

## Committee on Real Estate

May 24, 2021

A meeting of the Committee on Real Estate was held this date beginning at 2:33 p.m. over video conference call.

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

**Present:** Councilmember Shahid, Chair, Councilmember Appel, Councilwoman Jackson, Councilmember Waring, and Mayor Tecklenburg **Also Present:** Bethany Whitaker, Chip McQueeney, Susan Herdina, Julia Copeland, Geona Shaw Johnson, Matt Frohlich, Matt Fountain, Leigh Bailey, Stirling Halversen

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

### Approval of Minutes

On the motion of Councilwoman Jackson, seconded by Councilmember Appel, the Committee voted unanimously to approve the minutes of the May 10, 2021 meeting.

**Request authorization for the Mayor to execute, on behalf of the City of Charleston (“City”), the First Amendment to the Transfer Agreement between the City and JJR Development, LLC, to permit the closing on the transfer of the property located at 67 America Street and currently designated as Charleston County TMS No. 459-09-02-132, from the City to JJR Development, LLC, to occur on or before September 30, 2021, and authorization for the Mayor to execute all documents necessary to consummate the transaction described in the Transfer Agreement, as amended. (ORDINANCE) [67 America St., TMS: 459-09-02-132] (Development Agreement to be sent under separate cover by the Legal Department)**

Ms. Shaw Johnson stated that in January of 2020, Real Estate and City Council approved the transfer agreement between the City and JJR Development LLC to build six single-family detached homes at 67 America Street. The first item they were asking the Committee to approve was an amendment to that. The transfer agreement was traditionally a 12-month agreement. They sought the approval during Covid-19, but during that time the engineering was done, and the design for the units was done, as well. That was what typically happened with the transfer agreement, but because they were out of compliance, they were asking for approval of an amendment to the transfer agreement itself.

Chairman Shahid asked besides them being out of time, if there were any other major changes to the agreement. Mr. McQueeney said there was no change to the agreement. What happened in these situations as they entered into the transfer agreement, which was essentially like the purchase and sale agreement agreeing to transfer the property. The transfer agreement also said there was a development agreement to be entered into and that had to be approved by City Council, and that wasn't done. Carter Dupree prepared that for them to get approved, so they were getting both approved at the same time. The development agreement, as opposed to the transfer of the property, controlled the development and specifically the affordable housing portion of the development on the property. They didn't really have a true standard form, but it was mostly the same form project to project with minor changes.

Councilwoman Jackson asked if they could get a little more background on the development agreement, its intention and when it will happen. Ms. Shaw Johnson said that the development agreement before

them was to construct six single-family detached homes at 67 America Street. They had been seeking to build on the property for some time. The total development cost was approximately \$1.7 million, a little over \$289,000 for a home, which was very costly for them relative to affordable housing. So, as she asked for approval of the development agreement, they would also need to subsidize beyond the \$30,000 they had already invested for those pre-development costs. They would need to subsidize and provide those end buyers at least \$83,000. They were asking for a \$500,000 subsidy for the total project. That amount would go towards the end-buyer. They had an increase in contingency in this particular contract and they had that in there because of the unanticipated costs that many were seeing in the development arena right now. Ideally, that would cover any unanticipated cost. Lumber costs right now, based off the last figure she saw was at 208%. They had worked with JJR Development before and had gotten a check back, so they were hoping that the same thing would happen again. Based on the efforts that were undertaken, that this was a 90-year restrictive covenant with two 10-year successive covenants, these units would be affordable for the long term. The subsidy would be considered permanent subsidy which meant it would transfer to every buyer going forward. Councilwoman Jackson asked what income ranges of occupants would be benefitted by this housing. Ms. Shaw Johnson said this housing development was for individuals earning 120% of the Area Median Income. Ms. Peters had been working with a number of people in that income category who were looking for housing on the Peninsula. Councilwoman Jackson asked what someone's approved lending would be in that income situation and asked if \$200,000 would be their maximum borrowing limit. Ms. Shaw Johnson said in most cases some borrowers would bring a little bit more subsidy. The program itself only required about \$2500 in a down payment, but many buyers had the opportunity or had brought more to the table which was helpful for them. Most of the buyers for this project could afford about \$200,000 for a mortgage. If they were not able to provide that subsidy, they would have to put this project on hold because it would not be affordable to anyone else in their spectrum of buyers. Councilwoman Jackson said it was important for them to put that out for public record. There were always questions about spending taxpayers hard-earned money for helping people. She asked if the source of the \$500,000 was coming from the Housing Trust Fund. Ms. Shaw Johnson said it was coming from fee-in-lieu, which came from developers.

Councilmember Waring asked how big the houses would be. Ms. Shaw Johnson said these were two bedroom, two-and-a-half bath homes that would be about 1,100 square feet. She also stated this was in the BAR District. Julia Martin was the architect who was very well-versed in that process so it didn't take as long as it would traditionally. It was really just a matter of where they were in the market relative to those costs. Mr. Roberts said he appreciated being able to assist the City in these things. If these houses were market-based, they would go for \$525,000, in his opinion. Initially, when this was in the hands of a non-profit, the plan was for four houses, and he and Ms. Shaw Johnson had replanned it for six houses. They would do the best they could. They had about 50 houses under construction, so these would get the benefit of their economies of scale, efficiencies, and purchasing capability. The last project they had done for Ms. Johnson, they had done an internal audit and returned a check for \$16,000 after they were surprised they came in under budget. Past performance didn't indicate future performance, but they would do the best they could and would treat this with the utmost care. They would do these simultaneously and with their capital for the City. It was kind of an unusual arrangement. They were coming up with the build cost up front and then Ms. Johnson would subsidize the down payments later. Councilmember Waring said that in that this was going to be affordable, he thought CPW had something to reduce the tap fees for affordable housing and hoped they would take advantage of that. They had

passed a smaller lot ordinance the previous year and asked if that helped at all in trying to reconfigure from four to six houses. Mr. Roberts said it would have helped them. They had to go through a very laborious zoning process.

On the motion of Councilmember Waring, seconded by Councilwoman Jackson, the Committee voted unanimously to approve the above item. Councilmember Appel recused himself and completed a Conflict of Interest Form which is on file in the Office of the Clerk of Council.

**Request authorization for the Mayor to execute the necessary documents for the purchase of 3, 5, 7, and 9 Cunnington Avenue, a 1.45 acre property located in the Neck area of the City, for \$1,425,000 subject to the conditions outlined in the attached Agreement of Purchase and Sale. [3, 5, 7 and 9 Cunnington Avenue, TMS: 464-14-00-139 and 464-14-00-119]**

Ms. Shaw Johnson said she was excited to present the purchase and sale agreement for this. It was on the Upper Peninsula/Neck area of the City. The request before them was for \$1,425,000, \$1 million of which would come from the CARES Act funding. A portion of the funds would come from the fee-in-lieu. The goal was two-pronged. They would build the future Navigation Center, or Homeless to Hope Center, in this area along with about 50-55 units apartments for persons transitioning out of homelessness and those who needed permanent affordable rental housing. This was an opportunity they had been seeking for some time now and were excited for it. The value of the property itself came in at \$1,650,000, so they were paying slightly below that. This was simply for acquisition. Currently, they sat on about \$695-700,000 that would go towards the actual construction of the Navigation Center. Separate apart from the City, the Mayor's Commission on Homelessness and Affordable Housing was working toward helping to bring capital to help with the construction of that and she had begun to look at and work with others in the affordable housing industry look at other forms of capital to bring about the permanent affordable rental units. The State Housing Office had what they called a small rental program where they provided several millions of dollars to bring about less than 55 units on a site and so they were looking at that and other funding options that would help them meet the need. HUD had given them a mandate with these dollars to expend within three years. Chairman Shahid asked where they were on that three year deadline. Ms. Shaw Johnson stated they just received the monies. The Mayor had just signed the grant agreement at the beginning of this year, so they still had three years in effect. They had begun looking at the engineering on this and how to bring about the appropriate stormwater management at the site, working with Kinsey Holton and Matt Fountain. The property was in an X Zone, so it had little risk for flooding, but they did have some issues they would have to address to make sure they had the proper stormwater management and infrastructure. Previously, there were four single-family detached homes on the site that had been there since the 60's. Their goal was to demolish those homes and then increase the density at the site.

Councilmember Waring said this was close to a lot of graveyards. He asked if they had any sounding around there to make sure there weren't unmarked graves. Ms. Shaw Johnson said they were looking at that. They were doing a geotech, a phase one and some other work for that very reason because there was a graveyard not even a full mile down the road going west. They had a little over 100 days for the due diligence so they had already started that to make sure they were staying ahead of it. Mayor Tecklenburg said that was an excellent point. Mike Whack had been working closely with the Gullah Society who had been doing tremendous work in identifying grave sites. They should get in contact with them to see if they had any information. He thanked Mr. Kaplan for allowing the City use of 529 Meeting

Street at no charge for the last two years. They knew the day was coming that Mr. Kaplan would want to redevelop the property and so it was incumbent on them to find a suitable alternate location. The size of this property was large enough to accommodate some housing on it, as well as comprehensive services and it was an ideal opportunity. It had commercial properties on either end and then surrounded by cemeteries. It was a great location. They knew there was some drainage issues. They may have to get some easements through some of the cemeteries for outfall, but they thought it was worth pursuing those solutions and putting the property to use.

On a motion of Councilwoman Jackson, seconded by Councilmember Waring, the Committee voted unanimously to approve the above item.

**Approval of a Second Amendment to the Management Agreement between the City of Charleston and Charleston Digital Corridor Foundation for the lease space at 22 West Edge. Funds are budgeted in 2021 to continue the Management Agreement through the remainder of the year; will need to be budgeted for in 2022 if continued.**

Mr. Frohlich said this was just a request to amend the management agreement with 22 West Edge with the Charleston Digital Corridor for an additional 12 months on a month by month basis. Chairman Shahid asked what the major change was to the agreement. Mr. Frohlich said it was just a time extension. The current agreement was set to expire on June 18<sup>th</sup>. They had a new tenant that just came in on May 15<sup>th</sup>, so this just allowed for some consistency. They could determine if and when they wanted to transition away from the CDC managing the space for them. Mayor Tecklenburg said he wanted to add a little report to the benefits they had seen from this lease which allowed the building to go to completion. The first tenant was part of a growth of a company called Vikor Scientific and since their inception they had hired over 250 people in the City. The new tenant was a research institute on brain chemistry and function. It was having the effect they intended, to promote life sciences and creating new jobs.

On a motion of Councilwoman Jackson, seconded by Councilmember Appel, the Committee voted unanimously to approve the above item.

**Request authorization for the Mayor to execute a Permanent Easement between the City of Charleston and the Commissioners of Public Works whereby the City grants to CWS Utility/Access Easement for access to Wastewater Tunnels and Wastewater Tunnel Shafts (Portion of Murray Blvd and intersection of Murray Blvd and Limehouse St) (Approximately). [Ordinance]**

Ms. Herdina said that Mayor Tecklenburg and Councilmember Waring had spoken of this project several months ago and now they were bringing it forward for authorization. It was an ordinance authorizing the mayor to execute a new permanent easement between the City and CPW that would allow them to access the City's property for access to their wastewater tunnels and shafts. In exchange, the City would receive \$1 million in consideration. There was a plan attached to the easement that had a hatched area on it which indicated where the easement would be. They did spend some time working out issues of notice to the City when CPD would need to get onto Murray Boulevard for purposes of non-emergency maintenance repairs and emergency matters. They knew CPW would be a good partner. Matt Fountain reviewed it and gave some input. There would also be coordination with T&T to make sure traffic disruption would be minimized when they had to get onto the street for access to their shafts. The other provisions were fairly standard. Mr. Fountain said they had reviewed this to try to minimize the impact

on the Low Battery Project. This would be within the limits of the Phase Three construction work and they had coordinated with CWS to try to make sure they were working in good faith to minimize those efforts. Mr. Hill thanked the Committee for their consideration. They appreciated working with the City on this project. They didn't have plans immediately to get in there and do work, but they needed the capability to do so when and if that happened. Mayor Tecklenburg said he was going to reiterate the important and valued partnership between the City and CWS. He said Councilmember Waring deserved the credit on this. Councilmember Waring said it was a team effort. Councilwoman Jackson agreed that CWS had always been very cooperative. She asked how they did this without a permanent easement. Mr. Hill said they owned the property adjacent to the proposed easement. This would give them an opportunity in the future to market that property.

On the motion of Councilmember Waring, seconded by Councilwoman Jackson, the Committee voted unanimously to approve the above item.

**Request authorization for the Mayor to execute a Purchase and Sale Agreement between the City of Charleston and Michael Milhous Hollings, Helen Hollings Reardon, and Ernest Frederick Hollings, III, for the City's purchase of property located at 0 Canal Street, Charleston, South Carolina, TMS # 457-07-001-007 for a price of \$43,500.00 for long term drainage protection of Lockwood Blvd.**

Ms. Herdina said they were asking for authorization to execute a purchase and sale agreement between the City and three members of the Hollings family so the City could purchase this property. It was located off of Lockwood Boulevard behind Beaufain Street and fronted on marsh property. The purchase price would be \$43,500. They had a 60-day inspection period to look for environmental issues but they didn't expect any problems. It would be used for long term drainage protection of Lockwood Boulevard. Mr. Fountain said this area was a prime area for the Dutch Dialogue approach for storing a water behind a barrier. This was one of the epicenters of where they managed stormwater internally in this portion of the Peninsula. It was a good opportunity to secure this location for the future. Councilwoman Jackson asked if they were going to naturalize it or demolish something there. Mr. Fountain said it was somewhat naturalized at the moment. IT was more of an opportunity to prevent fill and build in an area that was currently managing a lot of stormwater. Councilmember Appel said he plugged the TMS number and looked at the parcel. It was marsh. He was trying to understand if they had looked at the title and determined that it was actually owned by people and not the State under some sort of public trust, and how marsh was worth \$43,500. There was no way it could ever be developed. Ms. Herdina said that during the inspection period, they would confirm they had good title. They had represented that they had. In this case, because the property had been valued at various prices in recent time, they went with the market value that appeared on the County's website. Councilwoman Jackson asked if this was coming from the drainage fund. Mr. Frohlich said that was correct.

On the motion of Councilmember Waring, seconded by Councilwoman Jackson, the Committee voted unanimously to approve the above item.

**Executive Session pursuant to Section 30-4-70(a)(2) of the South Carolina Code, to discuss negotiations for the acquisition of property for public safety purposes.**

On a motion of Councilmember Waring, seconded by Councilwoman Jackson, the Committee voted unanimously to go into Executive Session at 3:17 p.m.

On a motion of Councilwoman Jackson, seconded by Councilmember Waring, the Committee voted unanimously to come out of Executive Session at 3:27 p.m.

Chairman Shahid stated that no action was taken on this issue and no action was required out of Executive Session.

**Executive Session pursuant to Section 30-4-70(a)(2) of the South Carolina Code, to discuss contractual negotiations for the purchase of a Greenbelt grant property.**

On a motion of Councilmember Waring, seconded by Councilwoman Jackson, the Committee voted unanimously to go into Executive Session at 3:29 p.m.

On a motion of Councilmember Waring, seconded by Councilwoman Jackson, the Committee voted unanimously to come out of Executive Session at 4:10 p.m.

Chairman Shahid stated no action was taken during Executive Session. The recommendation to staff was to proceed with negotiations.

Having no further business, the Committee adjourned at 4:11 p.m.