

## **Committee on Real Estate**

August 15, 2022

A meeting of the Committee on Real Estate was held this date at 3:04 p.m. via Zoom.

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

### **PRESENT**

**Committee members:** Councilmember Appel, Chair, Mayor Tecklenburg, Councilmember Gregg, Councilmember Shahid, and Councilmember Waring.

**City Staff and Others:** Leigh Bailey, Julia Copeland, Magalie Creech, Melissa Cruthirds, Rick Jerue, Mollie Jones, Christopher Morgan, Mallary Scheer, Brittany Pinckney, Jennifer Cook, Amy Wharton, Scott Watson, Geona Shaw Johnson, Matt Frohlich, Jason Kronsberg, Councilmember Seekings, Councilmember Parker, Angela Mack, Jeffrey Roberts, Chris Staubes, and Anne Cleveland.

Chair Appel called the meeting to order.

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

### **Approval of Minutes**

#### **- July 18, 2022**

On a motion of Councilmember Shahid, seconded by Mayor Tecklenburg, the Committee voted unanimously to approve the minutes of the July 18, 2022, meeting.

- a. **Approval for the rental of Festival Hall for the MOJA Arts Festival on October 7, 8, 9, 2022. (56 Beaufain St., Charleston, SC 29401)**
- b. **Approval for the rental of Festival Hall for the MOJA Arts Festival on November 11, 12, 13, 2022. (56 Beaufain St., Charleston, SC 29401)**

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

Mr. Watson said the Item was for the concert program and the community tribute luncheon. He said as they came back this year they were being spread out over the months of October and November. The money associated with the Item was for the labor and not for the use of the space.

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

- c. **Authorization for the Mayor to execute on behalf of the City a Second Amendment to the Management and Operating Agreement with the Charleston Area Convention & Visitors Bureau. [Ordinance]**

Mr. Frohlich said the Item was a second amendment to the Management Agreement with the CACVB for the Visitor's Center. He said there were two pieces to the amendment. The first one was an increase or an additional refund reimbursement amount of \$2.19 million to the renovation project. That was the reimbursement to CACVB for expenses. The original overage was \$3.19 million but the CACVB got \$1 million dollars from the State of South Carolina that they applied to that overage. It was the remaining balance they asked the City to cover.

He said the other portion of it was to reimburse the City for 25% of actual utility expenses at the facility. It was tied to the square footage of the mezzanine or the office space that the CACVB was utilizing for their staff that was outside of the original Visitor Center concept.

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

**d. Ordinance authorizing Mayor to execute a First Amendment to Lease Agreement between City of Charleston and South Carolina Aquarium. (Charleston Maritime Center – 10 Wharfside Street) [Ordinance]**

Mr. Frohlich said the Item was the first amendment to the agreement with the Aquarium for the Maritime Center. The original agreement did not have any plans for them to utilize the docks in any way, it was just for the building. The amendment was allowing them to utilize the northern dock. It allowed them to put safety railings on the dock so they could take students down there to collect water samples and soil samples to take back to the classroom for educational purposes.

Councilmember Gregg asked if the grant gave exclusive use to the Aquarium for that section on the dock or if it preserved it for public use.

Mr. Frohlich said it preserved it for public use and it was only allowing them to put up the handrailing on City property for safety purposes.

Councilmember Shahid said that he understood they had some seats available on the Aquarium Board. He said it was always helpful when these kinds of issues came up that they had a Councilmember serving. He encouraged Mr. Mills to reach out to the Mayor to fill those seats.

Mayor Tecklenburg said he was trying to recall if they were Councilmembers or just representatives of the City.

Councilmember Shahid said the members were Councilmembers. He said it was like some of the other Commissions they had a seat on. He asked the Mayor to get his staff to look into it and he would recommend Councilmember Appel to fill that position.

Mr. Jerue said that they had two ex-officio seats and one of the discussions they had with the Aquarium was if they should have an official seat.

Mayor Tecklenburg said that it was just an amendment and the Aquarium looked to make a major investment into the Maritime Center, City property. They had worked with them, and the improvements would include the needs of the City and continuing to manage the docks. They also shared space with the International African American Museum. He said it was a healthy collaboration going on and it was all about education, learning, and the use of facilities between the three of them.

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

**e. Authorization for the Mayor to accept on behalf of the City of Charleston as Grantee, irrevocable deed restrictions in favor of the City in and to 838 Morrison Drive, from Morrison Yard Owner, LLC, in connection with Grantor's request for Quality Outdoor Public Space incentive points and height/density bonuses under the Upper Peninsula District Zoning Ordinance. (TMS# 459-07-00-010) [Ordinance]**

Ms. Creech said they would like to request a deferral of the Item. A few things came up last minute that required minor modifications and they would be meeting with Zoning later in the week.

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

**f. Ordinance authorizing 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. 277-00-00-003, within the Right of Way shown on reference Drawing D-78456, to permit installation of overhead electric line to the soccer field and lacrosse field on Daniel Island. [Ordinance]**

Ms. Copeland showed a map of the area they were discussing on Item F.

Councilmember Gregg said it was the very south end of Daniel Island and the end of the development. He said those were the DISA fields and they had a soccer league out there that used the fields for practice.

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

- g. Authorization for the Mayor to execute a Right of Purchase on behalf of the City of Charleston, to repurchase 56 Nunan Street from Freedom Mortgage for an amount of \$135,000.00. The Right of Purchase will only be exercised if the homeowner is unable to secure funding from SC Housing to repay the arrearages that exist. Staff has been advised that the assistance is approved, and the arrearages will be addressed. Awaiting final notification and documentation related to this approval. Based on the timing of the transaction the City of Charleston may utilize CDBG-Program Income Funding to re-acquire this property in lieu of Fee-In-Lieu funds. (TMS# 460-07-01-025)**

Mr. Staubes said 56 Nunan Street was one of their affordable housing properties they helped the owner with. They had a second position mortgage for about \$60,408 that they loaned Ms. Taylor as of May 1, 2018. The first position mortgage holder Freedom Mortgage had started a foreclosure action against Ms. Taylor. He said the City of Charleston said they put a provision in the mortgage that said if they did decide to foreclose, they had to notify the City. They gave a 60-day notice if they wanted to buy out their position. The payoff was \$134,699.15 with a \$9.23 per diem interest after that, and they gave them until the end of the month. He said the City would need to let them know if they wanted to buy them out, and the next step would be to talk with them about what exactly that meant. He looked on Zillow and it said the property was worth \$373,900 and it was more than the two mortgages.

Ms. Shaw Johnson said the homeowner encountered multiple issues with COVID-19 and ran into some financial challenges as a result. She was pursuing and had submitted an application to State Housing for assistance and her application had been preliminarily approved. She said they wanted to make sure they were able to buy should something fall through at State Housing and the approval of the Item would allow them to do that. The homeowner and the staff member that was working with her were confident that the State Housing would come through and assist her with the rerages.

On a motion of Councilmember Waring, seconded by Mayor Tecklenburg, the Committee voted unanimously to approve Item G.

- h. Authorization for the Mayor to execute, on behalf of the City of Charleston, an Amendment to the Development Agreement between the City and JJR Development, LLC, dated May 25, 2022, for the construction of 6 houses on 67 America Street. The Amendment requests: (i) approval to accept an increase in the construction budget from \$1,765,821 to \$1,936,278, (ii) an increase in the homebuyer subsidy from \$500,000 to \$738,000, (iii) an extension in Substantial Completion to October 1, 2023, and (iv) identification of each of the 6 lots by its designated TMS number. (TMS# 459-09-02-132)**
- i. Authorization for the Mayor to execute, on behalf of the City of Charleston, the Second Amendment to the Transfer Agreement between the City and JJR Development, LLC, to include the properties located at 67 America Street (TMS# 459-09-02-132), 3 Father Grants Court (TMS# 459-09-02-184), and 11 Father Grants Court (TMS# 459-09-02-185) 15 Father Grants Court (TMS# 459-09-02-190) and 19 Father Grants Court (TMS# 459-09-02-191) as part of the transaction and to permit closing to occur on or before September 30, 2022. [Ordinance]**

On a motion of Councilmember Shahid, seconded by Councilmember Waring, the Committee voted unanimously to approve the motion to take Items H and I together.

Ms. Shaw Johnson said the Items were for the development agreement and transfer agreement for 67 America Street. Item H was an amendment to the development agreement that would allow an extension of time for the developer to get six single-family detached homes constructed under their first-time homebuyer program, which had the 90-year restrictive covenant. Item I was the transfer agreement that allowed for an extension of time before the closing happened, which would be September 30, 2022, for

him to get closed and it ensured that they identified all six properties or lots by their tax map serial number. She said before they were all on one and they had since subdivided to make sure they were individually identified. The reason they brought it back in front of the Real Estate Committee was because there was a slight increase. It was right under \$300,000 to develop the properties and they saw some savings in some areas relative to construction cost and some slight increases in others. She said that they would be around \$320,000 per house, which meant they would be leaving a substantial amount of permanent subsidy in those homes. Every time they sold to a subsequent buyer, they would receive the benefit of that permanent subsidy and they had the 90-year restrictive covenant.

Councilmember Waring said she was right on the cost of the units. The subsidy was going from \$25,000 to \$40,000 and that was above the increase with the cost of the building. He said he understood the cost going from \$1,765,000 to \$1,936,000 because of the cost of construction. He thought the subsidy would have been there to cover that increase but it would go beyond that increase, and he wanted to know why.

Ms. Shaw Johnson said that was because they were seeing an increase in what the units would cost, and they were trying to increase the subsidy. They still want to be able to target the homebuyers for the units.

Councilmember Waring asked if the \$738,000 was included in the \$1,936,000. He said she could get that to him tomorrow.

Ms. Shaw Johnson said she thought it was an all-inclusive amount, which meant it was not in addition to that amount, but she would confirm that.

Councilmember Waring said if that was in addition to, it would make those house about \$450,000.

Ms. Shaw Johnson said they wouldn't do that. She said if you looked at the previous budget it also included their subsidy amount. The calculated cost per house was \$322,713 and if you looked at the last page of the budget it outlined that.

Mr. Roberts said the total cost to construct the houses was about \$320,000 apiece and the subsidy she mentioned just reduced the buy down. They were building these with their capital. The cost of it was \$1.9 million and the subsidies were going to reduce the actual mortgage cost. He said they would get sold to the end user, the homeowner initiative homeowner for the price of what the unit cost.

Councilmember Shahid asked if the units were going to cost the same amount of money to construct them. He also asked what the homeowner's outlay was going to be and what they would expect from them to own the house.

Ms. Shaw Johnson said yes, the goal was for them to all cost the same. She said some of them would have money to put down, but they would qualify between \$200,000-\$220,000. The difference between that and the development cost would be the permanent subsidy. That stayed with the house for the next 90 years or for perpetuity.

Councilmember Shahid asked if the City maintained a lien like a second mortgage to cover the cost of the subsidy.

Ms. Shaw Johnson said it was a restrictive covenant that was recorded with the deed. If anyone tried to flip it or anything of that nature an attorney would see that was not allowed.

Councilmember Shahid asked if, once they bought the property and the City protected the interest on the subsidy, was there a restriction to prevent them from selling the property. He said if someone sold the property the City would want that attainable housing option to be available to a subsequent client.

Ms. Shaw Johnson said it stayed that way and they had a resale provision that was attached. They could only get an increase based on the consumer price index or the area median income, whichever was greater. They would subtract the permanent subsidy out of that and then the seller would get the difference.

Councilmember Waring asked if the covenant survived a foreclosure.

Ms. Shaw Johnson said it did. The 90-year restriction did not go away.

Mayor Tecklenburg said the City was paying Mr. Roberts \$1.9 million and some change to build houses, and they were selling them for around \$1.2 million. The subsidy was the difference that created affordable

housing. He said he liked it because it was homeownership even though there were restrictions on what the homeowners could do. There were some provisions for them to share and increase in value and build some wealth as opposed to paying rent. He thanked Mr. Roberts

On a motion of Councilmember Shahid, seconded by Councilmember Waring, the Committee voted unanimously to approve Items H and I.

**j. Authorization for the Mayor to execute on behalf of the City an Escrow Agreement between Long Savannah Land Company and HPH Properties regarding the acquisition of land for Long Savannah Parkway.**

Ms. Copeland said several sections of the development agreement talked about if these two private companies couldn't acquire the land in order to start building the parkway that the City would step in and acquire the land through condemnation. The developer would pay for all fees associated with the condemnation. She said the first step they had created was the escrow agreement. Haynsworth Sinkler Boyd was going to act as their agent, and they would place the money into the escrow agreement. That was how their efforts would be funded.

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

**k. Authorization for the Mayor to execute necessary documents to transfer to the Commissioner of Public Works of the City of Charleston certain utilities constructed by the City during renovations to Credit One Stadium.**

Ms. Copeland said Item K was another one where the City put sewer infrastructure in the ground, and they were the CWS documents that they executed in order to transfer it with a two-year warranty.

On a motion of Councilmember Waring, seconded by Mayor Tecklenburg, the Committee voted unanimously to approve Item K.

**I. Please consider the following annexations:**

- (i) 29 Avondale Avenue (0.35 acre) (TMS# 418-14-00-030), West Ashley, (District 9). The property is owned by Julia and Jay Langston.**
- (ii) 309 Cessna Avenue (0.18 acre) (TMS# 350-09-00-028), West Ashley, (District 5). The property is owned by Fiona R. Sanderson and Marshall D. Sanderson.**
- (iii) 827 Trent Street (0.31 acre) (TMS# 310-02-00-155), West Ashley, (District 7). The property is owned by Taylor B. Green.**
- (iv) 2157 Wappoo Drive (0.22 acre) (TMS# 343-06-00-174), James Island, (District 11). The property is owned by John and Maggie Guerry.**

Ms. Jones said they were all single-family residential. The first three were in West Ashley and the last one was on James Island.

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

**m. Executive session pursuant to S.C. Code Ann. 30-4-70(a)(2) for update and discussion regarding lease negotiations with Childrens Museum of Charleston.**

**n. Executive session pursuant to S.C. Code Ann. Sec. 30-4-70(a)(2): Discussion and consideration of proposed contractual arrangements for purchase of property.**

On a motion of Councilmember Shahid, seconded by Councilmember Waring, the Committee voted unanimously to move into Executive Session at 3:40 PM.

On a motion of Mayor Tecklenburg, seconded by Councilmember Shahid, the Committee voted unanimously to move out of Executive Session at 4:50 PM.

There being no further business to discuss, the meeting was adjourned at 4:50 p.m.

Brittany Pinckney  
Assistant Clerk of Council