

## Committee on Real Estate

March 7, 2022

A meeting of the Committee on Real Estate was held this date beginning at 3:34 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, Councilmember Waring (arrived at 3:35 p.m.), and Mayor Tecklenburg. **Also Present:** Leigh Bailey, Philip Clapper, Julia Copeland, Melissa Cruthirds, Andrea Derungs, Matthew Frohlich, Rick Jerue, Tracy McKee, Velvett Simmons, and Amy Wharton.

Chair Appel called the meeting to order.

The meeting was opened with an invocation provided by Chair Appel.

### Approval of Minutes

On the motion of Councilmember Shahid, seconded by Councilmember Gregg, the Committee voted unanimously to approve the minutes of the February 22, 2022 meeting.

- a. **An ordinance to authorize the Mayor to execute a deed and any other necessary documents, approved as to form by the Office of Corporation Counsel, Quit-claiming to Children's Museum of Charleston the City of Charleston's right, title and interest, if any, to that certain portion of property bearing TMS No. 460-16-02-010, and subject to certain exceptions and other matters to be approved by the Office of Corporation Counsel.**

Ms. Copeland said Item A dealt with the Children's Museum of Charleston.

GIS images of the property were shown.

A subdivision of the property would be required. The Children's Museum was asking that the City quit-claim a portion of the building under a 99 year lease at 10/month. With that, they would have the right of reverter, if the Museum ever decided to go for-profit, was sold to someone else, or moved off the peninsula.

Part of why they were asking for the quit-claim was because they were planning to use the building as collateral to borrow money in order to make significant improvements to the building.

An image of the planned changes was shown.

Ms. Copeland said that they would change the location of the entrance of the building to Ann Street. They wanted Council's blessing first before going through the subdivision process with staff. Staff had already sat down with members of the board of the Museum to ensure that they had the necessary setbacks to make the improvements if they received the deed to the building, and everything seemed good to go, as far as staff was concerned.

Mayor Tecklenburg said the property, affectionately known as the Camden Tower Sheds, was a former railroad property that the City came into ownership of some decades prior. When the Mayor had worked for the City in the 90s, he had been a staff leader on the project which facilitated the current lease to the Children's Museum. The building had been "an absolute wreck." The Museum had done the upfit to the building at their own expense, and the City had prevented the long term lease. The Museum

was now at juncture where they wanted to make major capital improvements to the property and continue to operate it perpetually as a children's museum, which he thought was a good use for the City. If they ever chose to do anything different, the City would have a reverter. They claimed, and the Mayor concurred, that the fee simple ownership would help them with their financing of multi-million dollar improvements to the property. That was why they brought the Item to the Committee.

Councilmember Gregg asked why they would quit-claim before the subdivision.

Ms. Copeland said they would subdivide first, and then they would take it through the survey process and quit-claim process.

Chair Appel said he believed the idea of the presentation was to get some feedback from the Councilmembers before they went about the process. The process was complicated and backed up.

Councilmember Waring said he supported the museum, but did not understand why the lease needed to be for 99 years.

Ms. Copeland said she had misspoken. They would be quit-claiming the property to the Museum in fee simple, selling the building to them. The museum currently had about 47 years left on the lease that they were currently under. The Museum wanted fee simple title in order to obtain better loan conditions with the banks.

Councilmember Waring said that they might have needed to lease the property a little longer. It was a tepid subject, but they had had a situation with the Charleston School of Law and the Woolfe Street property, and the reverter clause. When another entity had come in and taken over the School of Law from the original group, that situation had changed. Another group could come in with the Museum, similarly. He liked the idea of the City maintaining ownership. He did like the idea of helping the Museum secure financing and do what they wanted to do if longer lease terms allowed it. He asked why they would give up the asset entirely, as they knew reverter clauses could be contested. Otherwise, he would have been on board. He thought they could accomplish the same thing by extending the lease so that the Museum could secure the financing under the lease terms. They would be able to secure the financing that way. The City and future Councils would have better options. 60 years in the future, none of those on Council would still be Councilmembers.

The goal was to help the Children's Museum to secure financing, which could be done on amenable terms, particularly while interest rates were down. He did not think they should have given up a City asset.

Councilmember Shahid asked how many Charleston area residents were being served by the Museum. It seemed to him that the number of residents that they were serving was not in proportion to the City's population. He had visited some years prior with Councilmember Shealy, and there had been students coming from outside City limits. He supported the Museum, but he wanted a breakdown of the number of children they were actually servicing in the City of Charleston, and more importantly, the number of children on the peninsula.

Mr. Jerue said they could get that information. One of the Museum's focuses was on Title I kids in CCSD, so there would be an awful lot of kids from outside of the City, but they were a part of CCSD. Title I kids were who they focused on the most, and they were the most disadvantaged kids in those schools.

Councilmember Shahid said he believed some of the figures were off, but he did believe there was a significant number of Title I children who used the Museum's services. He wanted to have a better idea of who their clients were, and who they were benefitting.

As Councilmember Waring had said, they were going through the mess with the School of Law, and he did not want to repeat that. If there was another alternative to selling the property, he wanted to weigh their options.

He asked if there was any urgency to the Item, and if it needed to be done immediately.

Ms. Copeland confirmed that there was no urgency.

Councilmember Shahid asked if it was okay to defer the Item until they got more of the answers they were looking for. He wanted the Museum to be successful, but he wanted to find other options besides selling the property first. He had more questions than he had answers.

Chair Appel said he did not understand why a bank would lend money and take a mortgage on a piece of property that had a reverter clause in it, as the collateral could essentially get swept up from underneath them. He did not know if the concept would even work at all. It struck him as something that was a little exotic, from a commercial lending perspective.

Mayor Tecklenburg said that as long as the bank knew that the borrower intended to maintain the children's museum, which was there intent, he did not know whether that would matter to them. They would know those details when going into a deal.

He said it was neither lost on him nor on staff regarding a long term or longer term lease vs. a quit-claim deed. They had had discussions with the Museum about that. They had been lobbying for a few years to raise money for the upgrades to the facility. When COVID hit, attendance, operations, and donations had all gone down. Their early request was for the City to give them some money to help them do the renovation, from the point of view that it was a City building, and that the City should be replacing the HVAC system and making other improvements. The Museum had determined it would be around \$6-\$8 million worth of stuff. That was a valid point, but from the Mayor's institutional knowledge, he knew that it had not been set up that way back in the 1990s. The City leased them the property as it was and where it was, and the Museum agreed to take care of it. It came down to continuing the lease and giving them serious financial support, or moving to a fee simple agreement, which they claimed would help them get the funding and financing necessary so that they would not need to ask the City for a couple million dollars. He asked Ms. Copeland if that was correct.

Ms. Copeland said it was.

Councilmember Shahid asked if the Committee could get details on the situation. He asked if the Museum would come back to the City and ask for money if they could not secure a loan.

Councilmember Waring said he did not believe a quit-claim was the only way to help the Museum. He believed that would happen, regardless.

He said Roper St. Francis had closed its OB/GYN unit because there were not enough babies being born on the peninsula to make a profit. He had been on the Board of Roper St. Francis when that happened. In the long term, there would be less young people on the peninsula. The units in West Ashley and East Cooper were bursting at the seams. In regard to free and reduced lunch, he said that the last Census had said that the City was made up of 17% African Americans. He did not know if the data was accurate. He believed it was close, but he did not know if it was that low. Either way, at the end of the day, they wanted kids to have fun, regardless of their background. He and his family were members of the Museum.

He said the Visitor Center was an example of how the City could help the Museum. The CVB had more money than the Children's Museum, but the Museum had friends. There was a financial package that could be put together to help with the renovations at the Children's Museum, but he thought the City should control the property. They might have qualified for Tourism dollars, if tourists made up a significant portion of the demographics.

He thought everyone was on the same page in regard to wanting to help the Museum, but they had only been presented with one option. There may have been one or two other ways to do it.

Mayor Tecklenburg said they would be happy to bring the Museum to the next Committee Meeting to give the Committee an update on who they were serving and what renovations they were planning.

Councilmember Gregg asked who owned the Charleston Museum.

Councilmember Waring said he believed the County owned it.

Mayor Tecklenburg said he believed it was 50/50 between the County and the City.

On the motion of Councilmember Shahid, seconded by Councilmember Waring, the Committee voted unanimously to defer Item A.

Councilmember Waring said he hoped a future discussion would have more than one option being discussed.

Mayor Tecklenburg said they could make the Museum aware of the discussion they had had.

- b. Request approval of an ordinance authorizing the Mayor to execute on behalf of the City the Lease Agreement between the City of Charleston and Lucier Enterprises, LLC. The monthly base rent is \$3,816 (\$36 per square foot), with a 3% annual increase. The tenant will also reimburse the City for property taxes, insurance, and CAM. The property is owned by the City of Charleston (401-B King St.)(Suite B in the Francis Marion parking garage retail complex)(TMS No. 460-16-04-008).**

Ms. Bailey said the Item was a lease agreement for Suite B in the Francis Marion retail complex. It was a cigar lounge that had been there for a number of years. The lease had an initial 5 year term with several renewals. The base rent was \$36/sq. ft., which was around \$3,816/month, with a 3% annual increase. That was right in line with market rate. The tenant would also be reimbursing the City for property insurance, CAM expenses, and taxes. He would also be responsible for the majority of the maintenance and upkeep on the space.

The property was one of the City-owned properties that, since the mid-90s, had been under a master lease agreement with an outside party. The City was not handling the property management directly. That master lease had expired, and the Real Estate Management Division would be taking over and self-managing the space. They would be transitioning into the property management there.

Suite A was vacant. They were working on getting it on the market.

Mayor Tecklenburg said that the property, even though it was owned by the City, property taxes were levied upon it, as they were commercially leasing the property.

Ms. Bailey said the past year had netted the City around \$36,708 with the property management company handling things. With the City taking over management, there was potential revenue of around \$140,000.

Councilmember Gregg asked if a 3% yearly increase was typical for a lease agreement in the City. It seemed to him that rents were going up much higher than 3%/year.

Ms. Bailey said 3%-5% was standard.

Councilmember Gregg asked if there was room to negotiate that between then and the end of the 5 year term.

Ms. Bailey said that they would be locked in to 3%/year with the way the lease was drafted.

She said they had heard very positive things about the tenant from the management company. Even during the challenges of COVID, he had been maintaining rent.

Councilmember Waring asked how many square feet the space held.

Ms. Bailey said it was 1,272 sq. ft.

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

Having no further business, the Committee adjourned at 4:07 p.m.

Philip Clapper  
Clerk of Council's Office