



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

Monday, April 13, 2020 **6:30 PM** **Virtual Meeting**

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 Ralph Karpinos, Police Chief and Executive Director for Community Safety Chris Blue, Emergency Management Coordinator Kelly Drayton, Fire Chief Vence Harris, Business Management Director Amy Oland, Interim Planning Director Judy Johnson, Economic Development Officer Dwight Bassett, Urban Designer Brian Peterson, and Communications and Public Affairs Director/Town Clerk Sabrina Oliver.

AGENDA ITEMS

0.01 Mayor Hemminger Regarding COVID-19 Situation Updates and Community Efforts. [\[20-0241\]](#)

Mayor Hemminger opened the virtual meeting at 7:00 p.m. with an update on the COVID-19 pandemic and the Town's stay-at-home order. She said that cities and towns across the state had been coordinating efforts to obtain supplies and to determine how to protect front-line workers. New changes to the order may include reducing the number of people who may gather from ten to five, she said.

Mayor Hemminger expressed sympathy for those who live in long-term care facilities and to their families. She praised community members' efforts to support one another and mentioned several groups that were helping to provide food. She expected needs to increase and the Town would be posting information on where and how to donate food, she said.

Mayor Hemminger noted that the Council's annual Legislative Breakfast had been cancelled. However, the leadership team had met with legislators virtually and planned to do so again, she said.

1. Update on Town Efforts to Respond to the COVID 19 Crisis. (no attachment) [\[20-0236\]](#)

Town Manager Maurice Jones gave an update on the Town's response to the pandemic. He said that Chapel Hill had begun coordinating with its regional Emergency Management partners in January and had started messaging about prevention in early March. The Town had then opened its Emergency Operations Center (EOC), had closed or reduced various Town facilities and services, and had begun having some staff members work remotely, he said. Mr. Jones pointed out that the Town's Call Center (919-969-5005) was open Monday through Friday, from 8:30 a.m. to 5:00 p.m.

Police Chief Chris Blue discussed steps that the Chapel Hill Police Department had taken to address the pandemic emergency. The steps included outreach, education, coordination, and assessment, he said. He reported that the community had been following Town guidance, and he discussed efforts to communicate with the public via social media. The Call Center had been receiving an average of 60 calls per week, Chief Blue said.

Emergency Management Planner Kelly Drayton gave a PowerPoint update on efforts to educate the public regarding social distancing and compliance with wearing masks during the health crisis. She said that the Town and the Orange County Health Department had been coordinating efforts to provide resources, testing, and education to numerous long-term care facilities. A community-wide food donation drive would take place every Monday, Wednesday, and Friday, from 9:30 a.m. to 4:30 p.m., as long as there was a demonstrated need, she said.

Ms. Drayton said that a Continuity of Government Unit had been working to provide virtual meetings so that Town advisory boards and commissions could continue their work. She also said that the U.S. Department of Housing and Urban Development had said that the Town would receive an additional \$245,000 in Community Development Block Grant funding to respond to the impacts of the pandemic.

Mr. Jones said, in conclusion, that Town staff would continue to coordinate with local and regional partners regarding long-term planning efforts related to medical surges, economic impacts, and eventual recovery efforts. A Recovery Unit had been activated, but there still was a long way to go in the battle against COVID-19, he said.

Council Member Gu confirmed with staff that two local long-term nursing care facilities had reported a combined 63 positive cases and three deaths from the COVID-19 virus. Ms. Drayton said that a Health Department strike team would be assisting with testing, education and personal protective equipment in those facilities. Local health care professionals

were prepared to help with staffing as well, if that were to become necessary, Ms. Drayton said.

Council Member Stegman asked about efforts to support those experiencing homelessness, and Mayor Hemminger replied that an EOC meeting the following day would focus on that. She described efforts to protect residents at the local shelter and to get services to those who were not sheltered. She and Council Member Stegman discussed the possibility of using local hotels and/or camps to temporarily house people.

With regard to a question about health conditions inherent in some groups possibly making them more susceptible to COVID-19, Ms. Drayton said that medical experts were hesitant to draw any causal link because there was so much about the virus that remained unknown.

This item was received as presented.

2. FY 2020 Budget Update and Preliminary FY 2021 Budget Projections. [\[20-0237\]](#)

Mr. Jones gave a PowerPoint presentation on the FY 2020 budget and FY 2021 projections. He said that the current financial forecast differed greatly from what it had been the previous month. Prior to the pandemic, sales tax revenue had grown by an unprecedented 8.9 percent, but the League of Municipalities was currently projecting a 10 percent decrease in the fourth quarter, he said.

Mr. Jones said that the Chapel Hill/Orange County Visitors Bureau was reporting a 50 percent decline in the hotel occupancy tax. There was also a projected 7.5 percent decrease in telecommunications sales tax and a 10 percent decrease in piped natural gas sales tax, he said.

Mr. Jones recommended that the Town implement a hiring freeze for the remainder of the fiscal year in order to offset those losses, and he said that the freeze could extend into the first quarter of FY 2021. He said that he had been working with individual Town departments to identify operational savings. The Town would have to put off a number of program enhancements and take a status quo approach to budgeting for FY 2021, he said.

Director of Business Management Amy Oland provided additional information about the proposed "status quo" Town budget. She said that the total projected change in revenue from FY 2020 to FY 2021 was 0.4 percent. There probably would not be an impact on property taxes, based on current information, she said.

Ms. Oland said she expected the COVID-19 impact on sales tax to hit hardest in the fourth quarter of 2020. The NC League of Municipalities was anticipating about a 10 percent decrease from 2019 and a slight decline in the first and possibly second quarters of 2021, she said. The

League was also anticipating a 6.7 percent decline in other taxes, she pointed out.

Mr. Jones said that he did not anticipate including a Town employee pay increase in the FY 2020 budget. He noted an expected 6.5 percent increase in the health insurance rate and a 1.2 percent retirement system increase. The Town would hold the line on its OPEB retirement liability at \$1.5 million, he said.

Mr. Jones said that federal funding was expected to be fairly stable for the Transit Fund and that he expected the Public Housing and Stormwater funds to remain stable as well. He expressed concern about the Parking Fund, noting that some fees had been waived during the stay-at-home order. He anticipated possibly increasing monthly fees after the current emergency ends in order to balance the FY 2021 budget, he said.

Mr. Jones said that next steps in the budget process would include a presentation of the recommended budget on May 6, a budget work session with the Council on May 13, and a public hearing on May 20. If necessary, there could be additional budget work sessions on May 27 and/or June 3, and the budget was scheduled for adoption on June 10, he said. Mr. Jones noted that this budget information was available at Townofchapelhill.org/budget.

Council Member Anderson confirmed that Mr. Jones was willing to discuss shifting funds if a reasonable exchange arose. However, doing so would have to include a community discussion, which would be difficult considering the current circumstances, he pointed out. Mr. Jones stressed the importance of being careful about shifting funds or making any significant changes to services until there was a better understanding of what the economic ramifications of the pandemic would be.

Mayor Hemminger said that the Town had been attempting to obtain state and federal stimulus funds. Doing so would affect decision-making and the Town's ability to shift money around, she pointed out.

Ms. Oland said that the Town had cut its Parks and Recreation Department's maintenance budget in the past and might want to consider that option as well. She pointed out that construction costs would likely go down, which could present an opportunity to do some Town projects that had been on the list for a long time.

In response to Council Members' questions about Ms. Oland's sales tax revenue projections, she said that information from economists, the League of Municipalities, and others had led her to project a slight decline in the first quarter and possibly the second quarter, but said revenues would go back up to somewhere between -1.5 to +3.5 percent growth. Ms. Oland said that Town staff felt comfortable with a conservative, status-quo budget that basically showed zero growth. However, the

numbers could change if the country were to go into a recession, she said.

Council Member Ryan expressed concern that staff projections might not be as conservative as they needed to be, and the other Council Members spoke in favor of erring on the side of being conservative. Mayor pro tem Parker pointed out that the League of Municipalities was projecting a 1.5 to 3 percent decline in sales tax. He said that there would be a major impact on the Town's sales tax revenue if the University of North Carolina decided to not hold physical summer and/or fall classes.

Mayor pro tem Parker also pointed out that health insurance costs might increase even more during the current health emergency, but Ms. Oland replied that a 6 percent increase in health insurance was locked in and would not increase.

Mayor pro tem Parker confirmed with Ms. Oland that the Parking Fund would use about \$425,000 of the approximate \$700,000 that it had available from the Fund Balance if it needed to be subsidized. She described several options for addressing a short-term gap such as looking to the Debt Fund rather than the General Fund to help with it. Staff would need to look at the rate structure if it chose to move forward with the East Rosemary Street Development, she said.

Mr. Jones emphasized that staff intended to be very conservative going forward. He pointed out that forecasts were changing weekly and that the final budget on May 6th could be dramatically different by the time it was adopted in June.

Council Member Stegman recommended leaving some flexibility in the budget since the Town might have to define services differently and respond to needs it had not previously confronted. She advocated for at least a nominal raise for Town staff, who had been working extra hard and putting themselves at risk to serve the community.

Mr. Jones replied that he had been looking at different ways to recognize the extraordinary good work that Town employees had been doing during the COVID-19 crisis. There was not a lot of flexibility in the Town budget, he pointed out.

Council Member Stegman wondered if some things such as starting the LUMO rewrite could be delayed in order to free up funding, and Mr. Jones pointed out that such consideration would involve serious discussions with the Council about what important services might be ended.

Council Member Gu expressed concern about the Parking Fund and proposed that the Town perform a scenario analysis of how to shift funds based on how long the pandemic might last.

Mayor Hemminger commented on how the Town had maintained a healthy

Fund Balance and spoke about community resilience. There had never been a better time to borrow money, she pointed out. She said that Parking Fund numbers could change due to factors such as the East Rosemary Street Deck and whether or not UNC students returned to campus. She pointed out that receiving federal and/or state financing would make a difference in where changes would be made. The Council would need to discuss strategies related to those variables, she said.

This item was received as presented.

3. Consider the East Rosemary Redevelopment Proposal Framework for the Economic Development Agreement at 125 E. Rosemary Street. [\[20-0238\]](#)

Mr. Jones introduced the draft framework for an Economic Development Agreement (EDA) between the Town and Grubb Properties regarding an exchange of properties on East Rosemary, a new 1,100-space parking garage, and a new 200,000 square-foot office building. The proposal included improving the streetscape and adding mini parks along East Rosemary Street as well, he said.

Mayor Hemminger reminded the Council that the applicant was looking for feedback on an updated parking garage design. There would be opportunities for further discussion of the entire project when it returned for a concept plan review the following week, she said. She pointed out that the Town had not yet received a Traffic Impact Analysis (TIA) that it was anticipating.

Joe Dye, executive vice president of Grubb Properties, presented updated drawings of the proposed new deck, office building, streetscape, greenspace and urban park. He explained how the design had been changed to accommodate an easement, and he displayed renderings of how the project might appear looking toward it from each end of East Rosemary Street. Mr. Dye also discussed a retail "porch" concept and a proposed pedestrian connection through the site and out to Franklin Street.

Economic Development Officer Dwight Bassett reviewed key points from previous Council discussions. These included the minimum number of parking spaces, a maintenance fee agreement, deck activation, the forthcoming TIA, timing for the exchange of parcels, and pedestrian connections. He discussed a commitment by Grubb Property to lease spaces in the new deck.

Mr. Bassett reviewed details of the EDA including a possible acquisition of nearby property for an exit from the parking garage. He said that negotiations had addressed issues such as building height, office building step-back, impacts on Franklin Street, timing of deck entitlement,

community benefits, and more. Both parties planned on having two public hearings regarding the EDA, Mr. Bassett said. Attorney Bob Jessup, representing the Town, reviewed issues that had been resolved through the negotiating process and said that there seemed to be agreement on determining fees and property values based on appraisals at the time of the exchange. Grubb Properties and the Town had been discussing how revenues would be divided and believed that there would be enough money from the Wallace Deck to satisfy both parties, he said.

Mr. Jessup said that a parking deck design would be hashed out through the entitlement process and would be available for the concept plan review. The EDA would include baseline requirements that the Town wanted, as well as provisions for reconciling any differences between that and the entitlement process result, he said. He discussed a tentative schedule for the TIA and a parking construction management plan. He expected a Wallace Deck management plan to be finalized by the time of the EDA approval, he said.

With regard to the greenspace, Mr. Jessup stated that Grubb Properties would pay for asphalt removal and would define a passageway to Franklin Street. Further development and programming of that area would be the Town's responsibility, he said. He also explained that the EDA would specify things that Grubb would include in the office building's design such as Class A finish, wet lab, and six floors with two at or below grade level.

Mr. Jessup noted that the Town's Land Use Management Ordinance and Zoning Compliance Permit process required that Grubb Properties begin development within a certain amount of time. He said that Grubb had agreed to offer the office building property to the Town if it could not develop it or if they wanted to sell it before completing development. That and other non-performance issues still needed to be worked out in the EDA negotiation process, he said.

Council Member Anderson confirmed with Mr. Jessup that the applicant's current plan was to remove pavement and to let the park area revert to the Town. She had thought the developer had agreed to pay for the park as a community benefit, she said. Several other Council Members requested that this aspect be strengthened. Some argued that merely taking up paving and putting down a walkway would not meet the interest of providing the greenspace that had been a substantial part of the community benefit inherent in the project.

Mr. Dye said that Grubb Properties was willing to talk about what would be an appropriate contribution of that area as a public benefit.

The Council asked about affordable office space, and both Mr. Bassett and Mr. Dye explained that it would be difficult to provide that in the new

office building, given the cost of construction. However, the applicant was willing to consider using the 137 East Rosemary Street building as an innovation hub, they said. The Council confirmed that Mr. Dye was not yet able to commit to that, however.

Council Members recommended that the EDA require the developer to pay for the park. Council Member Huynh pointed out that bike lanes that had been shown in renderings were not explicitly mentioned in the agreement. He also asked that something be done to intentionally activate the "porch" frontage and that the EDA include a statement about affordable office space at 126/137 East Rosemary Street.

Council Members confirmed with Mayor Hemminger that the Town would make the decisions about the streetscape and the character of the deck. They verified with Mr. Bassett that the 136/137 East Rosemary Street building was going through an entitlement process.

Mr. Jessup said that a performance bond had not yet been fully hashed out with Grubb Properties. He described three different scenarios for non-performance and said that the Town still needed to determine the loss for each and would need to discuss the repercussions with Grubb.

Council Members Ryan and Gu expressed concern about the Town's financial picture changing due to the COVID-19 pandemic and the effect of that on the project. Council Member Ryan questioned whether the project would still be realistic if the Town had to go into its Debt Fund rather than being able to use its Parking Fund. She requested a new forecast that considered that.

Council Member Ryan confirmed with Mr. Bassett that Town traffic engineers would be involved in decisions regarding exits from the property. With regard to a commitment by Grubb Properties to lease spaces, she asked that leasing rates reflect actual Town costs rather than being based on normal rates.

Mr. Bassett replied that an additional 15 percent "over-lease" would help bridge the \$200 per space gap between the actual cost of building the deck and the actual income the Town would generate. Council Member Ryan replied that she would look at those numbers but wanted to make sure that the Town was not subsidizing the spaces. Mayor Hemminger confirmed with staff that Grubb Properties would be leasing spaces from 6:00 a.m. to 6:00 p.m. each weekday. The Town would make money from those spaces on weekends and evenings in addition to over-leasing, she pointed out. Mr. Dye added that Grubb had been guaranteeing that it would lease a minimum of 250 spaces but would likely lease more than that.

Council Member Ryan pointed out that UNC was paying the construction and maintenance costs for a similar project with the Town. She asked that both sides keep that in mind when proceeding with the EDA negotiations.

Council Member Gu asked that staff share its economic analysis including COVID-19 scenarios with the Council. She stressed the importance of preparing for the possibility of a significant economic downturn, and she said that Grubb Properties appeared to have considered that when it reserved rights regarding not being able to construct the office building. The Town ought to consider how it would cover the cost of building the deck if there were less traffic and parking, she said.

Mr. Bassett said that the economic picture probably would be much different in September, October or November 2020, and he pointed out that the new deck would not be occupied until in the fall of 2021. Staff was hopefully optimistic that the effects of COVID-19 would at least be ending by then, he said.

Mr. Jones noted that several Council Members had highlighted the need to make sure the Town had safeguards in the EDA. He agreed wholeheartedly and would continue to make sure that the Town was protected in the negotiations, he said.

Mr. Dye clarified that Grubb Properties was committed to building and dedicating the green space at the corner of Henderson and Rosemary Streets to the Town. He said that the intent had been to open the "urban park" in the mid-block location up to the public process. Grubb Properties contributing a "finished" park was consistent with its conversations with the Town since the beginning, he said.

Mayor Hemminger pointed out that the park area could go through the public process while the new deck was being built. She encouraged staff to talk with Downtown Projects Manager Sarah Poulton about a mitigation plan for the Lot 2 area, and she stressed that the Opportunity Zone had a time-frame associated with it. She said that the Town had asked its congressman and governor to help get an extension on that due to COVID-19, but they did not think the issue would be taken up in the near future.

Mayor Hemminger pointed out that community benefits would include having better-consolidated parking, better walkable areas, and more office space downtown. The wet lab would be a huge community benefit, she pointed out. She pointed out that the Town would decide on how much money to spend on its parking deck. She agreed that the numbers needed to be viable and she outlined how the Parking Fund and other factors might address that.

Mayor Hemminger confirmed with Mr. Jones that the first public hearing would occur sometime in May. She said that the Council would appreciate seeing a TIA at a work session within the next couple of weeks. She expressed agreement with the request from other Council Members to see financial modeling for the new deck.

Mayor Hemminger stressed the need for a better community response to the Town's 2020 Census. Chapel Hill was leading the state, but it had only received 53 percent back, she said. She noted that the deadline had been extended in order to get better results and encouraged all residents to return it.

This item was received as presented.

ADJOURNMENT

The meeting was adjourned at 9:26 p.m.