

COMMITTEE ON REAL ESTATE

February 12, 2018

A meeting of the Committee on Real Estate was held this date beginning at 3:07 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 **Staff:** Colleen Carducci, Frances Cantwell, Chip McQueeney, Christopher Morgan, Geona Shaw Johnson and Bethany Whitaker, Council Secretary

The meeting was opened with an invocation provided by Councilwoman Jackson.

APPROVAL OF MINUTES

On the motion of Councilmember Waring, seconded by Councilwoman Jackson, the Committee voted unanimously to approve the minutes of the January 23, 2018 meeting.

On the motion of Councilmember Waring, seconded by Councilwoman Jackson, the Committee voted unanimously to arrange the agenda so that Item E (101 Broad Street) would be placed in front of Item D (Executive Session).

AN ORDINANCE AUTHORIZING THE MAYOR TO EXECUTE ON BEHALF OF THE CITY A QUIT-CLAIM DEED TO TIMOTHY D. WEBER AND TARA-LEHUA WEBER PERTAINING TO 56 SOUTH STREET SO AS TO RELEASE ANY REVERSIONARY INTEREST OF THE CITY IN 56 SOUTH STREET

Ms. Cantwell stated that this was a home that was rehabbed under one of the housing programs, and there was a reversionary clause that if a CO wasn't issued in 540 days of transfer, it would revert. The deadline had been missed and the property had been CO'd for about 2.5 years. It had been occupied and one of the reasons they were late was that there was a difficult time going through the design process. Once they got their approvals, the house had been built in less than 9 months. The Housing Department was very happy with the renovation that was done. The reason they were asking for this clarification that the City wouldn't rely on the reversionary clause was to clear up the title and so that they could try and re-finance. They were recommending approval.

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

AN ORDINANCE AUTHORIZING THE MAYOR TO EXECUTE ON BEHALF OF THE CITY A QUIT-CLAIM DEED TO THE GATHERING AT MORRIS SQUARE, INDIVIDUALLY AND AS ASSIGNEE OF SMITH-MORRIS COMPANY, LLC, OR ITS ASSIGNS (THE "GRANTEE"), PERTAINING TO CITY OWNED PROPERTIES ON CANNON STREET BEARING CHARLESTON COUNTY TAX MAP NOS. 460-11-04-150 AND 460-11-04-151 (THE "PROPERTY"), WITH THE DELIVERY OF THE DEED BEING CONDITIONED ON GRANTEE

SIMULTANEOUSLY GRANTING THE CITY A TEMPORARY CONSTRUCTION EASEMENT AND AN EXCLUSIVE PERMANENT EASEMENT ON, OVER AND UNDER THE PROPERTY.

Ms. Cantwell stated that this was part of the ongoing saga of Dereef Court. As part of the settlement agreement, they had entered into a property swap, whereby the developer would get control of the Shiloh Church property and the City would trade this piece of property for that. They deeded Shiloh to the City last summer, but weren't ready to take title to this property yet. That would probably happen in the next 6-8 weeks and they wanted to go ahead and have the authorization to sign the deed in place. The City would be retaining a construction easement over the entire site until the drainage shaft work was completed and after that the City would have a permanent exclusive easement on the corner where the shaft would be located. They were recommending approval.

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

Consider the following annexation:

- i. 1430 Agatha Street (TMS #: 351-07-00-071) 0.13 acre, West Ashley (District 7). The property is owned by Victoria Life Estate.*

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

Consider a Purchase and Sale Agreement for 101 Broad Street

Ms. Carducci stated that recently the purchaser making the bid for 101 Broad Street had put under contract 88 and 90 Broad Street, which were the two vacant parcels on the north side of Broad Street. Those buildings had sat vacant for many years because the properties had no access to parking. They had been in poor condition. The goal was for the purchaser to acquire the properties and restore them. They want to make improvements but they needed parking, so they had proposed, knowing the City had no parking in the garages, and made an offer to purchase 101 Broad Street. They had a short due diligence period and they would like the City to consider a proposal to purchase that site. That was why they were late getting documents; they had received the offer that had been signed. She wanted to go into Executive Session to discuss what they had offered. They had that site out to bid for a long time and had received a previous offer. They should discuss the terms and options before it went public.

On the motion of Mayor Tecklenburg, seconded by Councilmember Waring, the Committee voted unanimously to go into Executive Session at 3:15 p.m.

On the motion of Councilmember Waring, seconded by Councilwoman Jackson, the Committee voted unanimously to come out of Executive Session at 3:55 p.m.

Chairman Moody stated that they discussed the Purchase and Sale Agreement on 101 Broad Street and no decision had been made. That item was now up for consideration, and he understood that they wanted to make a presentation. He asked if there was something they wanted to say. Ms. Carducci said

they went through the proposed terms in the current purchase agreement, so the Committee was aware of the offer as it was in the agreement.

Mr. Meadows stated that his client wanted to buy and restore 88 and 90 Broad Street. The process began and they realized parking wasn't available to support that project. He had done research and called Ms. Carducci, as well as had a conversation with Josh Martin, which led to what they had been presented with. If they could find parking, they would do the project. He had suggested to his client that they should buy 101 Broad Street, and his client had said they weren't interested in doing that. He thought about it for a week, and asked if they could make it happen. They wanted to do 88 and 90 and if they had to buy 101 they would. His client lived at 93 Broad Street and he would do things correctly. He was proud to work for his client and appreciated the Committee's time. Chairman Moody asked if there was anyone else there that wanted to speak. Mr. Gurley stated that he was in favor of 88 and 90 Broad Street. They thought this was a critical issue. They were happy that this development team was involved. They needed to guard 88 and 90 Broad Street, and they urged them to find a solution that would allow them to move forward.

On the motion of Councilmember White, seconded by Councilwoman Jackson, the Committee unanimously approved for Staff to continue negotiations on the contract for sale of the property.

Executive Session: Discussion regarding potential contractual arrangements pertaining to properties located in the Cooper River bridge Redevelopment District. Action may or may not be taken.

On the motion of Councilmember White, seconded by Councilmember Waring, the Committee voted unanimously to go into Executive Session at 4:01 p.m. to discuss contractual arrangements.

On the motion of Councilmember White, seconded by Councilmember Waring, the Committee voted unanimously to come out of Executive Session at 4:58 p.m.

Chairman Moody stated that no decisions had been made and no action had been taken. He thanked Ms. Shaw Johnson and Joe Weatherly for the work that had been involved with this.

Ms. Shaw Johnson stated that Mr. Weatherly was with The Michaels Organization and she thought they should allow him to have some comments relative to what they deemed appropriate. Mr. Weatherly thanked them for having him. They were excited about moving this project forward and had been working daily for the last several months to get this moving forward. They had some big deadlines coming up on March 9th and they were working hard to get that. Once they got their money pulled together, they would be ready to get started.

Councilmember White asked who the lender was for the first mortgage and if they had a firm commitment letter in place. Mr. Weatherly said they didn't yet, because they were so far away from having the whole design finalized. They would go in with a term sheet from a lender, not a final sheet, and they would use one of their standard FHA lenders that allowed them to stretch their proceeds as much as possible. They worked with Enterprise, Walker & Dunlop, and others in the FHA space. Councilmember White asked what terms they were expecting to see on the term letter. Mr. Weatherly

stated that their typical first mortgage would be a 40 year term/amortization. Rates right now would probably be about 4.35-4.40%. He had 4.75% built into his numbers to have some escalation for the rest of the year. They wanted the tax credit equity to come in stages and they had to match a schedule that they had set. They wanted them to have money coming in at 65% completion and final completion. It was a pretty standard approach and allowed them to stretch their proceeds.

Mayor Tecklenburg asked what would happen at year 18. Mr. Weatherly stated that there were 15 years of compliance, so 18 years meant 1 year for financing, 1 year for construction, and 15 years of compliance, with 1 year to refinance the project at the end. At the end of the time period, they wanted to renovate all of their projects, so they would look to refresh it with a new round of tax credits and do a rehab of the project. Councilwoman Jackson said they would expect the City's 3 million to stay in the deal. Mr. Weatherly said that was their preference if they could pay it off. There would be 50% and 60%'s. Councilwoman Jackson said even if they could pay the City back, they wouldn't convert it to market. Mr. Weatherly said they would do it for as long a term as they could. That was their business, and they knew that was the City's goal. Everything they had got renovated and sold into a new entity, which refinanced the project. The old debts were settled by the previous ownership entity. They would keep it affordable in perpetuity. Councilwoman Jackson asked if that would be reflected in the plan of development. Mr. Weatherly stated that they had a transfer agreement and a developer agreement and it would be more for the developer agreement to address some of these things. They were so focused on the one project, but had talked about the second half of the project. They wanted the opportunity to do the second half and the renovation, as well. They would memorialize all of this in the developer agreement. Councilmember Waring asked him to explain the reality of a 4.75% cap rate in 15 years. Mr. Weatherly stated that was the cap rate they would have to be at for them to be able to satisfy the projected balances of everything at the end of the 18 year term. It was aggressive, but it was the number they would need to be at. The research he had done showed cap rates between 5-6% for multi-family. There hadn't been a lot of sales. He didn't feel comfortable taking a comp from an office building and so he backed into a number.

Having no further business, the Committee on Real Estate adjourned at 5:06 p.m.

Bethany Whitaker
Council Secretary