

COMMITTEE ON REAL ESTATE

January 23, 2018

A meeting of the Committee on Real Estate was held this date beginning at 4:00 p.m. at City Hall, 80 Broad Street, First Floor Conference Room.

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

PRESENT

Chairman Moody, Councilmember Waring, Councilmember White, Councilwoman Jackson, and Mayor Tecklenburg (arrived at 4:04 p.m.) **Staff:** Colleen Carducci, Frances Cantwell, Chip McQueeney, Christopher Morgan, and Bethany Whitaker, Council Secretary

The meeting was opened with an invocation provided by Chairman Moody.

APPROVAL OF MINUTES

On the motion of Councilmember White, seconded by Councilmember Waring, the Committee voted unanimously to approve the minutes of the January 9, 2018 meeting.

REQUEST APPROVAL TO EXECUTE THE MEMORANDUM OF UNDERSTANDING WHEREBY THE CITY WILL RENEW ITS AGREEMENT WITH THE MEDICAL UNIVERSITY HOSPITAL AUTHORITY FOR ONE YEAR FOR THE USE OF A POLICE FORENSICS LAB. THE PROPERTY IS OWNED BY MEDICAL UNIVERSITY HOSPITAL AUTHORITY. (165 ASHLEY AVENUE, ROOMS EH203A, EH203B, AND EH203C; TMS: 460-15-01-049)

Chairman Moody asked when they were projected to have their own lab. Ms. Carducci said it was currently under design. Once they got the design finalized, it would be at least another year and a half until it was completed. MUC was restricted to one year, unless they went through their state procurement process, so because the City had been there for so long, they kept doing the one year.

Councilmember Waring asked if the new center would still be in West Ashley, and Ms. Carducci said yes and that it would be on Bees Ferry adjacent to the Fire Station. Ms. Wharton said she had heard they were looking at it being done by the end of 2019.

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

REQUEST APPROVAL TO EXECUTE THE THIRD AMENDMENT TO LEASE WHEREBY THE CITY WILL RENEW ITS LEASE WITH CHARLES RIVER LABORATORIES, INC. FOR ONE ADDITIONAL YEAR FOR THE USE OF THE POLICE FORENSICS UNIT. THE PROPERTY IS OWNED BY CHARLEST RIVER LABORATORIES, INC. (1023 WAPPOO ROAD, SUITES A14, A15, AND B48; TMS: 351-15-00-007)

Ms. Carducci said they had the three suites at this location and all three were covered under this lease. This was the Crime Scene Lab, so these would also move. The City was exercising its right to extend for one additional year. This was the last of three one year options on this facility, so when the new Bees

Ferry facility was complete, all of these would be moved to that location. Chairman Moody said that all of these would come to fruition at the same time.

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

REQUEST APPROVAL TO EXECUTE THE FIRST AMENDMENT TO COMMERCIAL LEASE AND DEPOSIT RECEIPT WHEREBY THE CITY WILL RENEW ITS LEASE WITH 1575 SAVANNAH HIGHWAY, LLC FOR FIVE YEARS FOR THE USE OF CITY STORAGE. THE PROPERTY IS OWNED BY 1575 SAVANNAH HIGHWAY, LLC. (1575 SAVANNAH HIGHWAY, SUITE 5; TMS: 349-01-00-035)

Ms. Carducci stated this was beyond the former K-Mart site. They leased a suite and used it for storage for the Municipal Court, and for the Prosecutors Office. Councilmember Waring asked how many square feet it was, and Ms. Carducci said she would guess it was around 1200-1500 square feet.

Mayor Tecklenburg arrived at 4:04 p.m.

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

Consider the following annexations:

- i. *209 Hickory Street (TMS #: 418-13-00-103) 0.12 acre, West Ashley (District 9). The property is owned by Lucious Morris and Bridget Morris.*

On the motion of Councilmember White, seconded by Councilmember Waring, the Committee voted unanimously to approve the above annexation.

- ii. *An ordinance to annex to the City of Charleston properties located West of the Ashley River on or near Highway 61 bearing Charleston County Tax Map Nos. 361-00-00-006, 361-00-00-007, 364-00-00-001, and 364-00-00-002 as showed on the map attached to this ordinance labeled "annexation exhibit" and to make said properties a part of district 10.*

Ms. Cantwell stated that the initial annexation (ii) contained four parcels of land that were continuous to the City. It was a 75% annexation which meant that not all of the property owners had signed a petition to come into the City. Under the 75% petition method, the City received the petition signed by 75% of the property owners of the areas to be annexed who aggregated owned at least 75% of the assessed value. City Council then had the ability to annex the properties that were included in that area. They had 75% of the freeholders and well in excess of the 75% of the assessed value. Because it was under a 75% petition method, unlike the 100% method, they would have a public hearing later that night. They were asking and recommending that they would proceed with the public hearing, and then decide which way they wanted to go. The properties were serviceable and the services were expected to come online immediately. The recommended zoning, being outside the urban

growth boundary, the City would be creating a zoning category that mirrored what these properties were zoned in the County, and would be given that same classification so there wouldn't be any loss. That had been what the property owners who had come to the City had said they wanted. This was the first of the 'East of 61 properties'.

Ms. Cantwell stated that the motion should be to proceed with the public hearing, because then Council could make a decision. Chairman Moody said he was curious about that because it seemed like they were a little ahead of the curve. Ms. Cantwell said it was unusual, because they were normally 100% annexations and they were recommending approval, but because of the public hearing, they should hear what everyone had to say.

On the motion of Councilmember Waring, seconded by Councilmember White, the Committee voted unanimously to allow the annexation to proceed to public hearing.

- iii. *An ordinance to annex to the City of Charleston properties located West of the Ashley River on or near Highway 61 bearing Charleston County Tax Map Nos. 301-00-00-002, 301-00-00-003, 301-00-00-005, 301-00-00-023 (a portion), 359-00-00-006 as shown on the map attached to this ordinance labeled "annexation exhibit" and to make said properties a part of District 10.*

Ms. Cantwell stated that this was a much bigger annexation, close to 5,000 acres. The property owners were the Hanahan family and Mr. Trulock, who owned the property that bordered the City right now. They petitioned, under the 75% method, to come into the City. The Whitfield tract had not signed the petition, so this property owner would be brought into the City against his will. The procedure would be the same that was used in the annexation she had just talked about. It was an authorized method of state law that allowed for these types of annexations to occur. They had sufficient freeholders to meet the 75% threshold, as well as the assessed value of the properties. These properties, like the ones across the street would be zoned in a manner consistent with what was going on there right now. There was a line along the property; the two larger properties were subject to a conservation easement, but outside of that, there was a couple hundred acre wide strip that they could zone as rural residential or something less dense than that, 1 acre (SR-8). The density would be light. They would provide services to the properties. The only service that may have to take a slight delay was fire. They were not in the St. Andrews public service district, but in the West St. Andrews Fire District, which was a county created fire district. They would be working with them for a transfer.

Chairman Moody asked how the 75% freeholder was measured and asked if it was acreage. Ms. Cantwell said that a freeholder was an owner of record. They counted how many people. If someone owned a house with someone else, that would be two freeholders. Chairman Moody said if it were a trust, it would be one freeholder and Ms. Cantwell said that was correct. Chairman Moody asked if the Hanahan family was doing this because they

owned the rest of the land too. Ms. Cantwell said she thought they had a concern about what was happening in the district, or what could happen, and so they requested that the City consider taking the fourth piece of property along with theirs, which they were entitled to do. They were instrumental in piecing together the larger annexation that started with the idea of North Charleston coming over and getting the acre and then taking off from there. Chairman Moody asked where Runnymede was and Ms. Cantwell stated it was just north of Magnolia Plantation. Chairman Moody referred to a square at the end of that and asked if it was a lot. Ms. Cantwell stated that was the acre that North Charleston owned. North Charleston was also right across from the four parcels. Chairman Moody said this wasn't part of how they would get to the Whitfield tract necessarily. Ms. Cantwell said the reason it wouldn't be a way to the Whitfield tract was because there was a 100 foot strip that already in the City. It was on the right side of 61 until the four properties and then it went to the left side of 61. Mayor Tecklenburg stated that the 100 foot strip did not stop North Charleston from coming across in another location. Councilmember Waring asked how far that 100 foot strip came south. Ms. Cantwell said it started at the City boundary. She referred to a small triangle and the parcel up to the tract and said it was part of a TMS number that was owned by the National Trust. Councilmember White asked if there were cross-over easements on that to be able to cross over on that parcel. Ms. Cantwell stated there were easements reserved to the Whitfield tract to be able to cross between the National Trust and the Whitfield's to access Hwy. 61. She didn't know about further up. Mayor Tecklenburg stated that if Mr. Whitfield gave another acre of his property, there would be nothing to stop that property from being another avenue across. Chairwoman Jackson said if they bought the rationale that the National Trust strip wasn't a legal boundary and Ms. Cantwell said that was what they would be arguing.

Mr. Miller stated that the property he was talking about was already annexed into the City of North Charleston, and that didn't prevent the City from voting on the larger annexation. Ms. Cantwell stated there were two separate petitions, so there would be two separate votes. Mr. Miller said they could vote 'no' on the petition for the four lots, and it wouldn't affect voting 'yes' on the Whitfield section. Ms. Cantwell said that was right, if that was what Council decided.

On the motion of Councilmember White, seconded by Councilwoman Jackson, the Committee voted unanimously to allow the annexation to proceed to public hearing.

Executive Session: Consider the acquisition of properties in the Cooper River Bridge District for park purposes. Action may or may not be taken.

Ms. Cantwell stated that the purpose of the Executive Session was to consider the acquisition of some properties in the Cooper River Bridge District, and they wanted to talk about what they knew

about them and get some guidance. They wouldn't take action in Executive Session, but might take some once they got out.

On the motion of Councilmember White, seconded by Councilmember Waring, the Committee voted unanimously to go into Executive Session at 4:19 p.m.

On the motion of Councilmember Waring, seconded by Councilwoman Jackson, the Committee voted unanimously to come out of Executive Session at 4:30 p.m.

On the motion of Councilmember Waring, seconded by Councilwoman Jackson, the Committee voted unanimously to authorize a Resolution pertaining to two parcels of property on Nassau Street (negotiate purchase of two properties through good faith or condemnation).

REQUEST APPROVAL OF A RESOLUTION TO CLARIFY AND CONFIRM THE ALLOCATION OF THE BOND PROCEEDS FROM THE HORIZON REDEVELOPMENT PROJECT AREA TIF.

Ms. Cantwell stated that she still thought of this as Horizon. When the 99 WestEdge development was approved, which included the City parking garage that was wrapped by a private development, part of it included improving what used to be Horizon Street and was now WestEdge Street. City Council and MUSC Foundation had agreed to fund 50/50 the cost of making that improvement up to around \$7 million. The resolution that was passed contemplated that those monies would have been spent before they had TIF/bond proceeds available. The Resolution gave the history and then said 'the initial bond proceeds that they received from TIF funds would be used to reimburse the City and MUSC for the money they spent on WestEdge.' WestEdge Street was not finished yet, and would be finished in about the next 8 weeks, but they had TIF proceeds.

Ms. Carducci stated that some of the WestEdge Road had been paid for by WestEdge Foundation from land sale proceeds. Under the TIF infrastructure agreement with WestEdge, it allowed in there for the City to use TIF bonds to pay for the improvements that they funded in advance. So, the recommendation was that the City fund WestEdge Foundation based on the money, they had already spent about \$8 million for infrastructure improvements, so the City would fund them that money, and they would then, in turn, re-pay the City and MUSC Foundation for prior capital payments that they had made annually, in addition to other expenses that the City and MUSC Foundation had previously paid. Some of these expenses had been carried on the books since WestEdge was conceived, so they went back even 10 years. This would allow the repayment of those funds to the City and MUSC Foundation, and then there would be a balance that WestEdge would have. It wasn't the entire \$3 million. They would pay the remaining amount towards the completion of WestEdge Street by 99 WestEdge and the City and MUSC Foundation would then pay the shortfall on the completion of that road (50% by each party), and then the next available TIF bond issuance would pay the City and MUSC in the future. It was just a shift of funds, but the clarification they felt was important was that the first agreement stated that the first available funds would repay the City and MUSC Foundation for 99 WestEdge infrastructure, which hadn't been funded yet. They would get the funds back to the City and MUSC Foundation through the

contribution agreement with the WestEdge Foundation and they would fund the money back for their prior contributions.

Councilmember Waring asked what the City would do with its portion once it got the money back. Ms. Carducci stated there were three agreements; there was the resolution, the contribution agreement, and the infrastructure improvement agreement. Basically, the City and MUSC Foundation, in two separate agreements, agreed that they would back-stop the expenses knowing that the TIF funds would come in after those improvements needed to be made. Councilmember Waring asked if the improvements had been made and Ms. Carducci said yes. A bulk of the work for the 10 and 22 WestEdge project, that portion and the entire infrastructure there had been paid out of land sale proceeds (about \$8 million). Much of the 99 WestEdge was complete, and she believed that between now and the middle of February, they would have their top coat of asphalt on. They wouldn't do the final certification until later in the project. They were close; it just wasn't close enough to pay the developer for the expense.

Chairman Moody asked who and how much had been advanced for the different things. Ms. Carducci said in the itemized expenditures (expenses the City and MUSC Foundation paid for before WestEdge was created), the City had funded \$45,039.35. MUSC Foundation paid \$538,895. They paid for the initial master development plan that was done, so that's why there was a big difference. The cash advances, which were through the contribution agreement, both the City and MUSC Foundation agreed to give WestEdge Foundation operating expenses to keep them going, and that was \$840,000 each. So, when they did this distribution, it was \$2,934,000 less the bond cost. Chairman Moody said the \$2,934,000 was part of the bond proceeds. Ms. Carducci said that was correct and the City already had the bond proceeds in the bank. When the City funded that to WestEdge, they would then in turn give the City \$885,039 and give MUSC Foundation \$1,378, 895. That would leave \$670,000 for WestEdge to use towards the road improvements for 99 WestEdge. The remaining cost that would be due on that section of the road would be funded by the City and MUSC Foundation 50/50. Chairman Moody said that would get everyone straight and in sync across the board. Ms. Carducci said yes and in the future, the funding shortfalls that the City and the MUSC Foundation covered would be covered 50/50 and when the TIF funds were available, each would get paid 50% each at the same time.

Councilmember Waring asked who was contributing the \$670,000. Ms. Carducci said it was part of the \$3 million bond proceeds and it was all going to WestEdge foundation because they had already sent over \$8 million in infrastructure improvements. This would be a reimbursement to them for public infrastructure improvements related to 10 and 22 WestEdge. Councilmember Waring asked if the initial money the City had put in had come from General Funds. Ms. Wharton said it had. The City had said it would use the \$800,000 towards the match for the Tiger Grants for the bridge over West Ashley, so it would be reserved in General Fund Reserves for that match when the City got it back. Councilmember Waring said he was trying to nail down the money, because in the next month they were going to approve the West Ashley Revitalization Plan and they didn't have \$5 in the 2018 budget to begin implementing that. When they created money or found money, he thought that West Ashley Revitalization should be one of the first things it should go to. That was an omission on

all of their parts. He didn't want this to sound new when it came up. Councilmember Moody had taken a beating trying to get \$500,000 for West Ashley.

Mayor Tecklenburg said he agreed completely and that the bridge was in the TIF district, which was helpful, and it was one of the items in the Master Plan to have the connection between West Ashley and the Peninsula. Chairman Moody stated that the TIF came across the bridge when they set it, so this money was going back to the general fund, which they ought to be able to use the TIF money for the bridge, just like they were doing for the Lowline, and not take the money away from West Ashley for the bridge. Councilmember Waring said they couldn't bring TIF money to West Ashley, but they could bring General Funds to West Ashley, so when they had a TIF that would be producing future dollars, they should use the furthest extent of that TIF to do the bridge. He asked how many TIF's they had on the Peninsula and Ms. Wharton said there were four. Councilmember Waring said they couldn't bring any of that money to West Ashley, so when they got an opportunity to bring funds that had more flexibility, then they should. Chairman Moody stated he didn't know this was coming up, but there was no reason they couldn't use the TIF money to build the bridge, because it was within the TIF. Mayor Tecklenburg said it was a matter of timing. Chairman Moody said if they set this aside and spent it on the bridge, that money was never available for other locations. Mayor Tecklenburg asked if it could be reimbursable and Ms. Wharton said it would be eventually. Councilmember Waring said and then West Ashley would wait while it was accumulating to reimburse. Mayor Tecklenburg said that West Ashley would benefit from the bridge more than anyone. Councilmember Waring said that the revitalization of West Ashley went way beyond the bridge. Councilwoman Jackson said when she read the Resolution, it sounded like the written letter to the Mayor was the condition by which they were agreeing to it, and asked if there were any hiccups in getting that letter. Ms. Carducci said that MUSC was agreeable to do this and the City was taking action first because they had this meeting, and there was a board meeting with WestEdge the next day where it would be taken up.

Councilmember White stated that the original foundation was established with the City, MUSC, and SCRA. SCRA had bailed out so now it was a 50/50 partnership under the foundation. Ms. Carducci said that was correct and the percentage wasn't quite 50/50 because the City had contributed more land. The City had around 60% interest in the development, and so the contribution agreement discussed that. The public infrastructure improvement agreement, which they could talk about, was approved in September 2016. It had exhibits of how the money from the TIF district would get spent, similar to Daniel Island. It was the use of funds to get the development built because of the high cost of developing this former landfill, with all the environmental and wetland implications. The goal was to complete the infrastructure within the district so that the tax revenues were increased so the TIF produces would help pay those things.

Councilmember Waring asked if they were approving the \$800,000 to be used for the bridge in this vote. Ms. Wharton said they had already done that when the Tiger Grant was approved. Councilmember White asked if Councilmember Waring was asking if the funds that were coming out were being earmarked to fund the match or if it was still up for decision once they got to the point that they were required to make the match. Councilmember Waring asked how they could have

approved and when they knew the monies were available. Ms. Wharton said they went to get the proceeds and had said they would use the proceeds for it. Mayor Tecklenburg said they approved the \$3 million TIF. It was the first borrowing against the TIF. The City needed to make the first one. Chairman Moody asked if the General Fund had any other accounts receivable that were not known, because that was what this was. It was an account receivable from the Horizon project. Councilmember Waring said now the City was getting a reimbursement and said if it wasn't going back into the TIF, it was going back to the General Fund, and if he was hearing correctly, it was already obligated. He was asking how that had happened. Ms. Wharton said it had come to Council. Councilmember Waring said they were getting an explanation on the revenue after it was spent, and that was what he was finding unsettling, in particular, when he knew there was nothing in the 2018 budget for West Ashley Revitalization. So, now they would have to wait until this time next year to have some money to start implementing that plan. \$800,000 was going towards a bike path that was already in the TIF. Chairman Moody said they had the TIF money and the bond proceeds and asked if that money could be used to pay the match the Tiger Grant. Ms. Wharton asked when they would find out about the grant and Mayor Tecklenburg said it would be April. Ms. Wharton said they had general fund reserves once they closed out, so that was an option as well. Councilmember Waring said that still left the money that went back to the General Fund paying for an expense that should rightly come from TIF funds. He wasn't against the bridge, but WestEdge had two pockets; General Fund and TIF funds. Mayor Tecklenburg said they would have a continuing account receivable for the next couple of borrowings on WestEdge.

Ms. Carducci said everything that was paid in now would be what the City was getting back, but they did have two more payments that the City was looking to make this year, and the total was around \$5 million they had in General Funds for infrastructure. Mayor Tecklenburg said he supported the concept that the TIF ought to pay for the contribution to the bridge, but it may be a matter of timing of when they were able to do that. He hoped they got the grant, but he was supportive of having that reimbursed when the TIF paid back and then they could spend it other places. Councilmember Waring said West Ashley would still be waiting and had been waiting for 20 years. Ms. Wharton said they could look at reserves.

On the motion of Councilmember White, seconded by Councilwoman Jackson, the Committee voted unanimously to approve a Resolution to clarify and confirm the allocation of the bond proceeds from the Horizon Redevelopment Project Area TIF.

Having no further business, the Committee adjourned at 5:00 p.m.

Bethany Whitaker
Council Secretary