



TOWN OF CHAPEL HILL

Town Council

Meeting Minutes - Draft

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

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, April 14, 2021 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:

<https://us02web.zoom.us/join/91012020000> After registering, you will receive a confirmation email containing information about joining the webinar in listen-only mode. Phone: 301-715-8592, Meeting ID: 884 0797 4854

View Council meetings live at <https://chapelhill.legistar.com/Calendar.aspx> – and on Chapel Hill Gov-TV (townofchapelhill.org/GovTV).

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, Deputy Town Manager Florentine Miller, Town Attorney Ann Anderson, Planning Director Colleen Willger, LUMO Project Manager Alisa Duffey Rogers, Business Management Assistant Directory Matt Brinkley, Assistant Planning Director Judy Johnson, Business Management Director Amy Oland, Interim Planning Director Judy Johnson, Executive Director for Technology and CIO Scott Clark, and Deputy Town Clerk Amy Harvey.

OPENING

Mayor Hemminger opened the Council Work Session at 6:30 p.m.

Mayor Hemminger called the roll and all Council Members replied that they were

present.

ANNOUNCEMENTS BY COUNCIL MEMBERS

0.01 Mayor Hemminger Regarding CASA Project on Merritt Mill Groundbreaking. [\[21-0323\]](#)

Mayor Hemminger said that she had recently attended a groundbreaking for a 48-unit affordable housing tax credit project on the Chapel Hill/Carrboro line. Construction on Perry Place, which had been in memory of Northside resident/activist Velma Perry, would begin in the summer, she said.

0.02 Mayor Hemminger Regarding Innovation Showcase. [\[21-0324\]](#)

Mayor Hemminger said that she had recently attended the 2021 Innovation Showcase at the University of North Carolina at Chapel Hill (UNC) and gone to a break-out session on testing wastewater for viruses and their variants. The University had received state funding for that research and was leading the nation in the effort, she said.

0.03 Mayor Hemminger Regarding Upcoming Meetings. [\[21-0325\]](#)

Mayor Hemminger announced an April 19, 2021 public information session on a proposed short-term rental ordinance, which would be held virtually at 5:15 p.m. She said that the Re-imagining Community Safety Task Force would also meeting virtually on April 19th at 5:30 p.m. and there would be a virtual Council meeting on April 21st at 7:00 p.m. She advised residents to check the Town's website for information on meetings.

Mayor Hemminger reminded viewers that the Council was continuing to seek applicants for advisory boards. She also said that a gas leak on Estes Drive had been causing major traffic slowdowns and advised people to avoid the area until that had been repaired.

0.04 Mayor Hemminger Regarding Joint Stream Cleanup. [\[21-0326\]](#)

Mayor Hemminger encouraged residents to participate in a joint stream cleanup with the Town of Carrboro. She said that the upcoming weekend would be the last for that great outdoor activity.

AGENDA ITEMS

1. Charting Our Future - Land Use Management Ordinance (LUMO) Rewrite Process Discussion. [\[21-0316\]](#)

LUMO Project Manager Alisa Duffey-Rogers gave a PowerPoint presentation on the upcoming LUMO rewriting process. She defined a good LUMO as a unified development ordinance where all Town codes

were located in one place. She said that North Carolina was a "Dillon's Rule" state, which meant that municipalities could only exercise regulatory powers granted to them by the state.

Ms. Duffey-Rogers provided pros and cons on five different zoning tools and said she expected the Town would want to use a hybrid approach that would apply different tools depending on the context. Although zoning was a very crude and blunt development tool, it was one of the few available for creating a place, she pointed out.

Council Members confirmed with Ms. Duffey-Rogers that Chapel Hill could regulate what affected the state's definition of protecting public health, safety and welfare. However, what that meant would require a much larger conversation, Ms. Duffey-Rogers said. Mayor Hemminger pointed out that the General Assembly could remove from the Town that which it believed did not fit its definitions.

Ms. Duffey-Rogers said that a good LUMO should incorporate project goals, implement Town values, and contain regulations that create a desired vision. Under Dillon's Rule, the Town could dictate certain zoning standards but might need to use "carrots and sticks" to achieve others, she pointed out. She gave examples of trade-offs that the Town might need to consider.

In response to questions and comments from Council Members about processes, Ms. Duffey Rogers stressed the importance of staying focused on the big picture. Although it was too soon to discuss processes, she could imagine keeping a running tally of what was being done or some such approach, she said.

Ms. Duffey-Rogers noted that zoning codes create a physical vision for the future, and she gave an example of how a policy statement gets translated into zoning standards. She said that the Council's expectations would need to be clear before hiring a consultant, and she asked Council Members to state what they thought would make a good LUMO.

Council Member Gu emphasized the importance of having consensus around Town constraints such as traffic, Resource Conservation District, transit corridors, and greenway plans before building an aspirational LUMO.

Council Member Anderson raised multiple "big picture" considerations regarding community space, greenway connections, community partnerships, engaging with UNC and the School System, responding to remote learning, and what to measure to name a few. She emphasized the importance of messaging about why "gentle density" was important.

Ms. Duffey Rogers replied that getting to gentle density might be outside the scope of the new LUMO due to the crudity of the zoning tool. However, an education campaign early on regarding that would help, she said.

Mayor Hemminger confirmed with Ms. Duffey-Rogers that consultants would look at the values and policies in the Town's many adopted plans and figure out how to implement them through the LUMO. Several Council Members emphasized how important this was to them.

Council Members stressed their intent to be future-focused and determined about adapting to how people would live, work and play in the future. This would include planning for broadband access, Council Member Huynh pointed out. The Council emphasized the importance of having community discussions about equity, and they confirmed with Ms. Duffey-Rogers that gentle density discussions would include filling in the missing middle, despite the Town's physical constraints. The Council requested that the LUMO actively correct and counteract inequities that exist within Town codes.

Ms. Duffey-Rogers pointed out that a LUMO rewrite was not a silver bullet. However, Phase 3 would look at what it would take to actually achieve the Town's vision even if that was outside the scope of zoning, she said.

Council Members stressed the importance of making information easily digestible and understandable to the average person and not be so overwhelming that it discourages people from getting involved.

Ms. Duffey-Rogers said she hoped to issue a Request for Quotes by the end of May 2021. She described a four-phased process that would include diagnostic envisioning throughout the year and adopting the new LUMO by December 2023. She acknowledged, however, that the schedule was very aggressive.

Mayor Hemminger confirmed with Ms. Duffey Rogers that Town planning staff would ultimately be involved in both high-level and technical conversations and would be involved in Council discussions.

This item was received as presented.

2. Update on the Town Budget.

[\[21-0317\]](#)

Orange County (OC) Tax Administrator Nancy Freeman gave a PowerPoint presentation on the 2021 tax revaluation, which Orange County performs every four years. She discussed how OC had informed property owners of the revaluation and appeal processes and described the interactive websites where property owners could provide feedback. She said that OC had received 4,300 requests to update data after its initial mailing.

Ms. Freeman reported that Chapel Hill's overall growth from 2020 to 2021 had been 13 percent and was 18.3 percent when compared to the 2017 revaluation. Residential Real Estate represented approximately 67 percent of 2021 tax base and commercial represented 33 percent, she said. In 2017 residential and commercial had been 72 and 28 percent, respectively, she pointed out.

Ms. Freeman said that the Town's residential growth in 2021 had been approximately 9 percent and commercial growth had been 36 percent, compared with 2 percent and 41 percent in 2017. She pointed out that the vast majority of Chapel Hill homes had increased in value and said that the average value, including land, was \$483,643.

Ms. Freeman pointed out that April 30, 2021 would be the deadline for informal appeals and that a formal appeals process with the Board of Equalization and Review would begin on May 3rd and end on June 30. She explained how the appeals process worked and said that OC was expecting up to 4,000 informal and 1,000 formal appeals. Citizens could contact the OC Tax Office at 919-245-2100 (Option 2) or at Reval@orangecounty.gov, she said.

Council Members confirmed with Ms. Freeman that some of UNC's buildings still needed to be valued. They also confirmed that OC had the option of making changes if its review finds that values needed to be adjusted.

The Council raised questions about the revaluation of properties in the Northside and Pine Knolls neighborhoods. They determined from Ms. Freeman that OC's determination of property values in those areas had been based on 31 sales in 2019-2020 that had an average sale price of \$390,371.

Mayor Hemminger asked if OC had distinguished between income-generating properties such as student rentals and private homes, and Ms. Freeman replied that it had looked at all qualified sales in the area.

Council Members stressed that there were fundamental differences between investor-owned and single-family properties in the Northside and Pine Knolls neighborhoods. Those properties had very different price points because of their differences in income-generating potential and applying the same standard to both would over-value the owner-occupied homes, they said.

In addition, Council Members pointed out that Northside and Pine Knolls were both in Neighborhood Conservation Districts (NCDs), which limited the highest and best use of the properties there. Mayor Hemminger said that taking an average misrepresented those neighborhoods because of

the disparity between long-time family-owned homes and income-producing investment properties. She confirmed with OC Deputy Tax Assessor Chad Phillips that OC had not looked at whether a property produced income or not.

Council Member Huynh stressed the importance of not requiring individual Northside residents to go through an appeals process. Orange County should bear the burden for that, he said.

Ms. Freeman said that OC needed additional information from the Marion Cheek Jackson Center, and the Council confirmed that OC had asked but not received a list of which homes were investor-owned and which were residential. Mayor Hemminger pointed out that OC could obtain that information from EmPOWERment, Inc. as well.

Mayor Hemminger asked if the apartment buildings that OC had designated as "commercial tax base" could be sub-designated as "commercial-residential", and Mr. Phillips agreed to see if there was a code for that in the Schedule of Values.

Ms. Freeman emphasized that the process was not intended to be an adversarial one. She said that OC wanted to get correct information so that people would not be paying more taxes than they should.

Director of Business Management Amy Oland opened the discussion of the FY 2022 budget in view of the new tax revaluation data. She said that the Town had seen a 13.51 percent increase in its new assessed valuation tax base, which typically increased by about 1.5 percent per year. FY 2121 had generated \$840,000 in Real Estate tax revenue for the Town and FY 2022 would generate about \$940,000, an approximate 12 percent increase, she said.

Ms. Oland said that staff had been exploring opportunities to find tax relief options for residents such as exemptions and donation programs. The Council confirmed with her that the Town Attorney had been looking at whether statutes might allow some Town revenue to be given to non-profits to be used as grants to taxpayers.

Ms. Oland said that the average new tax rate for commercial properties had increased by 36 percent. She said that staff had been discussing possibly providing relief through a small business assistance program, which might be funded from American Recovery and Response Act money.

Council Members pointed out that Orange County's tax rate for schools could also impact Chapel Hill taxpayers. A Council member asked about the possibility of working with OC to create a reasonable scenario for residents, and Town Manager Maurice Jones replied that he was not aware of any counties and towns that coordinated tax rates based on the overall

impact on taxpayers. He could find out if there was mutual interest in discussing that, but it would be a long-term change and unlikely to happen for FY 2021-22, he said.

Council Members confirmed with staff that the Town did not have sufficient information to differentiate between residential and commercial even though the tax increase for commercial property was hefty. They pointed out that categorizing new apartment buildings as commercial probably skewed the average.

In response to Council questions, Ms. Oland said that OC officials had not been able to determine how much of the tax increase had been due to new development.

Council Member Gu replied that there were folks in the community who would be willing to analyze that discrepancy, but Mayor Hemminger said that the Chapel Hill-Carrboro Chamber of Commerce had presented such information and the County had not been able to use it. Mayor pro tem Parker proposed looking at the frequency distribution of the various sizes of commercial properties to understand the size of the problem and whom it affected.

Mr. Jones reviewed the Town's tax rate history since FY 2009. He said that the Town, OC, and school district tax rates had all been rolled back to revenue neutral in fiscal years 2010 and 2018. He reviewed \$2.2 million worth of budget reductions and commitments that staff had made in order to offset the COVID-19 pandemic in FY 2021 and said that he had hoped to restore those in FY 2022.

Mr. Jones discussed the Town's basic budget commitments for FY 2022. He felt fairly confident that sales tax revenue could cover those costs, he said. He noted that the League of Municipalities had estimated a 13.5 percent growth statewide for FY 2021 and 2.5 percent for FY 2022. In addition, federal funding might be used to help close some of the gaps, he pointed out.

Mr. Jones said that the Town could roll its tax rate back to revenue neutral (49.4 cents) or remain at its existing rate (54.4 cents), or find an alternative between those two options where each penny on the tax rate would equal \$340,000. He said that a revenue neutral tax rate would not permit the Town to execute most of its priorities. Keeping the existing rate would allow the Town to address all of its priorities without changing existing operations or programs, he said.

Mr. Jones asked for the Council's guidance on which tax rate to include in the FY 22 Recommended Budget. He pointed out that a tax rate could be published and later reduced but that trying to raise it after publication

would require public hearings.

The Council confirmed with Mr. Jones that the Town would receive \$10.4 million in American Rescue Plan funding, divided between two years. There had been some discussion at the federal level about an infrastructure bill as well, he said. Mayor Hemminger verified with him that American Rescue Plan funds probably could be used to help balance the Parking Fund budget, among other things.

The Council verified with Ms. Oland that the Town's Debt Fund was solid and the Transit Fund was receiving a significant amount of federal funding. The long list of needs was in the General Fund, she said.

Mayor Hemminger said that the Council needed a better understanding of where it would spend American Rescue Plan money before making a decision on the tax rate. The Council would love to execute all of its priorities, but not everyone would be able to stay in the community if it did so, she said. She cautioned against raising taxes so much that it would push people out or close businesses down.

Council Members said that they needed time to process the information before deciding on priorities. They pointed out that the Town was obligated to invest in its Climate Action Plan. They said that not raising employee pay was not an option and that addressing infrastructure and maintenance needs was a necessity. Most said that the pure revenue neutral scenario did not seem viable unless some large influx of money came into the Town from somewhere. Several spoke about the advantages of having a grant writer on staff, but Mr. Jones said that was not at the top of his list of necessary new positions.

Mr. Jones reviewed next steps in the process, which included a presentation of the proposed budget on May 5th, a public hearing on May 19th, several possible work sessions, and a proposed adoption of the FY 2022 budget on June 9, 2021.

This item was received as presented.

REQUEST FOR CLOSED SESSION TO DISCUSS ECONOMIC DEVELOPMENT, PROPERTY ACQUISITION, PERSONNEL, AND/OR LITIGATION MATTERS

A motion was made by Mayor pro tem Parker, seconded by Council Member Stegman, that the Council enter into closed session as authorized by General Statute Section 143-318.11a)(3) to consult with the Town Attorney regarding a judicial action and to preserve attorney-client privilege. At the conclusion of the closed session, the Council will adopt a single motion to end the closed session and adjourn the meeting without taking further action. The motion carried by a

unanimous vote.

ADJOURNMENT

The Council recessed the meeting at 9:35 p.m. and adjourned the meeting at the conclusion of the closed session.