



## 03-13-2024 Town Council Meeting

### Responses to Council Questions

#### **ITEM #2: Rewriting Our Rules - A LUMO Update**

##### **Council Question:**

According to the packet, the conclusion on economic realities is that we need more diverse development to get to a more typical and sustainable tax base (first page on economic constraints). That's all it says, so how do we use code, zoning, recruitment and negotiations to get that better mix, instead of what I heard last time, which was rely on the market to deliver what we need?

##### ***Staff Response:***

The Town will need to continue to explore how to use all the tools at its disposal to achieve more diverse development. The most important ways in which the new LUMO can support more diverse development are to:

- Reduce the Town's reliance on conditional zoning and provide commercial developers a less costly and lower risk path to development approvals.
- Promote the levels of residential density businesses need to thrive.
- Establish zoning districts and development standards that are better aligned with modern development patterns.

Negotiation has historically not resulted in much commercial development in Chapel Hill. Two of the Town's largest recent commercial redevelopments – Wegmans and University Place – were approved through the Special Use Permit process.

In the case of Wegmans, the Town partnered with Orange County to put together an economic incentive package to recruit the company. Critically, the economic incentive package was entirely separate from the development review process.

Another notable success in commercial development is the Town's light industrial district off Millhouse Road where properties are subject to an extremely streamlined version of the conditional zoning process.



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##### **Council Question:**

Community benefits doesn't include bus stops, public park space/shared public green space; does that mean those are things we can code for and get administratively? If not, can we make sure we have a complete list of the things we negotiate for?

##### **Staff Response:**

*Open/green space is in the same position as greenways: we can mandate that it is included in new developments but would need to negotiate over whether it is open to the public.*

*Because of the cost of upkeep, the Town has generally avoided requesting that developers dedicate open/green space to the Town. Likewise, being responsible for the care and maintenance of publicly accessible spaces can be a significant cost for private development. As a result, the Town asks for arrangements of this sort in limited instances such as the Chapel Hill Life Sciences Center and the UNC Health Eastowne Campus.*

*Transit improvements are currently mandated by LUMO and the Public Works Engineering Design Manual. Where construction of transit improvements is not practicable, the Town requests a payment-in-lieu of construction.*

##### **Council Question:**

I see EV charging, but what about other green building standards? Are there other environmental things we would want to get?

##### **Staff Response:**

*The State regulates the environmental performance of new buildings through the building and energy codes. Local governments are not permitted to impose more stringent green building standards than those adopted by the state. However, Council can continue to negotiate for developers to meet more stringent green building standards.*

*Several environmental protection items not associated with the building or energy codes were discussed at the February 21 work session. Staff are reviewing opportunities to strengthen protections related to tree preservation and standards for new landscaping.*

*Department of Public Works staff are also preparing to present Council with an important LUMO text amendment that would require new development to accommodate the 100-year storm event. In recent years, Council has negotiated for new development to meet this standard, but the proposed amendment would codify this expectation in LUMO.*



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##### **Council Question:**

Design standards has no content that I can review in advance, can you help me understand how it differs from what we currently do? Where are there policy options, trade offs, decisions that you will need us to weigh in on in the future?

##### **Staff Response:**

*At this point, the goal of the discussion is to introduce Council to our ongoing efforts on design standards. During the work session, we will share some questions for Council to consider over the following month as they review the Typology Resource Guide that was included in the meeting packet.*

##### **Council Question:**

So what percentage of our property tax comes from residential uses **including** multifamily developments? And does that 60 percent goal include or exclude multifamily developments?

##### **Staff Response:**

*It is difficult to separate multifamily development from other commercial development, particularly in the case of mixed-use buildings that include both multifamily and more traditional retail elements.*

*We do know that multifamily development is a significant portion of the “commercial” tax base. For example, in 2022, three of the top 10 highest valued properties in Chapel Hill were apartment buildings (with no retail component) and the three highest valued properties were mixed use developments.*

*The 60 percent goal would exclude multifamily development.*

##### **Council Question:**

What is the definition of a “multifamily development” in this context? Anything other than a single family residence? In other words can you be more specific about which parts of our residential land use are bearing too much of the tax burden?

##### **Staff Response:**

*Multifamily development includes any properties with more than 4 apartment units. Developments with only 2-4 units are classified as residential. This is consistent with how the NC Appraisal Board classifies multifamily as well: 1-4 unit properties are residential and greater than 4 units are considered multifamily and commercial.*

*This means that lower density development types like single family homes, townhomes, duplexes, etc. are bearing the majority of the property tax burden.*



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##### **Council Question:**

Does “by allowing development that is responsive to market demands” mean allowing for flexibility to meet changing development market demands or trying to predict market demands and write our rules around that prediction? Thinking about the current unforeseen glut of office space.....

##### **Staff Response:**

*This refers to allowing more flexibility in our zoning so that developers are able to meet market demands. By establishing relatively wide guardrails, we can keep the Town safely away from trying to predict market demands.*

##### **Council Question:**

Rather than focusing on the cost of commercial space, is there way to require a certain percentage of commercial space to be leased to particular categories of business, i.e. local, independent, non-chain, etc.? Thinking of Longfellow’s commitment to small business uses of their retail spaces.

##### **Staff Response:**

*This is unfortunately not something we are able to pursue in the new LUMO. Local governments are not permitted to regulate who leases property, only how the property is used.*