



Stainback Public/Private Real Estate

AGENDA #7a

April 6, 2004

To: Mayor and Town Council

From: John Stainback, Stainback Public/Private Real Estate (SPPRE)

Re: Summary of Market Study, Preliminary Building Program and the Next Step in the Development of Town-Owned Lots 2 and 5

Summary of Market Demand Study

Overview

Based on the results of an objective third-party (ERA), SPPRE recommends that the Town of Chapel Hill proceed to Part 1B: Development of Master Plans. Now that the Town has completed a study, which confirms the demand for a variety of uses, the Council should be confident to proceed to the next step. This confirmation of demand for space by a nationally recognized market demand consultant will also provide the private development community with a strong basis to respond to a Request for Qualifications (RFQ) and/or a Request for Proposal (RFP).

ERA's comprehensive report presents the basis for a mix of uses and a building program for Town-Owned Lots 2 and 5. In fact, assuming a scale of development, complementary to the scale of the Downtown, Lots 2 and 5 cannot accommodate the full market demand for housing and retail uses described in the ERA report.

The results of the market study include:

- A total of up to 386 housing units over five years with a mix of market-rate rental and owner-occupied units
- A demand for the mandated set aside for affordable housing
- Retail space totaling 112,000 square feet downtown, and up to 666,000 SF, in the Chapel Hill area generally.
- Up to three new cinema screens

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- A small scale specialty grocery store
- Art gallery space

The demand for office space does not warrant including that use in the building program.

The Council Committee's Reaction to Recent Presentations

My understanding of the Council Committee's reaction to the demand for the mix of uses is to consider proceeding with three types of housing: market-rate rental units, owner-occupied units and affordable housing, retail space, which includes a specialty grocery store, art gallery space, all of which is highly inter-related with active pedestrian space(s) and, if physically possible, some form of a Transit Transfer Center.

It was also clear how important design is to the ultimate development of the Town-Owned sites. I want to reiterate that I have confidence in HKS Architects to complete the first-round of master plan concept. Equally important, the Council should realize, we are dealing from a position of strength and can demand quality design from candidate developers. When preparing the RFQ and/or RFP the Council can place great emphasis on design. In addition, I recommend structuring the public/private partnership with the competitively selected developer to include a variety of Approval Rights on issues such as: selection of the architect, approval of Schematic Design (SD), Design Development (DD) and Outline Building Specifications.

In addition, design reviews, public forums and the ability to stop the project are included in Part 1B of the SPPRE Scope of Work.

It was also clear the Council Committee wants every effort to be made to include some form of a Transit Transfer Center in the conceptual design of Parking Lots 2 and 5. These two sites are relatively small and in order to develop a true mixed-use project and achieve the envisioned successful pedestrian spaces, we may not be able to accommodate a traditional transit center on either site. I suggest we include a reduced version of the Transit Center or accommodate stations on street space, and wait to see the initial design work produced by HKS, before we make the final decision on this development component.

Results of the Public Forum

Town residents shared their concern of developing Lots 2 and 5 without replacing the existing parking spaces, consequently, the proposed building program now includes the 274 parking spaces currently available.

Town residents reinforced the Council's desire to incorporate some form of a Transit Transfer Center into the redevelopment of Downtown.

At least one resident wanted the planner to explore how to make the Downtown into a regional destination. This will be included in the informal design guidelines provided to HKS Architects.

Another resident wanted the consultant team to explore the concept of providing activity space for teenagers ranging in age from 11 to 17. The concept was to provide this age group something to do while their parents attended art galleries. This concept will also be provided to the HKS design team.

Other points raised included: 1) Expand the Town Tax base; 2) Include public space and possibly a coffee bar into the Transit Transfer Center; 3) Explore including a bookstore as part of the proposed retail space; 4) suggested that we do not duplicate “Weaver Street”; 5) Suggested we focus on the existing movie theatres and not a new three-screen Cineplex; and 6) Test the feasibility of providing discounted parking rates to people attending future theatrical performances.

One resident suggested that we meet with UNC officials to discuss the concept of using UNC-owned parking lots after 5:00 PM. This shared parking concept could reduce the need for new parking resulting from the redevelopment of Lots 2 and 5.

The Recommended Preliminary Building Program

I thought it would be much more effective if I took the initiative to prepare a **site-specific** building program rather than reiterate a summary of the market report. So I developed the attached preliminary building program spreadsheet. Please note that the recommended building area for each use was based SOLELY on the allowable maximum Floor Area Ratio (FAR) and available bonuses for residential development, and does NOT address building height or any design considerations. The results of the market study provide the Town with great flexibility. That flexibility will be repeatedly stressed with HKS. The Preliminary Building Program does NOT exclude any mix of uses, nor does it limit, or dictate the building area allocated to each use. I suspect building height, the design of cost effective and efficient parking garages and building design will reduce the scope of the final building program.

After discussing with Town staff, I did complete a quick analysis of existing and new parking requirements. The two development sites currently include 274 parking spaces. The proposed development of the two sites requires 407 parking spaces for a total count of 681 spaces. As described in the spreadsheet, the configuration and area of Lots 2 and 5 can accommodate efficient garage layouts. Using industry standards, the replacement and new parking on Lot 2 can be accommodated in a 2.5 to 3 level above-grade garage. The replacement and new parking required for the development of Lot 5 can be accommodated in a two-level above-grade garage. Clearly, HKS will also explore underground garages, but I want to stress that the cost of underground garages (\$18,000

to \$25,000 per space) are approximately twice as expensive as above-grade garages (range of \$10,000 to \$13,000 per space). The cost of an above-grade garage accommodating the replacement parking alone will be in the range of \$2.75 million to \$3.5 million.

If after our financial analysis, the Town is required to finance the replacement parking spaces, we can use the proceeds from the Land Lease, but all, or some portion of the annual land lease payments to the Town will be allocated to cover the debt service on the public portion of the two garages. I have confidence that we can develop a creative finance plan for the garages, but the garages will definitely affect the scale of the proposed developments, and in fact, may require the Council to consider increasing the allowable building height and/or scaling back the proposed development programs.

Next Steps

The results of the ERA Market Report will be referred to throughout the balance of the pre-development process. It is one of the most important steps of the pre-development process recommended by SPPRE. The Council now has a solid basis to proceed to the development of the Master Plan phase of the process, should it elect to do so. There are seven (7) Tasks included in Part 1B of the SPPRE Scope of Work. These Tasks include:

- Task 1.8: Prepare Building Program (now already started at risk by SPPRE)
- Task 1.9: Prepare Contract for HKS Architects
- Task 1.10: Complete a Design Review with Council Committee (HKS incorporates comments by Committee)
- Task 1.11: Select a Local Construction Company to Provide Cost Estimates of the Proposed Development of Lots 2 and 5
- Task 1.12: Conduct Public Forum and Second Design Review with Council Committee.
- Task 1.13: Present Design to Town Council.

HKS incorporates comments before preparing final design and three (3) illustrative perspective sketches

The Council has substantial flexibility and control of the pre-development process. I look forward to working with the Town Council, Council Committee and Town staff to design and develop projects which meet the Council's objectives.

Preliminary Building Program for Parking Lots 2 and 5						
(Not incorporating height restrictions, scale or design considerations)						
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A	Project Sites	Gross Land Area: (excl.ROW)	Maximum FAR (1)	Maximum Allowable Floor Area	Gross Land Area (Incl. ROW)	Maximum Allowable Floor Area
	Parking Lot No. 2	43,500	1.97	85,695	47,850	94,265
	Parking Lot No. 5	75,500	1.97	148,735	83,050	163,609
	Total (Excludes Incentives)	119,000		234,430	130,900	257,873
TC Residential Floor-Area Bonus						
	Parking Lot No. 2					
	Multi-Family Dwellings Bonus (2)			0	Only one of the two FAR Bonuses can be utilized	
	Vertical Mixed-Use Bonus (3)			12,854		
	Total:			12,854		
	Parking Lot No. 5					
	Multi-Family Dwellings Bonus			0	Only one of the two FAR Bonuses can be utilized	
	Vertical Mixed-Use Bonus			15,000		
	Total:			15,000		
Total Gross Square Feet (GSF)						
	Parking Lot No. 2			107,119		
	Parking Lot No. 5			178,609		
	Total GSF (Including Incentives) (4)			285,727		

B Building Program									
		Range (5)						Housing Units	
		Min.Retail	Max. Retail	Mid.Retail	% of St. Level	Maximum	Minimum	Average	
Parking Lot No. 2									
Retail Space (6)		20,000	30,000	25,000	57%				
Market-Rate Rental Housing (7)		75,000	65,000	70,000	0	83	72	78	
Affordable Housing (8)		11,250	9,750	10,500	0	13	11	12	
Art Gallery (9)		1,500	2,500	2,000	5%				
	Total:	107,750	107,250	107,500	NA	96	83	90	
Pedestrian Space (Exterior)		1,000	2,000	1,500	3%				
					66%				
Required Parking for Lot No.2									
Retail (10)				63					
Housing (11)				90					
Art Gallery				5					
	Total:			149					
Parking Lot No. 5									
Retail Space		30,000	50,000	40,000	53%				
Market-Rate Rental Housing		122,000	101,000	111,500	0%	136	112	124	
Affordable Housing		18,300	15,150	16,725	0%	20	17	19	
Art Gallery		3,500	4,500	4,000	5%				
Pedestrian Space (Interior)		2,500	4,000	3,250	4%				
Speciality Grocery Store (13)		2,000	3,500	2,750	4%				
Transit Transfer Center (14)		0	0	0	0%				
	Total:	178,300	178,150	178,225	NA	156	129	143	
Pedestrian Space (Exterior) (12)		1,000	4,000	2,500	3%				
					70%				
Required Parking for Lot No. 5									
Retail				100					
Housing				143					
Art Gallery				8					
Speciality Grocery Store				7					
	Total:			258					

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C	Combined Building Program				Housing Units			
	Retail Space	50,000	80,000	65,000	Max.	Min.	Average	
	Market-Rate Rental Housing	197,000	166,000	181,500	219	184	202	
	Affordable Housing	29,550	24,900	27,225	33	28	29	
	Art Gallery	5,000	7,000	6,000				
	Pedestrian Space (Interior)	2,500	4,000	3,250				
	Speciality Grocery Store	2,000	3,500	2,750				
	Total:	286,050	285,400	285,725	252	212	231	
D	Parking Program							
	Parking Lot No.2							
	Existing Parking Spaces:	101						
	Estimated New Parking Spaces	149						
	Total:	250	Site can accommodate an efficient garage layout of 120 ft. by 240 ft.					
			Using this above-grade garage footprint the total number of spaces could be accommodated on 2.5 to 3 levels.					
	Parking Lot No. 5							
	Existing Parking Spaces:	173	Site can accommodate an efficient garage layout of 240 ft. by 240 ft.					
	Estimated New Parking Spaces	258	Using this above-grade garage footprint the total number of spaces could be accommodated on 2 levels.					
	Total:	431						
	Total Replacement & New Parking:	681	Note: To accomodate replacement and required new spaces may prompt consideration of allowing additional building height.					
E	Footnotes							
(1)	Maximum Floor Area Ratio (FAR):	1.97. Source: Land Use Management Ordinance (LUMO).						
(2)	TC Residential Floor-Area Bonus:	LUMO Section 3.8.7.: Incentive for Residential Construction in Town Center (TC) Districts allows two types of FAR bonus:						
	Multi-Family Dwellings:	Up to 5% or 1,000 sf of floor area, whichever is less.						

(3)	TC Residential Floor-Area Bonus:	LUMO Section 3.8.7.: Incentive for Residential Construction in							
	Vertical Mixed Use Dwellings:	Town Center (TC) Districts allows two types of FAR bonus: Up to 15% or 15,000 sf of floor area, whichever is less.							
(4)	Total GSF:	Height restrictions and design have not been incorporated.							
(5)	Range of GSF:	At this point in the pre-development process, we did not want to appear to be locking in the proposed GSF for any use.							
(6)	Retail Space:	The range of retail space at the street level is a best estimate taking into consideration factors, such as: visibility, pedestrian traffic and shopping continuity.							
(7)	Market-Rate Rental Housing:	Used an average of 900 GSF per dwelling unit. Units may range from 700 SF to 1,100 SF.							
(8)	Affordable Housing:	Used an average of 900 GSF per dwelling unit. Town has a mandate to reserve 15% of total residential units (in developments with at least 5 units) for households earning less than 80% of the area median income.							
(9)	Art Gallery:	The area dedicated to this facility is flexible. This space should be highly related to the proposed pedestrian space.							
(10)	Parking required for retail space:	Source: Section 5.9.7.: Minimum Off-Street Parking Space Requirements For TC-2 district the parking ratio is 1 per 400 SF.							
(11)	Parking required for multi-family housing	LUMO Section 5.9.7.: Minimum Off-Street Parking Space Requirements For TC-2 district the parking ratio is 1 per dwelling unit for units ranging from Efficiency to 3 or more bedrooms.							
(12)	Pedestrian Space:	Assumed a cumulative range of 4,500 SF to 10,000 SF of exterior and interior space for Lots 2 and 5. A total of 2,500 to 4,000 SF allocated to interior pedestrian space. Note: Exterior space is not included in calculating Maximum Allowable Floor Area.							

