

A work session of Beaufort City Council was held on April 16, 2019 at 5:00 p.m. in the Beaufort Municipal Complex, 1901 Boundary Street. In attendance were Mayor Billy Keyserling, Councilwoman Nan Sutton, Councilman Mike McFee, and Bill Prokop, city manager. Councilmen Stephen Murray and Phil Cromer were absent.

In accordance with the South Carolina Code of Laws, 1976, Section 30-4-80(d) as amended, all local media were duly notified of the time, date, place, and agenda of this meeting.

CALL TO ORDER

Mayor Keyserling called the work session to order at 5:02 p.m. [11:58 AM] [SEP]

CONTINUED DISCUSSION OF TIF II FUNDS

Jared Fralix, Infrastructure Consulting & Engineering (ICE), said his company has worked with the city on various projects, and staff had asked him “to look at this parallel road,” which would be about a block off of Boundary Street.

Mayor Keyserling noted that the “original Boundary Street concept had a parallel road.” At the time, city council decided that “Boundary Street-complete was a priority.” There is an “undisclosed” amount of money available, he said, for use in the TIF II district, and council members had “asked whether or not there was enough money to . . . do another block or what have you” of the parallel road. “We were able – because it was a public right-of-way and a state road that we took over – to start it at the west end,” Mayor Keyserling said, “on Polk Street,” and there are questions now about whether there is enough money to finish it, whether the parallel road is a priority, or if there “other, more pressing needs” for which the funds should be used.

Mr. Fralix said as part of the Boundary Street project, “we’ve completed” the parallel road from Chick-fil-A/the intersection of Boundary Street and Highway 170 to Hogarth Street. In the original plan, the concept was to take it from Hogarth to Greenlawn Drive. The goal of the parallel road is to fit it in with “what’s already there,” as well as with any development the city wants “to see in this area, he said.

A parallel road “would promote better access and safety,” Mr. Fralix said, and “reduce future traffic on Boundary Street.” It would also “promote the redevelopment that the Boundary Street project introduced,” he said, so it would be “an extension of that original plan.” It would tell developers “what development we want to occur” and at what densities.

The parallel road is important now because \$30 million has been spent to improve Boundary Street, Mr. Fralix said, and this would be “a continuation of that redevelopment.” It’s an opportunity “to place our fingerprint on this space.” They know the development is coming, and the city can either plan for that development, or “react as development occurs,” he said.

The area of the parallel road is an “opportunity zone”; opportunity zones were “created by the tax law of 2017,” Mr. Fralix said. Opportunity zones are areas in “economically distressed communities” where new investments may be eligible for “preferential tax treatment,” he said. Investors can defer tax on prior capital gains and receive tax-free treatment on deployed capital after 10 years.

Mr. Fralix showed the opportunity zone, which he said is “basically everything north of Boundary Street.” Mr. Prokop asked if the opportunity zone goes into The Point, and Mr. Fralix said it does; the designation is not necessarily based on demographics. He thinks it is determined by “census tracks.” The opportunity zone goes up to the Air Station and everything north of that “on both sides of [Highway] 21,” he said, up to Whale Branch, as well as in other areas of Beaufort County.

Mr. Fralix showed a graphic of a concept plan for “the proposed alignment” of the parallel road, including the businesses and other entities that are already there.

Option 2, Mr. Fralix said, is a “little bit more [of] a direct route” with “less jogging” of the road than in option 1. Each of the options “has difficulties . . . to overcome” and “items that we’ll have to coordinate with different tracts of property.”

303 Associates is the “biggest property owner on this tract,” Mr. Fralix said, and when shown the parallel road options, they sketched out “an interesting idea,” in which they envisioned turning the old Kmart building into “a large hotel, convention center-type” building with a rooftop bar/restaurant with views of Battery Creek up to the Beaufort River and “having basically a frontage lane that aligns with the marsh.” 303 Associates believe their scenario would be more desirable, he said, because it would increase property values. They also dashed in “a boardwalk of sorts” along the marsh, he said.

To do option 3 – what 303 Associates suggested – the parallel road would have to be fitted “behind the Holiday Inn,” Mr. Fralix said, so more research needs to be done to determine if that is feasible, or what would have to be done to make it feasible. It would “interfere with” a trailer that serves as a parsonage for the church, he said, and “would completely interfere with Carolina Cove,” so, like the other options, there is a downside to it, but it does connect to the new apartment complex, as well as to “the housing development in the very rear.”

Mr. Fralix showed option 4, which “doesn’t disrupt Carolina Cove” but “cuts through the church property more,” and he described the places where there could be infill (e.g., housing, restaurants, etc.)

Mr. Prokop said the estimate is that the parallel road project would cost “somewhere in the range of \$12 to \$15 million.” Mr. Fralix said, “Yes and no,” because he’d made an error in the calculation he had previously sent to staff and council. He showed a cost estimate slide and said, “We . . . took our construction value based off our recent

Greenlawn bids, which came in at \$2.15 million” for 1,600 linear feet. Both of the alternatives that were used to estimate costs for the parallel road are 3,000 – 3,500 linear feet; using this estimated cost per foot, those options total \$4 million and \$4.5 million. Adding in a contingency and costs for design, construction management, and rights-of-way, the totals are \$6.3 million and \$7.3 million. He said his previous higher total costs were because he estimated \$100,000 per acre for 45 acres, instead of the correct 4.5 acres.

Mr. Prokop said, for the right-of-way, “you’re not going to get Carolina Cove” for \$400,000. Mr. Fralix said that is right; if they chose the option that goes “right through Carolina Cove, that right-of-way cost would definitely expand.” So the cost depends on the option that is chosen, he said, and on whether an entire parcel is needed or just a portion of it. The goal of this exercise was to put something on paper, “so we’d have something to start working toward,” Mr. Fralix said.

Councilman McFee clarified which of the options were the two whose costs were estimated. The 303 Associates option was just a sketch based on a meeting, Mr. Fralix told him, and the cost for that “would probably be higher than both of these” options’ calculations.

Mr. Prokop asked Mr. Fralix, if 303 Associates, for example, were redeveloping a building, and “the road’s in their section,” if “that would be deducted from the linear feet.” Similarly, he said, “where Springhill Suites is supposed to go, there’s supposed to be a roadway, so those would be deducted,” but what Mr. Fralix is presenting is “the full length of the road.” Mr. Fralix said that’s correct: “If each parcel developed the road themselves . . . that would be deducted from the \$7 million.” Mr. Prokop said if developers “did that, then they would not be subject to an impact fee,” and Mr. Fralix said that’s correct.

Mayor Keyserling asked how much parallel road they would get for \$7.5 million, and Mr. Fralix said, “From Hogarth to Greenlawn . . . with the straight path.” 303 Associates’ plan – with the road “near the marsh – would cost more” because it would be a “longer road distance.” He agreed with Councilman McFee that “the right-of-way costs would be substantially larger,” too, with that option, but Mr. Prokop said, “Most of that would be on the developer’s property.” Mr. Fralix said he believes there is something in the Beaufort Code that “when this property is developed in this region, there will be a road cut out of the development,” so the city’s costs would potentially be lower because “this onus [is] on the developer.”

Mr. Fralix reviewed potential funding sources, including TIF II funds, general obligation bonds, capital sales tax, impact fees, and grant opportunities (e.g., a Community Development Block grant). He feels it would “line up perfectly” as a transportation project for capital sales tax funds because of its similarity to connectivity projects south of the Broad that used those funds.

303 Associates owns Beaufort Town Center and feels the parallel road is “critical to their development,” so “they want to be a part of it,” Mr. Fralix said. What is important to the church “is not always what’s important to the developer,” so “they will be very critical in this,” he said, noting that the Holiday Inn is another player, and it will be important to “cement” the location of the road before the Holiday Inn spends “millions of dollars building a new hotel,” as they have planned to do in the past.

Mr. Fralix indicated an area that he said, “mostly belongs to families” and is comprised of “heirs’ properties,” without “a single owner,” but he believes the properties “are connected in some manner.”

For next steps/a plan of action, Mr. Fralix said, the city should decide if this is a priority and what plan of action it wants to take; connect with the major property owners; continue preliminary plans to set the roadway location; begin “full plans and right-of-way acquisition”; complete design plans, and put the project out to bid.

Mayor Keyserling asked if the church and Carolina Cove were “the trouble spots.” Mr. Fralix said yes. Councilman McFee said, “If you stay with the lower one” (i.e., option for the parallel road), “it doesn’t really touch Carolina Cove.” Mr. Fralix said the Enmark building and tanks are “right on [the Carolina Cove] property line,” and Carolina Cove “has a bunch of mature trees right on that same property line,” so “it’s kind of the worst of the two options,” because there is “a building in place,” as well as “the tanks and the mature oak trees.”

Mr. Fralix showed that one option “runs right behind Sea Eagle” market, so it would have no effect on that building/business.

Mayor Keyserling asked how large the wooded tract with multiple owners is. Mr. Fralix said he didn’t measure it, but it’s “probably 40 or 50 acres.” Mayor Keyserling said it would be “a great site for affordable housing. . . . The last time the property was on the market, it was affordable. And it may just be part of the property.”

Mr. Fralix said when he met with 303 Associates, they had been to a conference about opportunity zones, and “there are a lot of . . . big, big funds of money that are interested in deploying a lot of capital gains.” Charleston has a lot of areas that don’t seem “distressed,” but are “right on the fringe, like this” area, he said, so there is “a lot of interest buzzing in the background” about opportunity zones.

Mr. Prokop said in conversations with 303 Associates about Beaufort Town Center, the “thinking right now is development that’s in excess of \$100 million.” Mr. Fralix agreed and said 303 Associates’ idea is to do the development “sooner [rather] than later.” The thinking had been to develop it over 10 or 15 years, but that range is “much shorter now, due to the opportunity zone.” Mr. Prokop added, “And it will start with

Greenlawn.” Councilman McFee asked if option 4 “will include improvements of Hogarth Street, coming back down to First” Street. Mr. Fralix said it could.

Councilwoman Sutton asked if Mr. Fralix had said that “on the water side of the Holiday Inn, that’s a problem.” Mr. Fralix said, “It’s pretty tight back there,” but “you can make improvements” and get a permit to “move into the marsh slightly or build a seawall of sorts,” if the hotel “would even entertain that idea.” 303 Associates originated the idea, he said, when they were “approached by someone about this type of project.”

Mayor Keyserling asked if – “under the Boundary Street project – the Holiday Inn isn’t already committed to a road.” Councilman McFee said he’s “pretty sure” that the “development plan . . . includes a roadway.” Mayor Keyserling said, “Their concern was crosswalks, and people having to cross the street to get to the Holiday Inn,” but he “thought it was a forgone conclusion that they had to reserve space for the road for such time as we do it.” There was a general discussion about hotel parking with options 1 and 2.

Mr. Fralix said what they had envisioned for the parallel road was “a two-lane road [with] on-street parking on both sides, with a grass strip and sidewalk, just like we have on the Polk Street extension and like we plan to have on Greenlawn,” but that could be changed. (E.g., “If we go up toward the marsh,” there would be a 2-lane road, but the sidewalk or pathway would be “to be determined.”)

Mayor Keyserling asked if “we talked to the church” yet about the parallel road, and Mr. Fralix said he hadn’t. On the timing, he said, if this is positioned as “a capital sales tax project,” it would be “4 years away,” so that would be a “marching order” of sorts. A church is “a governing body,” so it would take a long time to make a decision; “if you give them the opportunity now,” he said, “that gives them 3 or 4 years to come up with their plan” for how they could relocate and what that would look like.

The 303 Associates plan has a road through the Holiday Inn property, Mr. Fralix said, which the hotel isn’t too “fond of,” because it “bisepts their parking,” but there are “players” involved in that plan that he doesn’t know, and he stressed that it was important that the city and everyone else involved “really agrees on the plan before they start constructing.” 303 Associates is important, he said, but the church and the hotel are “the most critical, and then Carolina Cove, as well.”

Councilman McFee feels options 3 and 4 are “pretty aggressive” because they would “have to mitigate marshlands to put a roadway behind the Holiday Inn.” Holiday Inn and Springhill Suites “haven’t agreed to a roadway” as part of the Boundary Street Master Plan, he said, but it could be done even if it’s not “optimal” for them. Councilwoman Sutton asked if **Vimal Desai** has “said anything” about the parallel road. Mr. Prokop said he invited Mr. Desai to this meeting, but he didn’t come.

David Prichard suggested that with options 1 and 2, because of “back-to-back development” where the parallel road is currently shown, it is limiting, so he feels “it would be better if it was further away from Boundary.”

Mr. Fralix said Hogarth is maintained by DOT, and per an agreement in the Boundary Street plan, Polk and Palmetto Streets are city-maintained, and “DOT’s stance at one point” was that if the city were to “take Hogarth, you also take [the streets in] Polk Village.” Therefore, DOT “would also be involved in this master plan,” he said. Polk Village isn’t part of the city, Mr. Fralix said, and Councilman McFee said, “Most of that land isn’t part of the city.”

Mr. Fralix said per the county’s GIS, the “wooded area” is “within the city limits, up to the horizontal line,” which he clarified to Councilman McFee is “the high one” on the projected map.

Mr. Fralix said Mr. Prichard had the idea that if this area were to develop, it could have its own identity, like “Midtown” or “Uptown.”

Mayor Keyserling said since Councilman Murray and Councilman Cromer are not present, he feels “we’re going to have to carry this over” to another meeting after getting their feedback. Mr. Fralix said they could redraw “as requested,” and would wait to hear from the city.

Mayor Keyserling said there are issues, but it seems less complicated than he thought it was “in the original context of Boundary Street.” Councilwoman Sutton said, “It seems very complicated to me.” Mayor Keyserling said he means that if they could get an agreement with 303 Associates and the Holiday Inn, there is “some vacant property in there,” and they wouldn’t need to “buy right-of-way” for all of it. Councilman McFee agreed that there is “undeveloped property in there.”

EXECUTIVE SESSION

Pursuant to Title 30, Chapter 4, and Section 70 (a) (2) of the South Carolina Code of Law, **Councilwoman Sutton made a motion, seconded by Councilman McFee, to enter into Executive Session for a discussion of contractual agreements and the receipt of legal advice. The motion passed unanimously.**

There being no further business to come before council, the work session adjourned at 5:46 p.m.

Councilman McFee made a motion, second by Councilwoman Sutton, to adjourn the Executive Session. The motion passed unanimously.