

MINUTES OF A CONTINUATION OF A JANUARY 7, 1985 WORK SESSION
ON THE ROSEMARY SQUARE DEVELOPMENT CONTRACT
HELD BY THE MAYOR AND COUNCIL OF THE TOWN OF CHAPEL HILL,
MUNICIPAL BUILDING, MONDAY, JANUARY 14, 1985, 5:00 P.M.

Mayor Joseph L. Nassif called the continuation of the work session to order. Council Members present were:

- Marilyn Myers Boulton
- Winston Broadfoot
- Jonathan Howes
- Beverly Kawalec
- David Pasquini
- Nancy Preston
- R. D. Smith
- Bill Thorpe

Also present were Town Manager David R. Taylor, Assistant Town Managers Sonna Loewenthal and Ron Secrist, Town Attorney Grainger Barrett, Town Consultants Don Donadio and Mike Nelson and Whit Morrow and Walt Daniels representing the Fraser Development Company.

Town Manager Taylor informed the Mayor and Council that he and the consultants representing the Town were available to respond to Council Members' questions regarding the proposed project.

Council Member Thorpe asked if the number of parking spaces in the project as now proposed were reduced, would the project still be constructed and be financially viable? Whit Morrow, representing the Fraser Development Company, stated that the number of parking spaces now called for in the preliminary design were a direct response to the Council's request for proposal issued last spring. Mr. Morrow said from an economic perspective, he did not feel the elimination of some of the parking spaces would effect the viability of the project. However, from the perspective of a merchant, he felt the reduction of the parking spaces would have a negative impact. He stated the Fraser Company provided as many parking spaces as was asthetically feasible and that number was 500.

Town Manager Taylor said the 1979 parking study, completed by Wilbur Smith and Associates, estimated the need for approximately 250 additional short-term parking spaces east of Columbia Street. Mr. Taylor explained that the Rosemary Square project proposes to construct 325 publically owned spaces. However, in the construction of Rosemary Square, 36 spaces located along Henderson Street and behind the Post Office Court Building, and 114 spaces that now exist in Lot 1 would be lost. In addition, 72 privately owned parking spaces in Rosemary Square, available to the public while not being used by hotel guests, would be added. These additions and reductions total an estimated net increase of 247 spaces available to the public if the Rosemary Square project is completed as now proposed. Therefore, Mr. Taylor felt the proposed number of parking spaces responded to the needs indicated in the Wilbur Smith and Associates report.

Phil Szostak, Architect for the project, stated that a reduction in the number of parking spaces would be feasible without major design implications.

Council Member Pasquini requested clarification on the proposed 65%/35% division of parking profits between the Town and the Fraser Company.

Town Manager Taylor responded, that beginning each year, a budget would be developed outlining the projected operating costs of the parking deck. The Building Owner's Association would then be required to pay, in advance, 35% of the estimated operating cost of the deck on a monthly basis. The revenues from the annual operation of the parking deck would first be applied to cover the deck's total operating cost. Then, any additional revenues would be applied to the principal and interest required on the Town's share of parking

spaces. If funds still remained after these payments, these profits would be shared on a 65%/35% basis, with the Town receiving 65%. This 65%/35% sharing of revenue would continue for 40 years. At the conclusion of this period, all parking spaces would be owned by the Town, who in turn would lease the spaces previously owned by the Association back to the Association for another 40-year period.

Council Member Pasquini requested an explanation of the \$925,000 of non-cash benefits from the Fraser Company to the Town. He inquired as to why the Town did not seek a direct payment so it would have control over the expenditures of the funds.

Responding to Council Member Pasquini's first question, Mr. Taylor indicated that of the \$925,000, \$200,000 was earmarked for improvements to the alley which Town would approve the plans. Of the \$200,000 for alley improvements, up to \$50,000 may be used as loans to Franklin Street property owners to improve the backs of their properties. \$325,000 would be a direct subsidy to the Town portion of parking spaces within the parking deck. The remaining \$400,000 are design, management and administrative and other "soft costs" associated with the project.

Council Member Pasquini requested additional detail about the breakdown of the \$925,000. Mr. Taylor said it would be provided.

Council Member Pasquini inquired as to the type of bonding expected for this project. He said he was specifically interested as to how the Town would guarantee the project would be completed and the Town's knowledge of the financial stability of the Fraser Company.

Town Manager Taylor responded that at the time of closing, the Town would require the Fraser Company provide an irrevocable letter of credit or a cash guarantee indicating that they have the financial resources necessary to complete the garage portion of the project in addition to the \$925,000 in improvements and benefits to the Town. In addition, the company would be required to have in its possession at closing, a loan commitment from a lending institution, for the remaining private portion of the project. Prior to closing, the Fraser Company will have to meet a pre-sales arrangement which would indicate that a market exists for the private portion of the project.

The Town's portion of the parking deck would be financed with revenue bonds.

Mr. Taylor further added that financial information on the Fraser Company is available for Council inspection in the Town Attorney's office and the staff and its consultants are satisfied that the company possesses the adequate resources to complete the project.

Mayor Nassif asked what would happen in the event the Fraser Company went bankrupt while the private portion of the project was underway and the developer had no funds to pay the building contractor, who would then stop work on the project. In that event, would the Town have subjugated the land and deck to the lenders?

Don Donadio responded that the Town's interest in the land or its portion of the ownership of the deck could not be recovered by the lending institution and that the lending institution would then stand in the place of the developer and could decide as to its desire to complete the private improvements.

Council Member Broadfoot questioned the Manager as to why Town staff did not seek an appraisal for the air rights above the property in question.

Mr. Taylor responded that an appraisal of Lot #1 was conducted in the fall of 1983 and followed with an additional appraisal of the property behind the Post Office Court Building in November of 1983. The Town staff used the appraised value of the land as the value of the air rights.

Mr. Broadfoot inquired of Mr. Donadio if he investigated similar projects, that is, projects involving parking decks with living space above them. If so, did he find out if the air rights were leased or sold.

Mr. Donadio responded that he had reviewed contracts of a similar project in the Greenville/Spartanburg, South Carolina area within the past six months.

Mr. Broadfoot indicated that the State of Illinois prohibits the sale of air rights and also prohibits land and air rights being owned by two separate owners. He suggested that this Illinois law might indicate there is a problem with the sale of air rights.

Mr. Nelson, a financial consultant from Touche Ross & Company, said he would investigate the Illinois law and report back. Mr. Nelson also indicated that he's been in contact with Touche Ross representatives in Los Angeles and New York and after providing them with a description of the proposed Rosemary Square project, it was their opinion that there would be a significant difference in the marketability of the project's condominium units if the owners would not own the air rights. He indicated both Touche Ross representatives felt that there would be little difference in whether or not air rights were owned or leased in regard to commercial properties.

Mr. Broadfoot indicated that he was also concerned with traffic congestion problems associated with the proposed project.

Council Member Kawalec stated that she felt additional study was necessary in the area of surveillance, security, safe sight distances for pedestrians crossing Henderson and Rosemary Streets, parking for court business and the location of the parking spaces made available to the merchants of Rosemary Square. She also stated she was pleased to learn that the project would be completely sprinkled for fire protection.

Council Member Howes suggested Town staff investigate how Wake and Durham Counties handle court related parking within their parking decks. Mr. Howes also stated that he would hope the architect would take another look at the south facia of the building in regard to its design as pointed out by the Appearance Commission on January 7.

Mr. Morrow responded that he has asked the project architect to study that issue.

Mr. Howes indicated he hoped that significant additional attention to design would also be paid to the loading bays, potential future automobile access to the deck off of Henderson Street and consideration to the redevelopment or reconstruction of present properties along Franklin Street and the impact that might have upon the view from the condominiums or hotel units facing the campus area.

Mr. Howes asked Mr. Nelson how the Town would know when the Fraser Company reached a million dollars in profit, which would enable the Town to share in additional profits. Mr. Nelson responded that the company's operation would be subject to audit and the profit-sharing plan was completely spelled out within the proposed contract.

Council Member Preston stated that although she was concerned about the traffic impact on nearby residential areas, she felt reducing the parking as proposed in the project would present more of a problem. She said she did hope that particular attention would be paid to traffic routing in and around the nearby residential area. Ms. Preston stated she also hoped that full consideration would be given to saving the present magnolia tree located on the corner of Rosemary and Henderson Streets.

Council Member Smith stated he felt that staff ought to give careful consideration to using Police Officers to assist in directing heavy

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traffic in the downtown area. He also asked for an explanation of the signage proposed for the project. Mr. Morrow assured Council that signs would be done tastefully.

In response to Council Member Smith's inquiry about public awareness to the Rosemary Square project, Mr. Morrow responded that he had made presentations to approximately 30 civic groups and community organizations.

In response to Mr. Broadfoot's question, regarding the price range of the condominium hotel/units, Mr. Morrow stated that although the price was not yet firm, he anticipated the units would sell for \$140,000 to \$150,000.

The work session was adjourned at 6:55 p.m.

Mayor Joseph L. Nassif

Nancy Wells, Information Services