

BOARD OF ALDERMEN

ITEM NO. D(4)

AGENDA ITEM ABSTRACT

MEETING DATE: March 15, 2010

SUBJECT: A Resolution Authorizing the Town Manager to Execute a Lease for Parking Spaces at the 300 East Main Shopping Center

DEPARTMENT: TOWN MANAGER	PUBLIC HEARING: NO
ATTACHMENTS: A – Resolution B- Draft Lease Agreement C- Hotel Room Occupancy Tax Information D- Memo from Town Attorney E- Estimated Financial Information	FOR INFORMATION CONTACT: Steve Stewart (918-7314) Mike Brough

PURPOSE

The purpose of this agenda item is for the Board to consider a request to authorize the Town Manager to execute a lease agreement with Main Street Properties of Chapel Hill, LLC for parking spaces at the 300 East Main Shopping Center.

INFORMATION

Main Street Properties has offered to lease certain undesignated parking spaces in the parking deck and surface lots to be constructed on and within the 300 East Main Shopping Center, for use as free public parking. While all undesignated parking spaces on the premises will be made available for free public parking during the term of the lease, the number of parking spaces available for use as public parking will not be less than 250 parking spaces between the hours of 5:30 p.m. and 7:00 a.m. and not less than 150 parking spaces between the daytime hours of 7:00 a.m. and 5:30 p.m. The initial term of this lease will be for a period of five (5) years, commencing on the date on which Certificates of Occupancy have been secured for the hotel building within the 300 East Main Shopping Center and for the first phase of the parking deck.

It is proposed that the Town agree to pay annual rent to Main Street Properties in an amount equivalent to 3% of the gross receipts of the Hampton Inn & Suites Hotel to be constructed within the 300 East Main Shopping Center, however, that the rent due from the Town to Main Street Properties shall be capped at \$90,000 per year during the term of this lease. If at any time during the term of this lease Main Street Properties does not make the required minimum number of parking spaces available for public parking within the time periods established by the lease, then the rent due from the Town to Main Street Properties shall be reduced pro rata to reflect the lesser number of parking spaces made available for public parking. Such reduction in rent shall persist unless or until Main Street Properties is able to provide the required minimum number of parking spaces established by the lease for use as free public parking

FISCAL AND STAFF IMPACT

The completion of the East Main Street project will generate additional property tax revenues for the Town. Currently the property has a tax valuation of \$1.1 million and generates \$6,633

annually in property taxes. Upon project completion, the estimated value of the property is \$21.0 million that will generate approximately \$124,055 annually in tax revenues.

Additional revenues could also be received if the Board chooses to establish a hotel room occupancy tax, which is authorized by Section 3-7 of the Town Charter and G.S.160A-215. A resolution providing for such a tax, and an explanatory memorandum prepared by the town attorney, are attached. These are provided, not for immediate action, but as background information to the extent that the Board's decision on the proposed lease may be affected by the possibility or expectation that revenue would be generated by the adoption of a hotel room occupancy tax. Based on a 144-room hotel, revenues generated from the 3% hotel occupancy tax are estimated at \$7,932 per month or \$95,184 annually. This assumes a 68% occupancy rate with an average room rate of \$90 per night.

Because the additional revenues are projected to exceed the annual cost of the proposed lease, there should be no negative impact on the Town's overall financial condition.

RECOMMENDATION

Staff recommends that the Board consider the request to authorize the Town Manager to execute a lease agreement with Main Street Properties of Chapel Hill, LLC for parking spaces at the 300 East Main Shopping Center.