

**THE BOARD OF COUNTY COMMISSIONERS  
DURHAM, NORTH CAROLINA**

Monday, February 10, 2014

5:30 P.M. Special Session

**MINUTES**

Place: Commissioners' Chambers, second floor, Durham County Government Administrative Complex, 200 E. Main Street, Durham, NC

Present: Chairman Michael D. Page, Vice Chair Brenda A. Howerton, and Commissioners Fred Foster, Jr., Wendy Jacobs, and Ellen Reckhow

Absent: None

Presider: Chairman Michael D. Page

Chairman Page opened the Special Session to receive a presentation on the proposed Jack Tar hotel and parking garage project, and to discuss and consider the developer's request for financial support. Austin Lawrence Partners requested financial support of its proposed redevelopment of the Jack Tar motel and parking garage into a boutique hotel and renovated parking deck. The development is located at 202 N. Corcoran Street in the City Center.

Chairman Page asked the Board if there were any objections to having the Closed Session scheduled for the end of the regular meeting during the dinner period. There were no objections from the Board.

Ms. Marqueta Welton, Deputy County Manager, introduced Mr. Paul Smith, Managing Partner of Austin Lawrence Partners. Mr. Smith discussed a public-private partnership and shared a PowerPoint of the proposed redevelopment of the Jack Tar hotel. The project proposed to attract national retailers, restaurants and include 132 residential units, 174 parking spaces and house a first "Class A" office space in downtown. The development would total 300,000 sq feet of space for the building.

Mr. Smith stated that there was a need for additional parking – the project called for a total of 360 parking spaces. He added that the developers looked at other options including City parking spaces.

Although initial plans were to tear down the existing hotel, Mr. Smith stated that the developers felt the Jack Tar presented a great opportunity for redevelopment into a "hip" hotel. The developers would like to turn the hotel into a "happening city center spot." Hotel rooms would be converted on the 2nd floor with a roof top pool and deck. No restaurant would be planned for the rooftop level. The price point for the rooms would \$109 per night which would be less than the other boutique hotels being developed in the area.

Community benefits included the creation of 250 construction jobs; 500 office employees; 75 retail employees; and 10 hotel employees.

The developers were seeking a public investment with the City and County of \$6 million.

Ms. Welton presented additional information regarding the proposed development. She reminded the Board that the Community Development statute allowed County participation as well as the Public-Private Partnership statute.

The project would add 74 additional hotel rooms within walking distance to the Convention Center in addition to parking spaces to support downtown businesses; and 10 new full-time jobs and 250 construction jobs.

Ms. Welton informed the Board that the developers were asking the City and County to jointly provide \$6 million to make the project financially feasible. Investors demand a higher rate of return in Durham which would be 18% to 20%. Without support from the City and County, the 13% return may prevent the project from moving forward.

The current County combined property tax revenue for the property is \$24,115. The combined County tax impact if the property were developed would be approximately \$797,000.

Ms. Welton compared annual projected value and revenue over 10 years and 15 years. Over a 10 year period the projected cumulative revenue would be \$7.8 million and over 15 years, the cumulative revenue would be \$11.9 million.

Ms. Welton asked the Board for direction in moving forward. She stated that the City would like for the County to consider a 50/50 split. \$265,000 would be paid out each year over a 15 year period. She commented that the City did not want to invest more than the County. She concluded that this project may be best chance to develop this property

Commissioner Jacobs asked for a definition of “Class A” office space. Mr. Smith described Class A as the quality of materials used, the building being LEED certified, amenities, etc.

Commissioner Jacobs discussed projects that the County had participated in within the City limits that the City had not participated in.

Commissioner Reckhow commented that this project was a critical project for downtown. She felt the City was still not attracting out of town conventions. She hoped this project would help to attract more out of town conventions with more “walkable” hotels. She added that she was in favor of some level of participation, but was concerned that the County had a number of commitments that the City did not have, including big debt service with the human service building and the judicial building. She added that the County normally used property tax as a gauge when calculating incentives.

Chairman Page commented that he hoped the Board would continue to support investments in downtown Durham.

Commissioner Howerton asked Mr. George Quick, Chief Financial Officer, to elaborate on the project's impact on the County's upcoming debt. Mr. Quick responded that \$265,000 was a small amount as it related to finances of the County. He was comfortable that the County could put the \$265,000 into the budget to make it work.

Commissioner Reckhow expressed her comfort with a 10 year payoff rather than 15 years.

Chairman Page recognized Mayor Bell. Mayor Bell complimented staff's work and presentation. He acknowledged that Durham is the County Seat. He also mentioned other downtown projects that the County participated in such as the Convention Center because it was good for Durham. Mayor Bell stated that the County would net benefits from the project and would receive approximately \$167,000 forever and receive new taxes. The City would net \$90,000 a year. Durham County would not have to provide any services.

Commissioner Reckhow acknowledged that the Mayor made a good case.

After further discussion, the Board agreed there was no need to make an immediate decision. Commissioner Jacobs inquired about other options that would work for both City and County. Commissioner Reckhow asked staff to report on the status of remaining paybacks over the next five years. Chairman Page would like to consider a 50/50 split.

The item will be placed on the February 24, 2014 agenda.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Michelle", followed by a long horizontal line extending to the right.

V. Michelle Parker-Evans  
Clerk to the Board