

COMMITTEE ON REAL ESTATE

May 28, 2019

A meeting of the Committee on Real Estate was held this date beginning at 3:00 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 White, Councilwoman Jackson, Councilmember Waring, and Mayor Tecklenburg **Also Present:** Stirling Halversen, Geona Shaw Johnson, Frances Cantwell, Christopher Morgan, Amy Wharton, Janie Borden, Susan Herdina, Matt Frohlich, Matt Fountain, Chip McQueeney, Tracy McKee, Ernest Andrade, and Bethany Whitaker

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

Approval of Minutes

On the motion of Councilmember Waring, seconded by Councilwoman Jackson, the Board voted unanimously to approve the minutes of the May 13, 2019 Real Estate Meeting.

Approval of a facility usage agreement at no cost with Calvary Lutheran Church for Piccolo Spoleto (1400 Manor Blvd.). The property is owned by Calvary Lutheran Church.

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

Request authorization for the Mayor to execute an Amended and Restated Memorandum of Understanding between the City and East Line Partners, LLC ("East Line"), to amend and restate the existing Memorandum of Understanding between them, dated May 23, 2017, by (1) requiring East Line to convey an easement, instead of fee simple title, to the City over East Line's property designated as Charleston County TMS No. 459-05-03-138, for a linear park connection following completion of East Line's development; and (2) requiring East Line or its affiliates to grant an easement to the City over certain adjoining and nearby property upon acquisition of the property by East Line or its affiliates to facilitate a similar connection. (TMS: 459-05-03-138; The Lowline Linear Park)

Mr. McQueeney said this was an Amended and Restated MOU between the City and East Line. He referenced the property that East Line and its affiliates owned and where the Lowline property was. The City previously entered into an MOU in 2017 with East Line. That was the property he had just showed that they owned. East Line had agreed to convey a fee simple area to the City for uses of a linear park to link up what would be an extension of the Cooper River Bridge area park with the Lowline property. In addition to that MOU in 2017, it called for the closing/abandonment of a portion of Sheppard Street, which the City later did and conveyed it to East Line. Instead of granting a fee simple title to the City of the area shown in 2017, East Line wanted to grant the City an easement for the linear park, for the surface area, so they could use the underground area for utilities. He wasn't sure if the acreage was exactly the same, but it was roughly the same. That would allow East Line to use the underground area

for utilities which would help for the development of their property. The other aspect was to go back to Sheppard Street, and assuming East Line or their affiliates would require either of those, the City would agree to close and abandon that and it was really a good-faith agreement to consider it. They had to pass an ordinance to do that. The agreement basically said that if they acquired those, the City would convey it like they normally did, half of one side, half of the other, and the City would reserve an area to connect the Lowline parcel across into what showed as the 42 foot strip and it would link up further up on Cooper Street. The two changes to the previous agreement were to convey an easement instead of fee-simple, and that, assuming the City ever abandoned that portion of Sheppard Street and conveyed the two halves, the City would be able to reserve an area to connect the current Lowline property for linear park purposes only.

Councilmember Waring said under the original terms, the City was to own the property fee simple and Mr. McQueeney said that was correct. Councilmember Waring asked why the City couldn't just grant East Line the easement for utilities. Mr. McQueeney said they could do that, but he thought that from the developer's perspective, they probably didn't want to get a subdivision plot and go through that process. Justin Ferira stated he thought he could answer that by answering the why this came up. Two months previous, when Friends of the Lowline got together with an architect that came in, they walked with members from City planning and the Friends and Jason Kronsberg. Mr. Kronsberg had said that the MOU was great, but the difficult thing was that they had drawn something that was above his budget, to both build and maintain. East Line asked, 'What if there was a mutual benefit?' Mr. Kronsberg asked if an easement could be granted where the City could get the same beneficial surface area use, but East Line would spend the money to build it out and maintain it. The City would get the benefit of something better than if they just put asphalt and dirt down. They would get a perpetual easement and the only cost would be the umbrella insurance policy stemming from the park. Then, they had to switch it from a fee to an easement. That was what their attorney and Mr. McQueeney had worked on. The agreement was the exact same. Councilmember Waring said that other than the insurance, all other build out would be done by East Line. Mr. Ferira said yes. Mr. McQueeney said that the insurance provision had been put in their because of the problems with procuring increased insurance. Councilmember Waring asked if they could insure something they didn't own and Mr. McQueeney said yes, if it was an easement.

Mr. Ferira said that the City had been very easy and collaborative to work with. It had been harder to work with the DOT. Councilmember Waring said that the whole thing with the Lowline was that when they were looking at buying it, they couldn't get fee simple title, and that was a major hurdle. Councilwoman Jackson said that it seemed like it was worth what they were getting in exchange for changing the nature of the permanent use and giving up the title for a permanent easement. They couldn't find the money right now to do the ongoing maintenance and she thought Mr. Kronsberg was probably overjoyed that they would have a lovely amenity to the City, which he didn't have to find money to pay for. Chairman Moody said he thought it was a pretty good trade.

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

Request authorization for the Mayor to execute an easement agreement with CRP/SSCP Woolfe Street Owner, LLC, (the "Grantor"), under which the Grantor will grant to the City a perpetual easement across a portion of property owned by the Grantor, located at 28 Woolfe Street (Charleston County TMS No. 459-09-01-052), for the City to construct and maintain a pedestrian and bike path and non-motorized vehicular path connecting the existing southern terminus of the City's property, known as the "Lowline", to Woolfe Street. (28 Woolfe Street)

Mr. McQueeney said that the City owned, in fee simple all the property that ran down and the owners of the big building were proposing to grant the City a 12-foot easement to connect to Woolfe Street. The hope was to be able to continue down. This was a little bit of a complicated transaction. Two owners ago, they wanted an increase in zoning to increase the height and there was talk in granting the City an easement on that side. Tim Keane, who was zoning administrator at the time, in 2013, mentioned that one of the reasons for the recommendation of increased height was because of the willingness to grant the easement. So, it was kind of an 'even-trade'. The problem was that there were representations on the record for the meeting, but there was nothing in the title history or the rezoning document itself that put anyone on notice that there was an easement. Two different companies purchased the property after that, and had been in talks to voluntarily grant the easement, despite there being no documentation. They were supposed to voluntarily grant an easement to the City that would be subject to some conditions. Foster Gaillard had been working on for the developer and they had talked with him. He believed that Mr. Ferira's company would like to sell the property in the somewhat near future and would like to tie this up quickly because of that because they wanted the easement to be recorded of record. The agreement before them would grant the City an easement. The City would have the immediate duty to maintain and repair that 12 foot area in its current condition for at least ten years. The easement would be to construct and build a pedestrian/bike path and possibly a non-motorized vehicular path, extending the current terminus of the Lowline to Woolfe Street. The City didn't have an obligation to do any of that. They hadn't committed money. But, if they didn't do it within ten years, the easement would go away. They also had some ability to review what was going to be put in that portion of the Lowline. The Bike and Ped path were the only obligations they had to build within ten years if they wanted to turn it into a perpetual easement. The Bike/Ped path had to come from Line Street down to Woolfe Street. Hopefully, in ten years they would be able to come up with the money, but if not, they would lose the easement.

Chairman Moody asked what the obligation was for what was there right now. Mr. Ferira said it was paved and they wouldn't have to do anything until they exercised the easement. They would have to pay to maintain it until the City took it. Right now, it was nice enough for the people in the apartment building. He couldn't force the City to spend money or raise money, so they had this flexible easement. Whenever the City had the money and wanted to take the easement and build it out, they could let the company know, and the City would get it the next day. Up until then, it was up to them to maintain it. Chairman Moody asked what the trigger was to do something. Councilmember White said they had ten years. Mr. McQueeney said that they just had to do something within ten years and build at least the bike/ped portion. Chairman Moody said it already had asphalt and asked what would be involved with constructing a bike/ped path. Mr. McQueeney said that was what they were talking about. They had to hire someone to design the area and with respect to this portion, they would have to consult with the

current and/or future owner on the design of the area. It would be treated just like any capital project in the City. They would have to budget it, bid out the design work, and build it out.

Mayor Tecklenburg said he had met recently with the Friends of the Lowline, and they planned to come to the City in the next couple of months with a proposal to at least get the design done. They would hope to move the design phase forward in the next year and start construction when they could identify funds thereafter. It may involve some contributions from the other property owners along there, as well. Chairman Moody said he thought that was kind of his concern, that he didn't mind trying to secure the property and get the easement at no cost, but he was reluctant to sign on to doing something until he knew what that was and when it needed to be done. He knew they had several things they were trying to do off the Peninsula, and if this would jump in front of those things, he would have a problem. Councilwoman Jackson said she thought that was what she understood, was that this was a 'springy' easement. She thought it was wise of them to have the easement recorded now, so that if the property was sold, they wouldn't have to go through this all over again. Right now, they were volunteering to live up to something that was never recorded. The understanding was that until the City did something with it, they wouldn't need to maintain it.

Councilmember White said the timeline was what he had a little bit of consternation on and it lent back to the other issues that they knew were out there such as the massive flooding projects and other things they knew they would have a challenge financing. He asked if they thought it was reasonable that within ten years they would have the financial ability to actually get the Lowline completed. Mayor Tecklenburg said he thought they would. The discussion was that they would involve the property owners to help them do it, either through a Municipal Improvement District, or some kind of fee-based thing, or even as portions of it got developed. For example, the block between Spring and Columbus Street was all at the back door of Greystar and at some point they would develop that property, and had already said that they wanted the Lowline in their block to be done. It may get done in pieces, but he thought ten years was very reasonable. They should preserve and obtain this easement in this portion. Councilmember White asked if there was any level of infrastructure they would need to put in. For example, it was already currently paved, and if they went in and did some light improvements, he asked if they could engage that easement and if the document stipulated how in depth they had to go. Mr. McQueeney stated that it was up to the City, but the developer would have to approve what was going in. It was really a good-faith allocation. There was no set standard. Those properties would benefit from having a public area run from Woolfe Street to Line Street. Mayor Tecklenburg said he wanted to reiterate that in 2013, it may not have been properly documented and so, it was Mr. Ferira who remembered, and he wanted to thank him for bringing it forward. They could've just sold the property, and the City never would've been able to make the critical connection and it would have been gone forever. Councilmember Waring asked Mayor Tecklenburg how he would make the transaction better and Mayor Tecklenburg said that he would have had a fee-simple or permanent easement given at the time, in 2013. But, that wasn't done.

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

Approval of the Management and Operating Agreement between the City of Charleston and Charleston Area Convention and Visitors Bureau

Ms. Herdina stated this was the agreement between the City and the CVB to manage the renovations of the CVB building and the bus shed, and after the renovations were complete to operate a turn-key Visitor's Center operation for the City. Basically, the CVB had agreed to manage the design and the construction of the renovations. As part of the agreement, they were talking about not just the Visitor's Center building and the bus shed, but also the Best Friend's Train Museum, and the parking lot at 36 John Street. They didn't really anticipate any renovations to either of those though. The budget would be up to \$5.5 million. Council had already approved in prior years \$2.6 million to go toward the renovation. They were looking for the approval of \$2.9 million additional in 2020, which would come from Hospitality, Accommodations, and possibly other sources. Councilmember Waring asked if they remembered how much was for the roof and Ms. Wharton said that it was \$800,000 and was part of the prior \$2.6 million that was approved.

Ms. Herdina said that the City would turn the complex over to the CVB on July 1st. The renovations were expected to begin within 30 days of that. According to the agreement, the renovations would be completed no later than June 30th of 2020, but the CVB was anticipating that it would happen sooner than that. All design and construction plans had to be submitted to the City for approval and if there were any change orders, the City needed to be advised of that. They would have a City staff person who would be assigned to the project, to work with the CVB, so that the City knew on an ongoing basis how the project was progressing and how the money was being spent. Once construction was complete, CVB would manage the operations which included the employees. They would bring in office equipment and would be in charge of janitorial supplies and services, and communication and infrastructure needs they would have. Chairman Moody asked how long the contract was and Ms. Herdina said that the term of the lease right now was going through 11 years, although operation would be more like ten years. There was an option to renew. In addition, the CVB would be managing the John Street parking lot. During the term of the agreement, they would be paying the City \$48,000 per year for 32 parking spaces. The City had the right to periodically adjust that rate to reflect current conditions. The lot must remain open to the public, with the exception of when CVB or Explore Charleston had their own events. Also, for the first year, or during the construction period, they would use that lot for lay-down purposes at no cost. But, after that, they would have the annual fee. The City would reimburse the CVB upon receipt of approved invoices. The City had the right to audit to make sure the money was being spent appropriately. The City was responsible for utility services, the security system, capital maintenance and general maintenance. At the end of the agreement, the City would own all of the assets, with the exception of any personal items that the CVB would bring into the non-public space.

Councilmember Waring asked if they didn't need all of the spaces, if they could sub-lease. Ms. Herdina said they would be managing it, but it was for public use. So, the plan was that their staff would hopefully be in the parking garage, and the public could use the lot. Mayor Tecklenburg said that they would have the authority to use the lot without having to give notice, if they were having special events. Ms. Herdina said the City would have use of the space six times per year, and there was no fee for the rental of the space. Councilmember Waring said that if the City had a meeting at the Museum, if they

could still park over there for free. Mayor Tecklenburg said as long as it didn't conflict with some other event they were having that night. Mr. Frohlich said that the Meeting Street lot was still owned and operated by the City, so they could park there for free still. Councilmember White said that the additional money they were going to have to allocate, they would still be obligated to allocate that in the budgeting cycle and asked if they had the additional resources to do that. Ms. Wharton said yes.

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

Authorization for the Mayor to execute the Plan for Dissolution of Bridge-Pointe Homeowners Association, Inc. related to the FEMA Hazard Mitigation Grant Program (HMGP) Buy-Out Program.

Ms. Halversen said that all of the funding was being dispersed to the prior owners. That was authorized by Council.

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

Request approval of Intergovernmental Agreement between the County of Charleston and the City of Charleston to establish the Suzie Jackson Freedom Memorial Garden (68 Calhoun Street; TMS: 459-13-03-041). Costs will be paid for through private funds raised by the family (ies).

Ms. Herdina stated that the Real Estate Committee of the County approved this about a week and a half ago. They were told that the legal department was reviewing it and may add a term. They kept this on the agenda because they knew the family wanted it done before the anniversary. So, they received the changes that day. She thought they were not substantial, and would still recommend approval. They wanted to make sure that because of all the easements and utilities that the City's construction and maintenance would not interfere with the County Library and access to that. They also added a term. There was a five year term, but it could be renewed. Then, they had some provisions for default which was standard language. Councilwoman Jackson said it didn't say it could be renewed beyond those extensions. Ms. Herdina said that was negotiable. She thought this was their standard language.

Councilmember Waring said they ought to thank staff for all of their hard work on this item.

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

Request authorization to execute the License Agreement between the South Carolina State Ports Authority, the City, and the Citadel authorizing the use of space at the Port's North Charleston Terminal to unload and store oysters pending their replanting

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

Approval of Amendment of Lease between the City of Charleston and Charleston Tennis, LLC

Ms. Herdina said that James Meadors was there in case anyone had questions, as was Bob Moran. The 2014 Agreement was the agreement that was currently in effect. The high points of that was that the City entered into the agreement with the predecessor, Charleston Tennis, with an initial term of 15

years, or to 2029 to manage the tennis center. Under the current management agreement, the tennis center had a right to manage the center, operate the Volvo Tennis annual event, and conduct other events there as they felt necessary. They paid up to \$10,000 per year for reasonably necessary structural maintenance, and the City, in exchange, paid an annual management fee of \$225,000 for each year plus a 3% escalator. She thought the current fee was around \$260,000 for the annual management fee. Under the first amendment that they were proposing for approval, the \$10,000 annual maintenance fee was maintained, and there was a roll-over provision, so that if they didn't spend the whole \$10,000, whatever was left would roll over to the next year. In addition, the Tennis Center agreed to spend up to \$1 million during the term of the agreement for structural maintenance. There were some exclusions to that included in an exhibit in the agreement. These were five or six items which the City previously agreed it would repair and they were not part of this deal. The next key provision was that the tennis center was agreeing to spend at least \$9 million in capital improvements. At that time, when the capital improvements were made, the management fee that was in place now would be replaced by a different formula. It would be the management fee at that point in time, plus \$160,000, and then there would be a 3% escalator from then until the end of the term, on both the management fee and the \$160,000. At the time that this new formula came into place, which they would expect in about three years, the City had the right to impose a \$1 facility maintenance fee on every ticket sold at the Tennis Center. That would be escrowed into a separate account and used only for maintenance and structural repairs at the Volvo Center. Any capital improvements over \$200,000 had to come through the City to be approved. The term, under the new proposal would be extended 42 years to 2061. However, the City had an option to terminate it after 33 years, in 2052. But, at that point in time, the City would be buying out the remaining term at a fixed price of \$3,650,000.

Councilwoman Jackson asked if the capital improvements were definitive, or if the list was something they would pick from. Ms. Herdina said that exhibit B were things that were previously identified for the City to do. Councilwoman Jackson said there were other exhibits though as well. Ms. Herdina said those were attached to the original agreement. She didn't know all of the details for renovations. Mr. Meadors said that plans were being developed now and would be presented to the City for approval. They didn't know what the cost would be right now or what all of the renovations would be. The exhibits were part of a prior agreement, not the current one that was being proposed. Mayor Tecklenburg said that anything over \$200,000 the City would have to approve. Ms. Herdina said that some of the items might include some that were included in the previous exhibits, but they didn't know that yet.

Councilmember Waring said in principal, he was for this. But, they should know what the list would be for the renovations. Even when the \$9 million was spent, for a term of 42 years, those things would wear out. The stadium was 20 years old right now and he asked, when those things needed to be replaced in another 20 years, how the capital out was addressed. Mr. Moran stated that they wouldn't let the facility wear out with the money they were putting in. Councilmember Waring said he understood that, but it would depreciate and would need to be redone/replaced. He asked who would have the responsibility for that. Councilmember White said that they had added in the ticket price. He had an opportunity to meet with these individuals. The current facility had about \$8 million in deferred maintenance. Of that, about half would be addressed with the improvements they would make. But, in the agreement, as a concern for additional deferred maintenance in the future, there was the option to

add \$1 to each ticket sale to help generate revenue, so that if the City needed to bond out X number of years, to be able to take care of additional maintenance in the future, they would have a revenue stream to do so. Ms. Herdina said they had never had a confirmed commitment that any of their renovations would include any of the deferred maintenance issues. So, that could potentially all fall on the City still. The total for that right now was about \$7 million. Once the ticket fee was imposed, there was no restriction on how it could be used for maintenance at the facility.

Mr. Meadors stated that he had estimated that over 33 years, they could get \$4.5 million in income from the \$1 increase in ticket prices. That translated into 18 events per year, with an occupancy of around 7,000 people per event. That \$4.5 million over the 33 years was very realistic. Mayor Tecklenburg said that as soon as they spent the capital investment, the City wanted the \$1 added to the ticket. Mr. Meadors said there was no problem with that.

Councilmember Waring said he wanted to work with them, but they needed to clear up the list of things that would be done. They were going to go into a lease for 42 years, and they hadn't finished talking about where the \$9 million was being spent. Mr. Moran said the intention was to upgrade. Councilmember Waring said he understood the intention and believed they were good. Mr. Moran asked if he wanted a detailed plan. Councilmember Waring said he thought they should have it. They thought they knew where part of it would go. Mr. Meadors said that the challenging part was that they were inheriting deferred maintenance that came with it. He couldn't say what the details were yet, because the plan was still being developed. When they put down the stage floor for performers, it took off about 20% of the seats, down to 7,500. So, the goal was to increase the size of the stadium so that they could get the attendance back up, and would be left with a net gain and not a loss. Part of the \$9 million would go for the expansion, and that had been consistent. Councilmember Waring asked if that was part of the agreement. Ms. Herdina said there was no description of what the renovations would be, although it had been their understanding that at least part would go towards expanding the stadium. Councilmember Waring said he didn't think this was ready to go in front of Council. Mr. Meadors said they had architectural renderings done, and the intention was to get something done before they moved forward with firm plans. They knew what they wanted it to be, and what the renderings looked like, but nothing was an absolute plan. He was happy to share the renderings.

Councilmember Waring said they were potentially getting ready to tie something up for 42 years and they didn't know what would happen with a major portion. That was all he needed. Expanding the stadium was a great idea. They already knew the deferred maintenance that existed, but they should know the other parts. Chairman Moody asked how long it would take to come up with some of those numbers. Mr. Meadors said it was a huge investment, and the thought process was to get Council's approval before they executed contracts to move forward. He wasn't sure if it was a reasonable investment for them to do that without the support of the Council.

Councilmember White stated that he believed that the intent of expanding the stadium was to make it more usable for concerts. They would push it back. Where he was coming from with the deferred maintenance issue was that two of the five deferred maintenance items, by way of the expansion, would be partially addressed. They couldn't expand without taking the stairways out. He would said that they could read into the record what was going to happen and that the agreement be contingent upon

what would happen. Chairman Moody asked what they could put into the agreement as an amendment and if they could add that the deferred maintenance items would be part of the agreement. Mr. Meadors said that they couldn't guarantee that they were going to take care of the full \$7 million in deferred maintenance that the City had. Councilmember Waring said that the City knew they had a responsibility with the deferred maintenance. Councilmember White said that wasn't what he was recommending. He was just pointing out what would happen by way of the expansion. He wasn't asking them to write into the agreement that the tennis center would own that responsibility. However, if the tennis center was going to invest that much into the facility, and by way, if that happened to address some of the deferred maintenance, it would be all the better for the City. Mr. Moran said they probably knew half of what would happen right now. They weren't a modern facility in comparison with all of the others being built. They would have direct competition that had in the 10,000 seat range. They had to get their seating up to 9,000, so they didn't have significant losses. Councilmember Waring asked why that couldn't be part of the agreement. They needed to be a little more specific. Mayor Tecklenburg said that he wanted to reiterate that they would have the right of refusal, because they had to get the City's permission for anything over 200,000 and go through the City's design process.

Chairman Moody asked what the time commitment was on spending the \$9 million and Ms. Herdina said it was three years. If it wasn't done in three years, the management fee stayed the way it currently was. Councilmember White asked if the agreement would be in default at that point. Ms. Herdina said that according to the language, they were required to spend in within three years, so yes. If they were in default, the City could terminate. Councilmember White said he would ask for an amendment to stipulate that the \$9 million would go towards increasing the seating capacity and the value of the venue as an entertainment venue. He thought that Mr. Moran had mentioned at some point that they wanted to build something like a green room for entertainers.

On the motion of Councilmember White, seconded by Councilmember Waring, the Committee voted unanimously to approve the above item with the amendment to reflect that the \$9 million was to go towards increasing the seating capacity, and increase the value of the venue as an entertainment venue, in addition to other items.

Approval of Second Amendment to the Master Lease (requested by Charleston Digital Corridor Foundation) [Ordinance]

Ms. Cantwell stated that this was part two of what they started at the last Real Estate meeting of moving forward with the establishment of a tech center and a parking garage at 999 Morrison Drive. The Charleston Digital Corridor had leased those facilities from the City under a ground lease that was 99 years in length. The original lease required that the City pay the CDC a sum of \$100,000 per year for a period of ten years. In return for that payment, the City would have received an 850 square foot suite to use for City offices, whether it was small businesses, or to assist the CDC. The City was paying the rent up front to have access to that space for the term of the lease, so that at the end of ten years, the City would still have access to the 850 square feet, but would then only be responsible for paying the fair share percentage of maintenance and operating cost. The lease originally was 60 years, but it was amended a couple of years previous to extend it to 99 years. That was all fine. The CDC asked the City to bring forward a proposed amendment to the lease agreement. The change would be that the City's

occupancy of that 850 square feet would be co-extensive with the CDC's sublease from the developer. The CDC had found a developer and was prepared to assign their rights under the ground lease to that developer. So, it would build the parking garage and the building. That was the CDC and the developer's deal and was allowed by the lease. The CDC however, was going to be subletting a floor of the building, close to 16,000 square feet. But, the term of the lease was only for ten years. That made her nervous a little bit, and she wanted the Committee to know her concerns. The concern that staff had was that they had no assurances, after ten years, that the CDC would be in the building and a subtenant of the developer. They probably would be, but staff was paid to look at the worst case scenario. If they weren't, the City would have expended \$100,000 per year and wouldn't have space to show for it. They hadn't been able to bridge the gap with the CDC, and they were well into their development scheme. They had a good developer lined up, the drawings approved, and had their financing. They gave first reading to a second amendment last time. This one would say that instead of the CDC providing space in that building to the City for the life of the ground lease, it would be tied to the life of its lease with the developer.

Chairman Moody said that the City was paying \$100,000 per year and asked what they were supposed to get for that. Ms. Cantwell said they were supposed to get a suite in the building. Chairman Moody asked if there was anything other than the 850 square feet and Ms. Cantwell said no. Chairman Moody said that the \$100,000 was per year for ten years. They were getting the 850 square feet out of that. The CDC space would be where the incubators would be and asked what the rest of the property was going to be used for. Ms. Cantwell said that 30% of the now 90,000 square feet was for incubators. CDC would be doing some of that incubation work and the developer would have to do others to bridge that gap. The CDC would be doing what they were doing now, which was providing space for incubator start-up technology businesses on their floor. But, the space they were leasing from the developer would not meet the requirements of the ground lease, so the developer would have to find other incubator businesses to put in the building. She was led to believe that they had done that. Chairman Moody said that the 850 square feet wasn't substantial. It was to the City's benefit to have the incubator space there. He asked why the City needed the 850 square feet. Ms. Carducci said that when they were putting the transaction together, the City had the office with Gary Bright, and the original intention was to try to help facilitate economic development and technology for the City. So, the City was contemplating using that space for that office. The anticipation was that the City would pay \$100,000 per year for ten years and then have the space for the term of the ground lease.

Councilmember White stated that prior to the CDC being its own entity, when it was within the City, the City allocated a budget number annually. Then, when they moved out on their own, the City still allocated a number annually. He asked if they recalled what they used to allocate once they moved outside the City. Ms. Wharton said that it was \$100,000 annually. Councilmember White said he recalled that the discussion was that the City was already making a financial contribution to the CDC and they intended to do that for economic development for the City. He thought the 850 square feet was talked about being a substation for the Police Department. Ms. Carducci said that the conversations she had was that it would be an office for Gary Bright. The intent for the substation was with a similar, but different lease with SRA. Councilmember White said that part of the discussion was not as much about getting office space, but providing financial support for the CDC for economic development purposes.

Ms. Cantwell said she thought they increased the CDC contribution. Ms. Wharton said it was now \$200,000 total. Ms. Cantwell said she thought it was an effort to upfront some money to the CDC so that they could do what they needed to do to get it off the ground. Mayor Tecklenburg said that Mr. Bright no longer worked for the City, so the person they thought about going in that space, they didn't have. So, he couldn't say that they had a use for the 850 square feet. They could add that to the incubation space. Councilwoman Jackson said that the way she was looking at it was that they were being asked to amend the lease that would commit them to the upfront payment. They didn't have the space as a guarantee anymore and it kind of changed the whole deal. She would agree that they shouldn't approve the amendment, but should continue to commit to the CDC. Chairman Moody said it seemed like the CDC needed the money, but the City didn't need the space. Ms. Cantwell said that the amendment was that after ten years, the City wouldn't get anything and wouldn't pay anything either. She thought everyone recognized that \$100,000 per year for 850 square feet was not a good deal, but it was a better deal when they had access to that space over a longer period of time. It was a business call for them to make, as to whether they were willing to commit in exchange for some space on the floor.

Councilmember White said that from his perspective, and looking at the work the CDC did, for the return on investment they got, the CDC had one of the best track records in actual tangible results in raising the median income and growing the tech center. He would give that \$200,000 any day, regardless of the 850 square feet. As the building developed, and thinking about the concept of the building as a tech hub for the community, having the 850 square feet inside the heart of that tech hub, would be a good use of having access to that. He thought they should take the 850 square feet. If it became the vision of what they wanted, it would be great to have some presence from the City to show that they were committed in that process. If it wasn't for the CDC, they wouldn't have a tech community in Charleston. Ms. Cantwell said that they couldn't bind future City Council's on what they appropriate annually, but they could enter into leases. So, the question was whether they were comfortable with having that commitment for just ten years. They had two other amendments to the second amendment that they gave first reading to, that they were fine with. Up to 350 spaces would now be made available to the developer of the building and no less than 100 would be made available to the CDC, and 83 to the incubators. Councilmember White said that they could use the parking as a sales point to bring in businesses. The cards would go to the user and the user payed for them and if they didn't pay, they would lose the card. They had to keep that structure in place to avoid venturing into tax bonds. It was on a month-to-month basis.

Chairman Moody said that he knew they had run into some problems with the Queen Street Garage, where they gave space to the building people, but then they didn't need them. So, they started renting them out to whomever. Ms. Cantwell said that wouldn't be allowed here. The last amendment was something that wasn't brand new, but something kind of new in the construction world, where the developer wanted to reserve the right, rather than having performance and payment bonds, something called sub-guard. This was a new type of service that the developer paid for and if there was any issue with payment of the subs or stopping the job, sub guard would step in and immediately take care of it to keep the job going. The second amendment would allow them to use Subguard with the approval of the Mayor.

Councilwoman Jackson asked what they normally paid for overhead costs. Ms. Wharton said she couldn't answer that question right now. Mayor Tecklenburg asked if there was a long term commitment to the \$100,000 they were paying now to the CDC. Ms. Wharton said it was an annual appropriation out of General Funds. Ms. Cantwell said they started paying the rent already, so they had a few years completed. So, the last few years they wouldn't be paying rent. Mayor Tecklenburg said that he would vote in favor, but he wanted to express a little concern. He agreed that the CDC had been a great bang for their buck in terms of building technology businesses in the City. However, his understanding was that the purpose, when they started this was to have a permanent presence for a flagship style incubator. He wanted to make sure that they continued to do that. That was why he brought up the concern about it being a ten year lease. The response was that they didn't know what would happen in ten years, and they didn't want to make a longer commitment. But, it seemed to him, that the City having bought the property, and the lease being extending, that they would have a little longer of a ten year guarantee. He wanted to make sure that the long-term mission was pursued. Chairman Moody said he didn't think anyone was wavering on the long-term mission of the goal. Councilmember Waring asked what the cost was to build building. Mr. Andrade said that it was about \$54 million. Councilmember Waring said that they would have that \$100,000 offset, because there would be taxes.

On the motion of Councilmember White, seconded by Councilmember Waring, the Committee voted unanimously to approve Item I with the three amendments to the second amendment.

Approval of Sublease from Charleston Digital Corridor Foundation to City pertaining to the rental of 850 square feet in the Pad 1 Building

Ms. Cantwell stated this was the sublease that the City would enter into with the CDC. The only amendment that had taken place was to change the term from the 60 to the 99 years to be coextensive with the CDC lease. So, in light of their approval of the second amendment, staff would say to approve this one.

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

Approval of Development Agreement between the City and the Charleston Digital Corridor Foundation to govern the construction of a parking garage at 999 Morrison Drive

Ms. Cantwell said that she had given them a development agreement, and that pertained to developing the garage and parking deck. This set forth the fact that the CDC would deliver to the City a parking deck, pursuant to plans that had already been approved by the City. The exterior had been approved by the BAR. It would have 816 spaces. The City would buy it for just under \$27 million. Once the City bought the garage back from the developer, then the garage came out of the master lease altogether and it would be a standalone garage that the City would own, as well as the open space next to it. This agreement was not new to them, because it was the same premise they used on the Midtown Garage and when the West Edge garage was built. This agreement was a little improved on those because every time they did something like this, they learned something different. So, they would have a project manager who would have a seat at the table of the weekly meetings so they could see what was going

on. The City would have the right to stop pay orders if they noticed something wrong that wasn't dealt with in a timely manner. There were stop gaps that they thought strengthened what they did in the past. The development agreement for the garage would be assigned as collateral to the bank when they built the garage, which was also allowed by the ground lease.

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

Approval of a partial assignment of the Master Lease as it pertains to constructing the parking garage from the Charleston Digital Corridor Foundation to CTC Holdings Garage, LLC, the entity that will construct the parking garage

Approval of an assignment of the Development Agreement from the Charleston Digital Corridor Foundation to CTC Holdings Garage, LLC, the entity that will construct the parking garage as set out in the Master Lease

Approval of a partial assignment of the Master Lease as it pertains to constructing the Pad 1 Building from the Charleston Digital Corridor to CTC Holdings Office, LLC, the entity that will construct the Pad 1 Building

Ms. Cantwell said this allowed for the City to approve the partial assignment of the master lease to build the first building and the parking garage/open space, to approve the assignment of rights to build those from CDC to the developer. Item M was the assignment of the development agreement, so the CDC would assign the obligation and right to build the garage, in pursuant to the development agreement, to the developer. Item N was the approval of the assignment of the master lease as it pertained to building the first building from the CDC to the developer.

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

Request authorization for the Mayor to execute a Declaration of Cross Access and Utility Easements for Lot 473A, Lot 473B, and Lot 473C, Ashleyville (Charleston County TMS Nos. 418-07-00-118, 416-07-00-173, 418-07-00-174)

Mr. McQueeney said that they needed access to utilities. They were selling a lot and they were amending the purchase and sale agreement to include that declaration of easements. Councilmember Waring asked what would happen with the back lot. Ms. Shaw Johnson said they weren't sure. The neighbor next door wanted to purchase it, but they knew they wanted to purchase it for lay-down area, and they didn't want that for those homeowners. They had been told that it wasn't a buildable lot, so they were looking at it now to make a determination.

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

An ordinance authorizing the Mayor to execute on behalf of the City of Charleston ("City") an Agreement of Purchase and Sale, in which the City agrees to sell to Kiuarna Shamone Brown Summers

the property located at 933 Fifth Avenue (Charleston County TMS No. 418-07-00-174) (West Ashley) (Maryville/Ashleyville) for \$199,237.00, subject to the City of Charleston single-family affordable housing restrictive covenants, with an affordability period of ninety (90) years (AS AMENDED TO INCORPORATE CHANGES TO THE EXHIBIT TO EMPHASIZE THAT THE CONVEYANCE WILL BE SUBJECT TO A DECLARATION OF EASEMENTS) (See also City Council Agenda Item L-10)

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

Consider the following annexations:

i. *404 Woodland Shores Road (TMS #: 343-11-00-104) 0.50 acre, James Island (District 11). The property is owned by Nathaniel West.*

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

Discussion regarding the Richardson Property on Camp Road

Councilmember Waring said there was a parcel of land on Camp Road headed towards Riverland Drive, beyond Bishop Gadsden. It was on the right hand side. Mr. Richardson was 94 years old and was interested in selling the property and seemed to be very reasonable. He wanted to have some naming rights. It looked like a parcel they could put a wonderful passive park on and maybe some affordable housing, as well. It backed up to Ellis Creek. He would probably want life estate until he passed on. They should move forward to at least get an appraisal done and take steps after that. David Bennett had very good rapport with Mr. Richardson, and that was why Mr. Richardson reached out to him. It was probably too small for what Charleston County did, which was why they passed it to the City. Mayor Tecklenburg said this was mentioned at a recent meeting and he had asked Mr. Frohlich to look into the matter. Mr. Frohlich stated that he reached out to Mr. Bennett a few days after they walked the property. He was just sitting tight, waiting on the direction of Council. He could initiate an appraisal if that's what they wanted. Chairman Moody said he thought that was the first step. They had to figure out if it was actually affordable, for affordable housing. Councilmember White asked if he was willing to accept a write-off, or if he was looking for a buyout. Councilmember Waring said he wasn't sure if a write-off would help him at this point, but he thought Mr. Richardson was in a reasonable mood. He didn't want to put it up for sale to the public. He wanted a public use for it. Councilwoman Jackson said this wasn't in her district, but it was near to her heart to have some affordable housing on James Island. So, she would like to be on a task force if one was formed. She had some good ideas for how they could find a good architect.

On the motion of Councilmember Waring, seconded by Councilwoman Jackson, the Committee voted unanimously to approve staff to move forward in getting an appraisal for the property.

Having no further business, the Committee adjourned at 4:56 p.m.

Bethany Whitaker
Council Secretary