

**COMMENTS SUBMITTED AT OCTOBER 27, 2004 PUBLIC FORUM ON LOTS
2 AND 5 PROJECT**

- Chapel Hill-Carrboro Chamber of Commerce
- Downtown Commission
- Chapel Hill Downtown Economic Development Corporation



Town Clerk Lopez

104 S. ESTES DRIVE • POST OFFICE BOX 2897
CHAPEL HILL, NC 27515-2897

October 27, 2004

Mayor Kevin Foy and Chapel Hill Town Council
Town Hall
306 N. Columbia St.
Chapel Hill, N.C. 27516

Dear Mayor Foy and Council members:

The Chamber of Commerce would like to continue to extend our sincere appreciation to the Chapel Hill Town Council for its work on developing parking lots 2 and 5, the Wallace Deck and the RBC Centura property.

The Chamber has focused a substantial amount of our resources on supporting downtown businesses and advocating on their behalf. We truly believe that enhancing and reinvigorating downtown will be the rising tide that lifts all boats in Chapel Hill – making the entire town a more attractive place to live, work, shop, play, learn and run a business.

We are pleased to be able to take part in the public process of considering these projects, and we encourage you to continue seeking out additional public comment and input. The Chamber pledges to work with the town to alert our members and downtown business and property owners about additional meetings and to encourage them to participate. We also are heartened by the quality of questions and comments from other community groups.

We believe that anyone who is following these projects, making comments, asking questions and taking the time to get involved is committed to finding a way to improve Downtown Chapel Hill.

In that spirit, we continue to be broadly supportive of the proposal and to have questions about its implementation. I would ask you to note the attached article from this week's News and Observer regarding the need for additional office space in Chapel Hill. The Chamber continues to believe that, if the market will support a true mixed-use development – with retail, residential and office – the town should consider it.

Please consider all the questions and comments tonight as a refining process, and not as a stalling tactic, for a project that could be a huge catalyst to downtown's rebirth. Thank you again for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Virginia Knapp".

Virginia Knapp
Associate Director



STAFF PHOTO BY MEL NATHANSON

From glut to not enough

Chapel Hill bounces back

By JACK HAGEL
STAFF WRITER

CHAPEL HILL — When companies ask Rich Harris to help them find office space in Chapel Hill these days, he has to make sure they get one thing straight: It's not going to be easy.

"Chapel Hill is a difficult market to find space — especially to find competitive space," said Harris, an Advantis GVA tenant rep. "So your options are few and far between. It hasn't taken long for Chapel Hill to bounce back. The market has tightened significantly from 12 to 24 months ago."

That's when the Orange County submarket, which includes Chapel Hill, was still reeling from an injection of about 400,000 square feet of office space in 2001. That shot vacancy from the single digit to 30.3 percent, according to Karnes Research, a Raleigh firm that tracks commercial real estate trends in the Triangle.

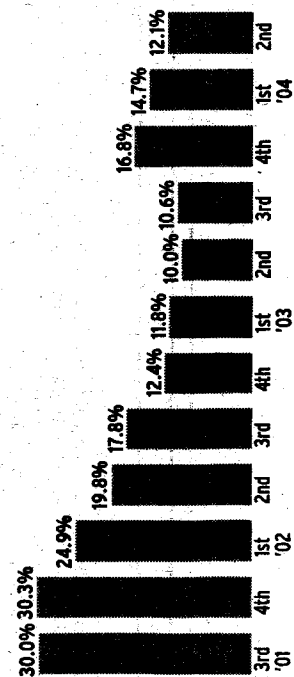
Since then, vacancy has improved to 12.1 percent in the second quarter of 2004 — about four points less than the regional average — and the market appears to be tightening still, brokers say.

Rampant demand from companies that want to be near UNC-Chapel Hill — and are lured by an area with light traffic and strong public schools — are half the reason. The lack of new product is the other half. "Up until about four or five

ORANGE COUNTY OFFICE VACANCY

The submarket that includes Chapel Hill has recovered from a major injection of supply in the second half of 2001. Vacancy rates have been on the decline for the past two quarters.

Vacancy rates, per quarter



Source: Karnes Research

The News & Observer

months ago, all markets were depressed," said Bret Muller, a broker with Cary-based Capital Associates, which handles leasing for the Exchange at Meadowmont, which introduced 235,000 square feet to the market in 2001 and has since become fully leased.

"Rental rates are going up, the concessions offered by landlords have gone down," Muller added. Orange County, one of the region's smallest office submarkets in terms of inventory with 1.3 million square feet, has had the highest average rent since the second quarter of 2001 — currently \$20.30 per square foot.

The Orange County submarket has a reputation as a slow grower partly because its dominant player — Chapel Hill, which has strict growth boundaries and less land than Durham or Wake counties — is considered by developers among the toughest places to win project approval in the Triangle.

"We feel like the next tenant that needs a block of space will turn to us," he said.

Meanwhile, the submarket next door, the one that includes Research Triangle Park, is benefiting from the tight Chapel Hill office hunters.

That submarket is the weakest in the region with almost one-quarter of its 7.4 million square feet of office space vacant. And some companies have taken advantage of the \$17.89 per square foot average rent, which is a lower rate than the regional average of \$18.33.

Health insurer WellPath, for instance, had spent the summer looking for a tenant to sublease half of its 50,000 square feet at the Quadrangle at the intersection of I-40 and N.C. 54.

When Rho, which conducts clinical trials for drug companies, came hunting for 50,000 square feet, WellPath jumped at the chance to move to a smaller — and less expensive — office in Morrisville.

"They needed not only the space I had available, they also needed my space to make it work for them," said Tracy Baker, WellPath's chief executive. "To make it work for them, I had to get out of my space. ... We weren't even really trying to leave Chapel Hill."

But the option of staying may not have been there, given the tight market, said Harris of Advantis: "I don't think they would have been able to go anywhere in Chapel Hill."

Staff writer Jack Hagel can be reached at 829-8917 or jack.hagel@newsobserver.com.

a Duke Realty senior vice president. The lease at 3500 Perimeter Parkway begins in January.

Trimeris leases 65,000 square feet of labs and offices in three Durham locations, including its headquarters on Westgate Drive. Those leases expire at the end of the year and will not be renewed.

Wilson beverage plant growing

FROM STAFF REPORTS

WILSON — Cott Corp., the world's largest maker of store-brand soft drinks, has enlisted Duke Construction to expand its manufacturing facility.

Duke was hired to build a 200,000-square-foot addition to Cott's 128,000-square-foot facility at the Wilson Business Park. Toronto-based Cott makes and distributes retailer-brand soft drinks for Wal-Mart Stores, Safeway and others.

In the \$12 million deal, Duke Realty purchased Cott's existing facility and 18 acres from the Wilson Economic Development Council. Cott then signed an 11-year lease with Duke.

Blackstone to buy Boca Resorts

BLOOMBERG NEWS

BOCA RATON, Fla. — Blackstone Group has agreed to buy Boca Resorts, an owner of Florida luxury resorts, for about \$1.25 billion.

Blackstone, manager of the world's biggest buyout fund, will pay \$24 a share for Boca Resorts, a 28 percent premium over the company's closing price last Tuesday of \$18.76.

The total purchase price includes the assumption of about \$160 million in net Boca Resorts debt, said Mary Jo Finocchiaro, Boca Resorts' controller.

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October 27, 2004



DOWNTOWN
Chapel Hill

*"Where the Town
comes to life"*

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Carol Richards
Chapel Hill News

Sandy Roberts
UNC Visitors' Center

Margaret Skinner
Carolina Inn

Mark Zimmerman
*Chapel Hill-Carrboro Chamber
of Commerce*

Dear Mayor Foy and Town Council:

The Downtown Commission is following the planning for Lots 2 and 5, the Wallace Deck and RBC property with great interest. Although we have concerns about the new plans, I want to be clear that we are excited about the prospect of significant new development downtown and applaud your work to bring that to reality. We are particularly excited about adding residential units and retail to create a more vibrant and exciting downtown neighborhood.

Our major concerns fall into three categories:

1. **The support of existing businesses during construction**
2. **The importance of Rosemary Street**
3. **The need for additional office space**

While we believe these new projects will be good for existing businesses, the construction period will be very difficult. The consultant estimates that construction will take place over a four-year period. Loss of parking, disruption of trash services, and blocking streets and alleys will be stressful for business owners and our customers.

Although it is too early to determine how these issues will be handled, it is critical for the Council to commit to support existing businesses during construction.

During construction, we encourage the Town to be creative and adopt strategies that encourage people to come downtown. One paramount issue will be parking, both location and cost.

One inexpensive way to increase the number of convenient parking spaces might be to add angled parking spaces to West Franklin Street. This would significantly increase the number of cars that could park and make parking easier to maneuver. We ask that you fully investigate this possibility. We would also like to see the Town implement a new pricing strategy for parking that would allow free short-term parking and free parking at night.

The Downtown Commission also encourages the Council to focus on Rosemary Street. This could be the opportunity for Rosemary Street to move from its back-door status to a full-fledged part of the downtown commercial area. To become a vibrant downtown, both Franklin and Rosemary Streets need to be exciting, pedestrian-friendly streets.

Also, the Downtown Commission would encourage the Council to re-examine the need for office space. We feel it is important to include office space in the tenant mix.

The members of the Downtown Commission work every day to make the downtown an attractive and exciting place. We know the downtown's rhythms, its strengths and its needs. We look forward to working in partnership with the town and the developers of these projects, as they become members of the downtown family.

Sincerely,

Mary Jo Stone
Chair, Downtown Commission

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**Chapel Hill Downtown Economic Development Corporation
308 West Rosemary Street, Suite 202
Chapel Hill, NC 27516**

October 25 2004

W. Calvin Horton, Town Manager
Town of Chapel Hill
306 N. Columbia Street
Chapel Hill, NC 27516-2113

Dear Cal,

Thank you for your letter of October 6 2004 inviting the Chapel Hill Downtown Economic Development Corporation to provide review and comment concerning the Town's plans for the potential development of Town Parking Lots Number 2 and 5, the Wallace Parking Deck and related sites. Your kind letter is consistent with previous oral invitations for comment and feedback on the possible project that you, Town Council member Bill Strom and others have made to the CHDEDC board and all stakeholders in the well-being and future of downtown Chapel Hill.

The CHDEDC board has carefully followed the good work of the Town Council planning committee and discussed the guiding principles, vision, concept, financial plan and other matters pertaining to the potential project on several occasions. I have had the opportunity to observe several of the committee planning sessions over the past two months, as have some of the CHDEDC board members. Your staff and project consultant John Stainback have provided additional clarification and background documents upon request. Council member Strom, you and your staff provided a helpful briefing on the project at a special CHDEDC workshop held September 21.

The CHDEDC board reviewed the project at length on October 13 and October 25 to provide an initial set of helpful comments and constructive questions that are all clearly intended to assist Town Council to help make this project the highest and best possible use of precious Town resources. We believe that the project currently under consideration will significantly determine the character, quality and style of downtown Chapel Hill for decades to come. We join you in the hope and dream that this will be the single most significant positive contribution to the downtown as the social, cultural and spiritual center of Chapel Hill in many years.

We encourage Town Council to proceed with a private developer solicitation process and to move forward with this significant public-private partnership. It is through this next step that many of the questions pertaining to the private developer portion of the project can be answered satisfactorily.

We would like to express our sincere appreciation for the Town's creative and thoughtful attention to this potential project and to any and all other matters that pertain to the economic vitality of downtown Chapel Hill.

In response to the requests for constructive feedback, we would respectfully offer the following initial questions and thoughts for consideration, review and thoughtful discussion by the planning committee, consultant, Town Council and your staff:

- Is this the "highest and best use" of parking lot 5 in particular, as opposed to other options that would continue use of the lot as partial green space with surface parking?
- We encourage Town officials to develop measures to protect existing downtown property owners and merchants to hold them harmless during the six to eight years of construction.
- We encourage the Town to study the major risks to the project and how they might be mitigated particularly for the Town's portion of the project.
- We encourage further study of demand for new residential units and retail/office space to assure that the additional capacity created by the project is likely to be absorbed by downtown over the coming six to eight years.
- Should the projects be planned to provide 100 to 300 additional net public parking spaces rather than be essentially net public parking neutral at completion?
- We encourage consideration of the relocation of RBC Centura and the construction of the parking deck on the RBC Centura lot before Lots 2 and 5 are taken out of service for development. This will allow relocation and replacement of the 173 lot 5 parking spaces and will hold downtown public parking "harmless" during the initial phase of the project. We do not believe that relying on an increased "park and ride" strategy as a temporary solution to any significant extent is in the best interest of downtown.
- Ideally this project should be planned within the context of a broader and more comprehensive vision and plan for the purposeful development of the entire downtown community. Such a larger overall vision should include other sites and properties downtown along Franklin and Rosemary that also present an immediate need for development and should be included within the scope of this project for the public good.
- What procedural precedents should this project set for the review and consideration of future downtown development proposals?
- The projects should be planned and carried out to achieve the greatest possible protection and enhancement of the culture and character of downtown, having in mind both present qualities and future uses of adjacent and nearby adjacent properties.
- The development should establish and provide for appropriate retail entrances and exits at street level along Rosemary Street, which should not be viewed as simply the back side of the Franklin Street block.
- We encourage the Town to be attentive to the importance of maintaining and increasing pedestrian access between Rosemary Street and Franklin Street, including the public and private alleyways contained within the "main block," so

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as to maximize their value and the beneficial uses arising from street-side access to the Project.

Again, we would like to express our sincere appreciation for the Town's creative and thoughtful attention to this potential major project and to any and all matters that pertain to the economic vitality of downtown Chapel Hill.

Please contact me if you or Town Council members would find discussion of these questions and comments helpful, or if you have any specific questions you would like the CHDEDC to consider.

Best wishes.



Nicholas Didow
Interim Executive Director

Cc: CHDEDC board members