



TOWN OF CHAPEL HILL

Town Hall
405 Martin Luther King Jr.
Boulevard
Chapel Hill, NC 27514

Town Council

Meeting Minutes - Final

Mayor Pam Hemminger
Mayor pro tem Michael Parker
Council Member Jessica Anderson
Council Member Allen Buansi

Council Member Hongbin Gu
Council Member Tai Huynh
Council Member Amy Ryan
Council Member Karen Stegman

Wednesday, December 2, 2020

6:30 PM

Virtual Meeting

Virtual Meeting Notification

Town Council members will attend and participate in this meeting remotely, through internet access, and will not physically attend. The Town will not provide a physical location for viewing the meeting.

The public is invited to attend the Zoom webinar directly online or by phone.

Register for this webinar:

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Roll Call

Present: 8 - Mayor Pam Hemminger, Mayor pro tem Michael Parker, Council Member Jessica Anderson, Council Member Allen Buansi, Council Member Hongbin Gu, Council Member Karen Stegman, Council Member Tai Huynh, and Council Member Amy Ryan

Other Attendees

Town Manager Maurice Jones, Town Attorney Ann Anderson, Planning Director Colleen Willger, Business Management Director Amy Oland, Assistant Town Manager Mary Jane Nirdlinger, LUMO Project Manager Alisa Duffey Rogers, Assistant Chief of Police Jabe Hunter, Fire Chief Vencelin Harris, Senior Planner Anya Grahn, Police Chief and Executive Director for Community Safety Chris Blue, Executive Director for Technology and CIO Scott Clark, Communications and Public Affairs Director/Town Clerk Sabrina Oliver, and Deputy Town Clerk Amy Harvey.

OPENING

Mayor Hemminger opened the work session at 6:30 p.m. She said that the evening's three agenda items would return for a regular public hearing in the

future. Citizens were welcome to send emails or call Council Members with comments, she said.

ANNOUNCEMENTS BY COUNCIL MEMBERS

0.01 Mayor Hemminger Regarding COVID-19 Updates.

[\[20-0848\]](#)

Mayor Hemminger said that the rate of new, positive COVID-19 cases and hospitalizations had decreased in Orange County while rates had been increasing in surrounding communities. She said that a new vaccine would soon be distributed to healthcare workers, first responders, and other vulnerable populations. Testing was continuing each week at the R-7 parking lot on Martin Luther King Jr. Boulevard and COVID-19 updates were posted on Town's website, she said.

0.02 Mayor Hemminger Regarding Recent Ribbon Cuttings.

[\[20-0849\]](#)

Mayor Hemminger pointed out that there were new lockers at University Place that provided a safe, contact-free and convenient way for people to pick up and return Public Library materials. She also noted that Signature Health had recently upgraded its facility and had expanded to provide more amenities.

0.03 Mayor Hemminger Regarding Upcoming Council Committee on Economic Sustainability Meeting.

[\[20-0850\]](#)

Mayor Hemminger announced that the Council Committee on Economic Sustainability would meet on December 4, 2020 at 8:00 am. The agenda included technological information regarding the East Rosemary Street Parking Deck and a concept plan for North Chapel Hill, she said. She pointed out that meeting materials and a ZOOM link could be found on the Town's calendar page.

AGENDA ITEMS

1. Discuss the History of the Municipal Services Center and Review Recent Concept Plan, 101 Weaver Dairy Road Extension (Project #20-071)

[\[20-0834\]](#)

Assistant Town Manager Mary Jane Nirdlinger gave a PowerPoint update on the Municipal Services Center (MSC) project. She outlined the goal of housing several complimentary Town services in one location. Staff had looked at Town-owned sites on Estes Drive, at University Place, at Vilcom Center, on Millhouse Road, at the current Police Station, and at Fire Station 4, she said, and she reviewed the pros and cons of those sites.

Ms. Nirdlinger said that Fire Station 4, located at the corner of Martin Luther King Jr. Boulevard (MLK) and Weaver Dairy Road Extension (WDR) seemed like a good option because it was due for replacement and its

adjacent burn tower had already been relocated. There could be an opportunity there to partner with Orange County, she said. She told the Council that staff had heard interest as well as concern from the community regarding the site and had received feedback from the Community Design Commission.

Eric Shoengel, of Dewberry Engineering, reviewed a rough concept plan for Fire Station 4 that had been through Town review. The existing four-acre site, which included several structures and a small intermittent stream, would allow a compact building footprint on 2.99 acres, he said. He indicated a future bus rapid transit stop along MLK and said that the design included a pedestrian plaza at the corner.

Mr. Schoengel showed a "high level" layout and discussed a possible tabletop parking deck, a stormwater management plan, planted buffers, and a multi-modal pathway along WDR. He mentioned plans to shield LED lighting and to enclose a generator to block its sound.

Council Members ascertained from staff that it was too early to give a cost estimate for Fire Station 4, but Ms. Nirdlinger said that site work would be fairly straightforward and that Orange County would pay for its share. The Council asked about building height in relation to neighbors' houses, and Mr. Shoengel said that early plans for 3 or 4-stories would match nearby buildings. In response to a question from Council, Ms. Nirdlinger said that the first floor probably would be higher than the first floor of apartments on WDR.

Ms. Nirdlinger pointed out that building the MSC on the current Police Department (PD) property on MLK was another possibility and that staff had been monitoring a coal ash remediation project there. She asked the Council for guidance on whether staff should pursue Fire Station 4 and/or whether they should explore the Police Department site.

The Council confirmed with Police Chief Chris Blue that the two sites would be similar from an operational standpoint. They also confirmed that it would not be possible to relocate Fire Station 4 to the PD site because the fire station was meant to cover the northern part of the city. In response to a question from Council, Fire Chief Vencelin Harris said that Fire Station 4 was slated to be redeveloped in 2023.

Council Member Buansi asked about pedestrian safety at the Fire Station 4 site, and staff outlined a preliminary plan that included multiple access points and pulling visitors to the back of the building and away from the Fire Department.

Several Council Members expressed a preference for continuing the environmental mitigation work at the PD site and locating the MSC there.

It was a more central location that would make it more accessible to residents, they said. The Council verified with staff that Orange County probably would collaborate only on the Fire Station 4 location since it already had coverage in the Downtown area.

The Council discussed ongoing coal ash mitigation efforts at the PD site. They asked staff to bring back information on the separate costs of improving Fire Station 4 if the PD site were chosen. Mayor Hemminger confirmed that the Council was in favor of putting out requests for a quote (RFQ) on the PD site while keeping options open. Mayor pro tem Parker and Council Member Buansi proposed doing a cost comparison of the two sites. Council Member Gu said that more information and discussion regarding the safety of the PD site was needed before sending out an RFQ.

Mayor Hemminger noted that the Town had spent much time and energy trying to understand what to do with that site. She asked staff to bring an update for new Council Members, and she recommended pursuing both options for the time-being and sending RFQs out on both. She pointed out that the item would come back to a public hearing at some point in the future.

This item was received as presented.

2. Short-Term Rentals. (updated with attachments 12/2/20)

[\[20-0835\]](#)

Planner Anya Grahn asked the Council to provide feedback on a plan regarding hosted, un-hosted and dedicated short-term rentals (STRs). She said that the number of active STRs in Town had decreased, from 330 in March to 218, and that approximately 73 percent of those were whole house rentals. The others were private rooms, or units that were available for 180 days or more per year, she said. Ms. Grahn explained that the purpose of her presentation was to receive direction from the Council on an ordinance regarding short-term rentals.

Rebecca Badgett, a UNC-CH School of Government attorney, cited a "Wilmington Case" that had found rental registries for short- or long-term properties to be unlawful in North Carolina. She asked for feedback from Council on regulating dedicated STRs and presented the following four options for consideration: 1) Don't allow any kind of dedicated STRs; 2) Allow established, dedicated STRs and classify them as legal non-conformities; 3) Implement a lottery system where a total number of STR zoning permits would be awarded; 4) Allow all dedicated STRs. Mayor Hemminger confirmed with Ms. Badgett that NC towns were still allowed to offer Home Occupation Permits. If Chapel Hill decided to regulate STRs, it would do so through its planning and zoning powers, the Mayor said. She reminded Council Members that they were merely being asked to express a preference and that the item would eventually come before Council for a full public hearing.

The Council indicated support for Option 2, and Mayor pro tem Parker confirmed that it would have the same effect as grandfathering and would not allow any new STRs. Council Member Ryan verified with Ms. Badgett that regulations could be layered. Council Member Anderson cautioned against incentivizing a huge rush of people registering to be grandfathered in before the Town implemented a cap.

Ms. Badgett asked if there were any zoning districts where dedicated STRs should not be allowed, and Council Members discussed how density was the issue. Ms. Badgett confirmed that Council Members were more interested in having a zone-by-zone density cap than in issuing a total number of zoning permits.

Council Members Ryan and Buansi spoke in favor of having a town-wide cap in order to protect affordable housing efforts, but Council Member Gu said that she was not sure about a total, town-wide cap. STRs had been holding strong during the pandemic, and the Town needed to adapt to market trends, she said.

Mayor Hemminger pointed out that beginning a permitting process would allow staff to learn more about existing STRs before any discussion about studying a total cap. She expressed concern that neighborhoods could be overrun by STRs and noted that the Town had already received a proposal for an entire floor.

Council Member Anderson asked if there was any way to prevent STRs from taking over entire buildings or floors but still allow more in higher density areas. Ms. Badgett replied that she had seen regulations preventing no more than two units per building. Mayor pro tem Parker commented, though, that residents of a multi-unit building might prefer having all of the STRs on a single floor. Mayor Hemminger said that an attorney would need to advise the Council regarding those legal issues.

Ms. Badgett said that the Council seemed to have decided on a combination of Options 3 and 4, which would allow some dedicated STRs with some type of a cap or limit by zoning district and perhaps a total cap once there was more information. The Council seemed to also want to consider how to address multi-unit buildings in the future, she said.

Mayor Hemminger recommended that staff work on a permitting process and return with proposals. The Council would like to give existing STRs some sort of preferential treatment, and some Council Members had concerns about an overall cap and wanted to see information about what other communities had done, she said.

Ms. Badgett asked if the Council wanted to implement a health and safety checklist for STRs, but she noted that there was no requirement to do so.

The Council generally agreed to the idea of having a safety check list for fire extinguishers, carbon monoxide detectors, correct capacity, etc. Mayor pro tem Parker suggested clarifying what "health" meant and finding out if Orange County would be involved in regulating that.

Ms. Grahn said that Planning Department staff would continue consulting with Emergency Services staff and working with the Town Attorney to develop a health and safety checklist. She reminded the Council that it had directed staff in June to conduct short-term enforcement efforts regarding STR nuisances (such as litter, noise, parking violations) and an educational campaign on any new standards adopted prior to implementation. She asked Council Members if they still supported that approach.

Mayor Hemminger replied that the Council had actually wanted to look into changing nuisance violations, in general, from a criminal offense to a civil one that had been separate from the STR discussion, but it could be tied in with it, she said. Mayor Hemminger requested that the Town Attorney pursue that, and she pointed out that other cities had, and had good outcomes with such an approach.

Council Member Anderson confirmed with Ms. Grahn that there had been only a few formal complaints about STRs. Ms. Grahn offered to bring back information on what those complaints had been.

Mayor Hemminger expressed appreciation to the STR Task Force members for their work. The market had been moving in the direction of STRs and each community was handling it differently, she pointed out. She said that the Council had wanted to understand more about dedicated STRs, and to regulate safety, but did not want to over-regulate them.

Mayor Hemminger said that the Council wanted to protect neighborhoods while also encouraging people to visit Chapel Hill and was trying to find that balance. The Town was moving toward trying to get STRs permitted, and was making progress toward understanding what it actually had, she said.

Council Member Ryan raised a concern about accessory dwelling units being pulled out of the rental market, and Ms. Grahn agreed to provide more information on that when she returned.

This item was received as presented.

3. Financial Update.

[\[20-0836\]](#)

Director of Business Management Amy Oland presented a financial update on the Town's General Fund and Enterprise Funds for the first quarter (Q1) of FY 2021. She discussed the effect of COVID-19 on Q1 General Fund

revenues and discussed reducing the Town's fund balance to offset any shortfall. She hoped the Town would not need to use any of that, she said.

Ms. Oland reported that property taxes collected in Q1 were in line with the previous five years but that sales tax had been one of the areas most impacted by COVID-19. Over the last five-to-six years, there had been about a 5 percent growth in sales tax, but staff had projected a 10 percent decrease in Q1 due to the pandemic, she said. However, the Town had actually taken in \$460,000 more than anticipated during the last four months of FY 2020, due to surprisingly large increases in June and July, she said. As a result, there had been a positive 6 percent growth, she said.

Ms. Oland reported that hotel, motel and Airbnb occupancy taxes had all been significantly impacted by COVID-19 and that the Town had seen a drastic reduction in tax revenues in those areas. She said that growth continued to be slow and that the impacts of the pandemic would likely extend into the coming year.

Ms. Oland said that department fees had been negatively impacted by the pandemic as well. The Parks and Recreation Department had been hit the hardest because it had to close facilities and cancel programs, she said.

Ms. Oland said that she anticipated expenditures to be reduced in all areas. She pointed out that instituting a hiring freeze in April 2020 had saved the Town \$702,000 in Q1. Currently, the Town had 110 vacancies (compared to the normal number of 60-70), she said, and she acknowledged that holding such a large number of vacancies could not be a long-term solution. However, it had helped to offset revenue shortfalls during the pandemic, she said.

In response to a comment by Mayor pro tem Parker, Ms. Oland said that about 70 percent of the Town's budget was for personnel and a little less than 30 percent was for operations. Mayor pro tem Parker confirmed with her that some Town services had continued had been modified. There had been weekly meetings with the Town Manager to discuss departmental needs as well as the costs and benefits of filling positions, she said.

Ms. Oland discussed the Town's Enterprise Funds. With regard to transit, she said that Q1 property tax collection had been comparable with other years but that inter-government revenues had been lower due to the timing of federal and state funding. She said that contract negotiations with the University of North Carolina at Chapel Hill (UNC-CH) had been slow due to COVID-related logistics as well, and that the State of NC had eliminated \$2.4 million in maintenance aid. However, transit had received \$5.5 million in federal Coronavirus Aid Relief and Economic Security (CARES) funding to offset some of those shortfalls, and some appropriated fund balance was being carried forward from the prior year, she said.

Ms. Oland said that parking was the Enterprise Fund that had been most impacted by COVID-19. UNC-CH not holding in-person classes and the Town stopping parking fees from March to July had a negative effect, she pointed out. However, the Town had begun charging new hourly and monthly rates on August 1, 2020, and the Finance Department was monitoring parking expenses to help reduce costs, she said.

Ms. Oland said that Housing Fund revenue during Q1 had been fairly consistent with previous years. Federal grant funding from HUD had been held up, but that was currently flowing and more revenue was being taken in during the second quarter, she said. She noted that Stormwater Fund collections and expenditures had been in line with prior years.

Ms. Oland said that she was tentatively scheduled to return to the Council on January 27, 2021 to talk about FY 2020 year-end results and give a 2021 Q2 financial update. She listed other tentative dates for budget-related discussions and said that would culminate with a presentation of the Manager's Recommended Budget on May 5, 2021.

The Council confirmed with Ms. Oland that staff had been monitoring the NC General Assembly with regard to possible additional stimulus money. They asked about indicators for relaxing the hiring freeze, and she replied that staff wanted to see more stable tax revenue and what property taxes would look like before doing that. She would have a better sense of where the Town stood in that regard when she returned to the Council in January 2021 with numbers through the end of December, she said.

This item was received as presented.

PUBLIC COMMENT FOR ITEMS ON THE AGENDA

Alexa Nota and Anthony Carey, STR Task Force co-chairs, provided extensive comments. Ms. Nota said that the Task Force supported the discussion about town wide or "by zone" density caps and had no problem with reasonable safety requirements. She also proposed having hosts create a walk-through video based on the safety checklist. Mr. Carey pointed out the ways in which Chapel Hill was different from other communities, and he discussed several possible approaches to regulation.

BJ Warshaw, an STR operator, shared his positive experiences with running an Airbnb and an access dwelling unit. He praised a recommendation to include accessory dwelling units in the hosted and un-hosted categories and expressed gratitude for the plan to grandfather STRs. The Town already had ways of addressing civic disturbances and did not need to institute overly-restrictive measures for STRs, he said.

Eric Plow, 20-year owner of a Chapel Hill building that includes seven separate STRs, said that no complaints had ever been filed against his rental business.

He pointed out that Airbnb and other similar firms had self-review processes that blacklisted owners or guests who do not maintain standards. Legally, any safety regulations the Town imposed would need to be applied to all rentals equally, he said.

Gwen Stephens, a Chapel Hill resident, said that STRs provide a service that typical rental models had difficulty accommodating and she mentioned various circumstances that lead to people renting STRs. She thanked the Town for receiving feedback from operators and for the plan to grandfather existing STRs. Ms. Stephens expressed support for a safety checklist and made several additional requests and recommendations.

Manish Atma, a Chapel Hill hotel developer and owner, spoke against grandfathering units that had been operating illegally. Doing so would be punishing those, like him, who had been abiding by STR rules, he said. He hoped the Council would conclude that STRs needed to be regulated and would limit their numbers and locations, he said.

Mayor Hemminger said that staff would take the Council's and citizens' comments and return with recommendations at a future public hearing.

ADJOURNMENT

The meeting was adjourned at 9:10 p.m.