.7% of the whole, so the City would receive back 5.7% on their investment.

Mayor Tecklenburg said he wanted to respectfully request that those funds be invested into Charleston projects. He asked why the money didn't come back to the City to put back out, instead of going back to the nonprofit.

Ms. Johnson said that had been another option. Their recommendation, in light of the fact that the nonprofit had other CHODO-eligible projects, was to have those funds reinvested therein, because they needed capital reinvestment, and it saved the City from having to draw on other allocations to assist them. Furthermore, State Housing also had funding at about 6%.

Ms. Doran said the CHODO proceeds from the City of Charleston would absolutely be spent on Charleston properties.

Councilmember Shahid said the new owners, after the property was sold, were to maintain affordable renting housing for persons or families earning 60% AMI for a period not to exceed 30 years. He asked if the restriction requirements would still exist if the City did not sell the property, or if it would remain affordable in perpetuity.

Ms. Johnson said they did not have perpetuity or 90 years attached to the property. It was property they had invested in, not property the City owned.

Councilmember Shahid asked if the time limit restarted upon the resale of the property, or if the limit would carry over to the new owners.

Ms. Doran said the new owners would be under the same restrictions the City would be under if it kept the property.

Councilmember Shahid asked what would happen when the 30 years was up.

Ms. Johnson said the owners could recapitalize and go back to State Housing for additional funding, or they would sell the property on the open market.

Councilmember Shahid asked if the City would have any say in that decision.

Ms. Johnson said it would not. They could have the option to buy if they wanted, but that was it.

Councilmember Shahid asked if the owners would have the potential of a significant windfall at the end of the 30 year period.

Ms. Johnson said the owners would still have to charge restricted rents the entire time they held the property. There were not many organizations that garnered a windfall because of that. However, at the end of the 30 year period, when those restrictions would fall off, the owners could then sell it at market rate. In the Charleston community, the values of properties were increasing exponentially, so there was the potential for a windfall at the end of the 30 year period.

Councilmember Shahid thanked Ms. Johnson for her explanation.

Mayor Tecklenburg asked how many restricted years were left, and asked if the City had right of first refusal, and if they could have it with the new owners.

Ms. Doran said the property was in its 15th year, and there was originally no kind of right of first refusal. She was unaware if they could layer that in with Harmony Housing. It would complicate things.

Mayor Tecklenburg asked if the City had any leverage with Harmony Housing.

Ms. Doran said Harmony was under leverage with the IRS and South Carolina Housing.

Mayor Tecklenburg thanked Ms. Doran.

On the motion of Councilmember Shahid, seconded by Mayor Tecklenburg, the Committee voted unanimously to approve Item C.

- d. Request the Mayor and City Council enter into an Option to Lease with RHG Housing Development, LLC (RHG), the successful bidder for the Johns Island Affordable Housing RFP (Fenwick Properties). RHG proposes to build both rental and for-sale affordable housing on the site. [Ordinance]**

Ms. Johnson said the Committee had the Option to Lease and acquire real property. Item D would allow RHG to enter into an Option to Lease for the Fenwick Property. RHG was essentially applying for 9% tax credits, which would allow them to build 90 rental units of affordable housing. The RFP that the City released and RHG responded to also required the construction of affordable for-sale housing. The for-sale component would require the City to sell the balance of the land to RHG for the purposes of building the for-sale housing. RHG would essentially be entering into a development agreement to build an estimated minimum of 28 for-sale units. The rental units would be under a ground lease whereby RHG would rent to people at 60% and below AMI, would retain the property for 60 years, and at the end of those 60 years, both the land and the improvement would come back to the City.

The for-sale housing would be an attached product for the land, and those homes would be sold to first-time homebuyers, and would have 90-year restrictive covenants. Additionally, RHG was requesting \$1,000,000 in support to address the infrastructure that would be required at the site.

RHG was one of the organizations that responded to a request for proposals that the City had put out last year. RHG was selected by a committee that included Councilmember Brady.

On the motion of Councilmember Shahid, seconded by Mayor Tecklenburg, the Committee voted unanimously to approve Item D.

- e. Request approval of the Lease Amendment renewing the lease agreement between Traverse Point, LLC (RHG) and the City of Charleston, for the lease of the commercial space located at 2093 Executive Hall Road, Charleston, South Carolina. The monthly rent is approximately \$6770.10. The space is utilized by CPD. (The property is owned by Traverse Point, LLC; TMS No. 351-01-00-049.)**

Ms. Bailey said Item E was a 1-year renewal of a lease. The property was used by the Police Department. The Special Operations Division Personnel were located there. The City was working on finding a more long-term home for them, but in the meantime, the City wanted to renew the lease.

On the motion of Councilmember Shahid, seconded by Councilmember Gregg, the Committee voted unanimously to approve Item E.

f. Please consider the following annexations:

- (i) **2131 Clayton Drive (0.25 acre) (TMS# 310-12-00-018), West Ashley, (District 11). The property is owned by David William Ogden and Erin Hope Leach-Ogden.**
- (ii) **1517 and 1521 Wappoo Drive (0.54 acre), (TMS# 351-12-00-115 and 207), West Ashley, (District 9). The property is owned by Little Dudes LLC and The Dudes Invests LLC.**

Mr. Morgan said Item F was 2 residential annexations.

On the motion of Councilmember Shahid, seconded by Mayor Tecklenburg, the Committee voted unanimously to approve Item F.

Mayor Tecklenburg asked where the property on Wappoo Drive was in relation to the City's WPAL site.

Councilmember Shahid said it was on the other side of Ashley Hall Road, by the Pinecrest neighborhood.

Mr. Morgan said that was correct.

Having no further business, the Committee adjourned at 4:06 p.m.

Philip Clapper
Clerk of Council's Office