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 Jessica Anderson
Council Member Donna Bell
Council Member Allen Buansi
Council Member Hongbin Gu
Council Member Nancy Oates
Council Member Michael Parker
Council Member Rachel Schaevitz
Council Member Karen Stegman

Wednesday, March 14, 2018 **7:00 PM** **RM 110 | Council Chamber**

Roll Call

Present: 9 - Mayor Pam Hemminger, Mayor pro tem Jessica Anderson, Council Member Donna Bell, Council Member Allen Buansi, Council Member Hongbin Gu, Council Member Nancy Oates, Council Member Michael Parker, Council Member Karen Stegman, and Council Member Rachel Schaevitz

Other Attendees

Town Manager Roger L. Stancil, Deputy Town Manager Florentine Miller, Town Attorney Ralph Karpinos, Economic Development Officer Dwight Bassett, Business Management Director Kenneth C. Pennoyer, Executive Director Housing and Community Loryn Clark, Senior Planner Kay Pearlstein, Director of Planning and Development Services Ben Hitchings, Fire Inspector, Housing and Community Assistant Director Sarah Vinas, Police Officer Rick Fahrer, Deputy Town Clerk Amy Harvey

OPENING

a. Mayor Hemminger Regarding Pi Day. [18-1116]

b. Mayor Hemminger Regarding Council Member Schaevitz's Birthday. [18-0221]

c. Mayor Hemminger Regarding National School Walkout Day. [18-0222]

Mayor Hemminger opened the meeting at 7:00 p.m. She pointed out that it was Pi Day, Council Member Schaevitz's birthday, and National School Walkout Day.

PUBLIC COMMENT - ITEMS NOT ON PRINTED AGENDA

a. Local High School Students Regarding their Walkout Experience. [18-0223]

High school students Zac Johnson, Max Poteat, Alya Suayah and Rose Wang reported on a National Student Walkout Day, March 14, 2018.

Mr. Johnson said that the walkout at Chapel Hill East had received much local and national news coverage. Students had shown photos and read the names and bios of the 17 people who had recently been killed at Marjory Stoneman Douglas High School in Parkland Florida, he said.

Ms. Suayah said that students at Chapel Hill High had walked out as well. They also held a moment of silence and read the names and short bios of those who had died in the Parkand massacre, she said.

Mr. Poteat reported that students at Phoenix Academy had laid more than 1300 pinwheels in front of Lincoln Center during a 17-minute ceremony to remember those who had been slain at Marjory Stoneman Douglas High School.

Ms. Wang said that Carrboro High School had held a similar event. The overall plan had been to unify the school ceremonies so that the news media would know what was happening at all four schools even if they only went to one, she said.

Mr. Johnson stated that students would not stop organizing and were asking for the Council's continued support. He thanked Council members for being dressed in orange T-shirts to show support.

Mayor Hemminger applauded and thanked the students. She pointed out that effective organizing was hard work, and that the Council was impressed by the students' passion. "We are sorry that you have to do this, but thrilled that you're doing it," she said.

Council Member Oates said she was glad students were using the force of the media to keep the message alive because that was what it would require. She encouraged them to make individual changes as well, noting that state and federal legislatures move slowly. She encouraged students to use their persuasive powers locally by talking with people about gun safety and why they feel a need to have guns. "There's fear behind much of the vitriol," Council Member Oates said.

Council Member Gu told the students she was proud of them and said that adults felt inspired by what they had said and the action they had taken to make changes in the community and country. "Thank you so much for doing that. I am very impressed by your teamwork and leadership," she said. Council Member Gu expressed hope that students would do more to engage the community and help it become more connected, in order to

take care of all its members.

Mayor pro tem Anderson agreed with what other Council members had said. Students had been doing things that many others had great interest in, but had not been able to achieve, she said, adding that the Council was there if students needed anything. She pointed out that activism becomes more difficult when the news media disappears. "When that time comes, come to us and we'll try to help you," she said.

ANNOUNCEMENTS BY COUNCIL MEMBERS

a. Mayor Hemminger Regarding Water Week Activities. [18-0224]

Mayor Hemminger said that the following week would be Water Week. There would be related activities on how "going green can help the water be blue" at Chapel Hill Public Library on March 21, from noon to 1:00 p.m., she said. She added that the globally acclaimed film, called "House Straw," which was about plastics in waterways, would be shown.

b. Mayor Hemminger Regarding Town Manager Search. [18-0225]

Mayor Hemminger said that an ad for a new Town Manager had been put on numerous websites and the Town would be accepting applications through April 12, 2018. There had been much public input, and there was information on the Town website about what the community was looking for in a Town Manager, she said. Mayor Hemminger pointed out that the public could continue to provide input and said that she would provide more information later on about additional ways for the public to be involved.

c. Council Member Buansi Regarding Commemoration of Sanitation Workers. [18-0226]

Council Member Buansi encouraged citizens to attend a "Commemoration of Sanitation Workers" in remembrance of the two-month strike that had ended on April 16, 1968, 12 days after the assassination of Dr. Martin Luther King Jr. He encouraged citizens to attend the commemoration ceremony at the United Church of Chapel Hill on Sunday at 3:00 p.m.

d. Mayor Hemminger Regarding Future Rescheduling of Canceled Meetings. [18-0227]

Mayor Hemminger noted that the downtown area had been quieter recently because students were away on spring break. Additionally, a GoTriangle meeting had been cancelled due to a recent snow event and would be rescheduled to another time, she said.

PETITIONS FROM THE PUBLIC AND COUNCIL MEMBERS

Petitions and other similar request submitted by the public, whether written or oral are heard at the beginning of each regular meeting. Except in the case of urgency and unanimous vote of the Council members present, petitions willl not be acted upon at the time presented. After receiving a petition, the Council shall, by simple motion, dispose of it as follows: consideration at a future regular council meeting; referral to another board or commitee for study and report; referral to the Town manager for investigation and report; receive for information. See the Status of Petitions. to Council webpage to track the petition. Receiving or referring of a petition does not constitute approval, agreement, or consent.

a. Council Members Anderson, Gu, and Schaevitz Request Regarding Addressing Blue Hill District Community Interests. **[18-0228]**

Mayor pro tem Anderson read a petition from herself and her colleagues regarding the Council's efforts to improve the Blue Hill District's form-based code by passing Land Use Management Ordinance (LUMO) amendments, creating new design guidelines, and adopting a Mobility and Connectivity Plan. She said that the petition asked the Council to do the following: look at methods to increase the amount of non-residential commercial development in the district; find solutions that help achieve the goal of 300 new affordable units and mitigate impact of the units lost; and, address building size and massing concerns. The petition asked the Council to vote on the request before its summer break, Mayor pro tem Anderson said.

A motion was made by Mayor pro tem Anderson, seconded by Council Member Parker, that this Petition be received and referred. The motion carried by a unanimous vote.

INFORMATION

1. Receive Upcoming Public Hearing Items and Petition Status List. **[18-0209]**

The item as received as presented.

DISCUSSION

2. Consider Adopting the Economic Development Incentive Guidelines. **[18-0213]**

Town Manager Roger Stancil, Economic Development Officer Dwight Bassett, and Council Member Parker gave a PowerPoint presentation on proposed Economic Development Incentive Guidelines (IGs) for the Town.

Mr. Bassett reviewed the Town's economic development strategy, its stated vision of being a national leader in research and development, and

its mission to foster economic opportunities that create jobs and lead to economic prosperity for all. He listed many of the initiatives that the Town pursued through its economic development office.

Council Member Parker, chair of Council Committee on Economic Sustainability, pointed out that the IGs being proposed provided the Council with a framework to think about what it wanted to do but were not prescriptive and did not require any specific action. He commented that towns did not win because of incentives, but because they are desirable places to live and do business. However, incentives can sometimes help a town stay in the game, he said.

Council Member Parker pointed out that all of the incentives being proposed were performance agreements that would not be reached without full public review and debate, and explicit Council approval. He listed many reasons why incentives already were part of the Council's goals for economic development. He noted the importance of being careful with community funds, which could be used on occasion for endeavors that include creating the kind of talent pool that makes the Town attractive to businesses.

Council Member Parker said that the committee had had conversations with Orange County (OC) about incentives, but OC would rather do it on a case-by-case basis than through a consolidated policy. However, difficulty harmonizing the two policies did not mean that OC was unwilling to work with the Town, he said. He explained that one reason why the committee was in favor of IGs was that the Town had recently entered into two incentive agreements -- with Carraway Village and with Wegmans. The Committee felt it was important to start creating guidelines that would help the public understand the goal and give the Council a framework when projects were presented, he said.

Council Member Parker said that the proposed incentives pertained to development, capital investment, job creation, location, and retention or expansion of targeted businesses. He provided details on each of those categories, noting that they were not mutually-exclusive. He said that incentives would be done if they were needed to stay in the game, but that the Town would not lead with them. All incentives would be performance based and no money would change hands until conditions laid out in the agreement had been met, he explained.

Mayor pro tem Anderson asked how the proposed numbers, such as "20 net new jobs," had been decided upon.

Mr. Bassett explained that staff had looked at economic policies of nearby municipalities, such as Durham and Raleigh, and had tried to come up with what was reasonable. They had also tried to stay within parameters that the state used when awarding credits based on jobs, he said.

Mayor pro tem Anderson asked if the Town was giving priority consideration to projects that receive incentives from OC, or if the state would be a blanket policy or is it based on the project.

Mr. Bassett replied that the IGs were subject to Council authorization on a case-by-case basis. However, there were state incentives that the Town might want that would require a local match, he said.

Mayor pro tem Anderson asked if OC might be willing to talk about incentives, even though she understood that they did not want to commit to anything.

Mr. Bassett replied that he thought that was absolutely possible and was the staff's intent. He had already had joint conversations with OC about two projects, he said.

Mayor pro tem Anderson said that the IGs seemed to favor bigger companies, but Mr. Bassett replied that they had not been strictly drafted that way. However, there had been specific interest in knowing that the Town could compete with other municipalities if it got the opportunity to do so, he pointed out.

Mr. Bassett stressed the case-by-case basis aspect and pointed out that the Town could choose to not make job creation awards and simply award investment. He said that staff had worked on a marketing statement for a year and had presented that at the last Council meeting. It seemed as though everyone had been comfortable with going forward and the IGs were based on the marketing framework in which the Council had expressed interest, he said.

Mayor pro tem Anderson expressed concern that the proposed structure, which increased the potential award based on the minimum number of jobs, would send a message that the Town did not want smaller companies, or start-ups. She asked Mr. Bassett what message he thought the Town was sending potential applicants regarding incentives.

Mr. Bassett replied that the IGs were not meant to state that the Town desired larger companies, for which there was limited capacity. The intent was to put the Town on a level playing field with adjacent counties' policies, he said.

Council Member Parker commented that a relatively small amount of money could make a big difference for a start-up but would not move the needle with much larger companies.

Council Member Stegman noted that incentives were often secret and said she wondered about the IGs showing numbers that other towns might top.

Mr. Basset replied that the intent was to create a level playing field. The

Town could not be competitive with land, but the intent was to be at least equal in other respects, he said.

Council Member Gu noted that there was no reference to the type of company or economic development proposal that the Town wanted to incentivize -- such as life sciences, high tech, or other research businesses.

Mr. Bassett replied that the categories seemed broad enough to meet the interests of the people staff had talked to at the University of North Carolina (UNC), and there probably was no need to refine that further. The Town had been aggressive in reaching out to UNC, and the inquiries from there over the last 12 months had been astounding, he said. Mr. Bassett recommended keeping the categories broad in order to build a mixed business community. He mentioned a company that had moved to Durham, for example, because it wanted to mix and mingle with other companies.

Council Member Gu asked whether the Town should be doing something extra to get economic development started.

Mr. Bassett replied that staff had tried to draft a policy that was competitive. He said that the incentives were good enough to at least get the opportunity to respond to a request if it came to the Town. The IGs show that the Town is serious and interested, he said.

Council Member Schaevitz ascertained from Council Member Parker that the Town was trying to achieve the goal of vocational training through economic development. It was not something it would necessarily try to achieve through the IGs, he said.

Council Member Buansi noted that affordable housing was listed as a goal and asked how the IGs would advance that.

Mr. Bassett gave Carraway Village as an example. He explained that the Council had approved an SUP for that development in 2015 but had then renegotiated a better affordable housing agreement when endorsing an economic development incentive to help improve the road.

Council Member Stegman asked if something about equity and non-discrimination in hiring could be required in the IGs.

Mr. Bassett replied that it could, perhaps, be part of the policy section on goals.

Town Attorney Ralph Karpinos pointed out that the Council would have the option of not providing the incentive if a business were not abiding by what was in the policy section.

Council Member Stegman pointed out that the incentive agreement would be made before people were hired. She confirmed with Mr. Karpinos that the Town's policy could be written into the agreement.

Katie Loovis, Chapel Hill-Carrboro Chamber of Commerce chair, speaking in support of the IGs, said that Mr. Bassett, Mr. Stancil, Council Member Parker, and the Council had done a great job. From the Chamber's perspective, the IGs were a fair and reasonable starting point to show that the Town was trying to be open for business, she said. Ms. Loovis proposed that the Council think of the IGs as a living document that could always be adjusted down the road.

Council Member Schaevitz said that she wondered if giving preference to companies that pay a higher wage to the greatest number of new hires might send a message that the Town wanted particular kinds of companies and education levels needed for the jobs. She expressed concern about creating a lot of jobs for extremely well-educated people, and she emphasized the importance of creating opportunities for living wage jobs, skills development and vocational training.

Mayor pro tem Anderson agreed and cautioned against incentivizing places that did not pay a living wage. However, there was room to think about what living wage jobs could look like, she said. She said that she liked the performance agreement concept in general, but was concerned about the message it could send. The Town should give a little more consideration to that, she said.

Council Member Bell pointed out that the two incentive projects that the Town had done had not fit in with science tracks but had fit in with Town goals regarding economic development and bringing in living wage jobs. The Town had been working hard on showing that it was open for business, and the IGs continue that process, she said. Council Member Bell suggested having discussions about how the IGs would fit with some of the smaller incentives that OC offered. She pointed out that the IGs would not be the Council's only tool or even the one that it would necessarily reach for first.

Council Member Gu praised the effort and said she thought the IGs would make a big difference. She proposed that the Town explore partnering with UNC and the Chapel Hill Carrboro School system on a package that would include training or other collaborative opportunities in addition to monetary incentives. Maybe the Town could incentivize companies to provide skills development and lifelong learning opportunities for the community, through internships and other means, she said.

Council Member Oates clarified that the Town was not creating a policy that would state the kinds of jobs it wants. The IGs were developed because the vast majority of the Town's tax revenue came from homeowners, and the goal was to attract more businesses, she said. The

type of businesses that would be a good fit for Chapel Hill would draw on UNC's brainpower -- and the Town did not currently have the affordable housing that would enable it to attract companies with low-wage jobs, she pointed out. Council Member Oates said she was not trying to exclude companies with lower paying jobs but that the IGs were one tool to help the Town attract some of the top companies.

Council Member Anderson asked staff to edit the wording to clarify that the Town would not give priority to businesses that were not in line with its values, even if the state did so in a project that involved matching funds.

Council Member Parker suggested adding a clause that companies would be given priority as long as they were consistent with the Town's economic development goals. He also mentioned data on how every job that a tech company created yielded five additional jobs in the community. He thought the Town could achieve many of those other objectives with the IGs, Council Member Parker said.

Council Member Buansi said that he appreciated the Council's comments about trying to do what it can, where it can, to provide opportunities for training. He appreciated that the guidelines were just guidelines and did not bind the Town to any particular offer, he said. Council Member Buansi added that training might be something additional that the Town could ask for in a particular case.

Mayor Hemminger said that she was excited to see the IGs moving forward. She noted that the Town had not been part of conversations with some high quality companies and said that being able to attract those would benefit the entire community. She discussed the reasons why some start-ups had left Town. Chapel Hill had been working with OC regarding small business grants and other means of attracting businesses, but had been missing out on attracting bigger companies, she said.

Mayor Hemminger said that the IGs would show that Chapel Hill was willing to consider and work with any company that might be a good fit with the Town and its value system. She expressed strong support for the IGs, which she said would be a living, evolving document.

Mayor pro tem Anderson said that she supported the idea, but would vote against the resolution because she did not think the IGs were quite ready to be adopted.

A motion was made by Council Member Parker, seconded by Council Member Oates, that the council adopt R-1 with the amended guidelines. The motion carried by the following vote:

Aye: 8 - Mayor Hemminger, Council Member Bell, Council Member Buansi, Council Member Gu, Council Member Oates, Council Member Parker, Council Member Stegman, and Council Member Schaevitz

Nay: 1 - Mayor pro tem Anderson

3. Presentation on Affordable Housing Bond: Background and Information (no attachment) **[18-0210]**

Executive Director for Housing and Community Loryn Clark gave a PowerPoint presentation on a possible bond referendum on affordable housing (AH) in November 2018. She said that staff would review the Town's AH Investment Plan, share information about the bond referendum process, and answer Council questions. No action by Council would currently be required, she said.

With respect to the Town's AH Investment Plan, Ms. Clark said that the Town's target was 80 new units annually over the next five years. The goal also included preserving 55 units over the next year, she said. Ms. Clark said that the five-year target included 400 new and 275 preserved units. She reviewed an AH Investment Plan framework, which the Council had approved in February 2018, that included eligible activities and priorities for the use of funds. Staff was recommending an AH bond to achieve the Council's goals, she said.

Ms. Clark explained that state and federal funding was primarily allocated through either OC or the Town. The Town then dispersed those funds to provider partners, she said. In FY 2018, the Council budgeted $6.2 million for AH activities, and OC budgeted about $6.1 million, said Ms. Clark. She pointed out that those amounts did not include an AH county bond, of which $2.5 million remained.

Ms. Clark discussed the estimated subsidy for those projects and said that staff continued to recommend that the Town pursue a $10 million AH bond. She estimated that the average amount of needed subsidy would be $22,000 per unit for new development and about $5,000 per unit being preserved. That would equal about $10 million, she said. Ms. Clark reminded the Council that the Town had not yet evaluated projects by non-profit providers.

Council Member Oates verified with Ms. Clark that "estimated subsidy" could refer to what the provider may request from the Town over time. However, staff did not know if all of that funding would come from the Town, Ms. Clark said.

Council Member Parker confirmed with Ms. Clark that the number of units for sale had been based on revised projections that staff had received

from providers and on potential ownership at 2200 Homestead Road.

Director of Business Management Ken Pennoyer gave a PowerPoint presentation. He explained that General Obligation Bonds were a tool to provide capacity in the near term and flexibility for implementing the AH Investment Plan. He said that he had been asked if the Town could accomplish its AH investment goals without having to go to a bond referendum and that the answer was "that depends."

Mr. Pennoyer discussed two different scenarios. He explained that adding one penny to the tax rate to directly invest in AH projects without borrowing would yield about $1.5 million per year for five years. He then compared that with the $15 million that Ms. Clark had said was needed and showed that one penny plus additional anticipated funding for AH would yield about 47 percent of the target.

Mr. Pennoyer said that a second scenario, in which the Town would use the penny to pay debt service, would get to about 85 percent of the target. He provided details on each scenario and said that a major difference was that using debt meant paying over 20 years while there would be no lingering costs after five years in the first scenario.

Mr. Pennoyer said, in conclusion, that the Town could reach its goal without debt, but the bond would have to be closer to three pennies to reach the target in five years. That raised the question of how important it was to reach the target within that time, he said.

Mr. Pennoyer pointed out that any issuance of AH Bonds from a referendum would require a tax increase to repay the debt. He compared Chapel Hill's taxes and services to other similar municipalities and discussed the impact that a tax increase would have on property owners' taxes. Adding one penny to the Town's existing combined tax rate would be an overall tax increase of .65 percent, he said.

Mr. Pennoyer explained that the Council would control the timing of a bond issuance and that the associated tax rate increase. It would have 7-10 years to issue all, some, or none of the bonds, he said. He noted that the increase in Debt Fund tax needed for repayment of bonds was based on the amount of bonds issued and the timing of that issuance.

Mr. Pennoyer discussed the Town's significant, but manageable amount of debt, and said that issuing a $10 million AH bond would not impact the Capital Program because a separate tax increase would be required to pay for that. He reviewed the current condition of the Town's Debt Management Fund and explained that the current Capital Plan had "a full plate." An AH bond would have to be financed through a separate tax, he said.

Mayor Hemminger asked about a Rogers Road sewer commitment that she

did not see listed under Debt Financing Plan Projects for FY 2018-23.

Mr. Pennoyer replied that there was a separate list of projects that still needed to be funded and said that staff was looking at moving projects around.

Mayor Hemminger said that a slide that showed .5 penny was not accurate, in that case, because .5 penny would not help if some things were not on the original list.

Mr. Pennoyer mentioned a need for funding fire stations as well, but Mayor Hemminger said she thought the Town had committed to paying for Rogers Road improvements before five years. While the Town did want to address its fire stations, there was not the same known commitment for those, she said.

Mr. Stancil said that the Town did have estimates on the fire station that could be wrapped into the projects list. He pointed out that OC was responsible for borrowing the Rogers Road funds and then billing the Town over a 20-year period. He was not sure if OC had accomplished that, he said, but he added that staff could wrap those numbers into the estimates as well.

Mr. Pennoyer said that the Rogers Road commitment might not show on the list because part of it might already be funded out through five years. He offered to check, and Mayor Hemminger replied that it would be awesome if it was true that the project had been funded through five years.

Mayor pro tem Anderson said she was having difficulty with the staff presentation because the Council had not received it in advance. She pointed out that there were a lot of important implications that Council members needed to understand, but said it was difficult to comprehend it all in the manner being shown.

Mr. Stancil said that staff would send the presentation out after the meeting. He explained that they had been scheduled to come on March 21, but the Council had expressed interest in seeing it earlier. Staff had only developed it in its current format in the last few days, Mr. Stancil explained.

Council Member Oates mentioned $6.2 million for the Blue Hill District road improvements and asked if that was not already being paid for by increased revenue.

Mr. Pennoyer replied that the slide was showing a list of borrowings the Town would make. The repayment would be coming from additional Blue Hill District revenue, he said.

Mr. Pennoyer continued the PowerPoint presentation. He explained that the Town's Debt Fund was primarily being funded by 8.2 cents on the tax rate. He also showed transfers from other funds that offset that amount.

Council Member Oates commented on two pennies for Housing, noting that the first amount was was $688,000 and the second was $800,000. Wouldn't it be the same, she asked.

Mr. Pennoyer explained that the initial Penny for Housing was a little short of an actual penny. The new penny would be an actual penny, which was currently generating about $800,000, he said.

Council Member Oates replied that it was not actually a tax increase but the tax revenue that the Town had. It just meant carving out one or two pennies from the budget, she said.

Mr. Pennoyer agreed. The $688,000 was already in the budget and would be in next year's budget as well, and the additional $800,000 would come from an additional tax, he said.

Mayor Hemminger expressed some confusion. It was an additional penny on the tax rate that was specifically dedicated to AH versus a penny on the tax rate that would be dedicated to the Debt Fund balance. So, it was still a one-cent tax increase, but just designated two different ways, she said.

Mr. Pennoyer agreed, noting that the first scenario would dedicate it directly to projects, and the second scenario would have a penny go toward debt service.

Council Member Oates confirmed with Mr. Pennoyer that no Council had actually voted on the extra penny for housing. Mayor Hemminger and Mr. Pennoyer explained that it was merely a scenario to show the difference between using a penny directly and borrowing and using that penny for debt service.

Council Member Oates confirmed with Mayor Hemminger that a previous Council had designated a penny of the current tax rate for AH, but had not increased taxes. However, the second penny would be a tax increase, said Mayor Hemminger.

Mr. Stancil explained that the first penny had been the revenue equivalent of a penny on the tax rate four years prior, when the Council wanted to identify an amount equal to a penny on the tax rate to spend on AH. Choices had been made about things to not do or to stop doing in order to put that money together, he said. Mr. Stancil explained that there had not been an actual tax increase, but there had been challenging budget decisions made to create that $688,000.

Council Member Oates confirmed with Mr. Pennoyer that a tax increase on a potential $10 million AH bond would be an actual tax increase. He explained that the $10 million would be borrowed, and the Penny for Housing would be the amount used to repay that borrowing.

Council Member Oates verified with Mr. Pennoyer that the Town was only looking at one penny, which would provide enough cash flow to pay the debt service on $10 million of new debt.

Mr. Pennoyer compared the Town with its peers regarding debt benchmarks and said that Chapel Hill was a little above the middle of NC municipalities. Chapel Hill had a significant but manageable amount of debt, he said.

Mr. Pennoyer explained that Council adoption of a preliminary resolution on March 21st would trigger a number of steps toward approval of a referendum. He listed those steps, which would put the Town on the path to a November 6, 2018 referendum for an AH bond.

Mayor Hemminger verified with Mr. Pennoyer that proceeding with a $10 million AH bond would mean having to have a tax increase to pay for it.

Mayor pro tem Anderson asked if there were any differences between the two scenarios being presented, other than that one achieves a percentage of the Town's goal and the other gets all the way to the goal.

Mr. Pennoyer replied that there were other trade-offs as well. For example, issuing debt meant paying that debt service for 20 years, whereas trying to achieve the same amount of projects in the same period of time with just a tax meant that the tax rate would be higher, but the Town would be imposing it for a shorter period of time. Basically, the question was whether the Town wanted a high tax for a short period of time or a low tax that would last for a longer period of time because it would be stretched out to pay debt, he said.

Mr. Pennoyer pointed out that both scenarios get to the same place. The debt side would mean paying debt service, including interest, and the other side meant increasing the tax rate. He noted that the latter scenario might be sensitive due to the fact that the Town already was on the high end of combined tax rates.

Mayor pro tem Anderson said that guidance and/or additional information on why the Council would choose one scenario or the other would be helpful. She mentioned that OC had been considering increasing taxes as well.

Mr. Stancil replied that he thought the chief reason for borrowing funds versus putting an amount equivalent to a penny in a fund was that the cost of land was the highest contribution to the cost of housing in the

community. The Town had an opportunity through redevelopment of its land to make a significant impact on AH stock in the community, but the only way to make those significant investments and build on Town land was to have the money in hand, he said. Mr. Stancil added that being able to make projects happen in a fairly short time, while spreading the cost out over 20 years, would be the big gain from selling bonds.

Mayor pro tem Anderson asked if specific projects would be included on the bond referendum. She asked how staff had come up with targets of 400 new units and 275 preserved units. Was that based on an assumption that the Town would raise taxes, or do a bond, or both, she asked.

Ms. Clark replied that the targets were based on what the Town received from its providers and the funding that was available. It was ambitions to think it could be done without a bond or some other infusion of cash, but that was how staff had started the conversation, she said. She explained that staff had done a significant amount of pre-development on Town-owned projects and were feeling confident about those due to the Council's direction to pursue those projects.

Ms. Clark explained that staff had not yet evaluated the other projects from AH providers but had asked those non-profits to provide a sense of what they might be doing over the next five years. The figures being presented had come from those estimates and were not a commitment to provide funding, she said.

Mayor pro tem Anderson verified with Ms. Clark that the bond would ask for money for acquisition and rehabilitation, as had been approved as part of the Town's AH investment plan. She confirmed with Mr. Stancil that the referendum would not approve specific projects. It would ask voters if the Town could borrow $10 million for AH activities, Mr. Stancil said. He explained that the Town would only be getting authorization to borrow those funds and not actually issue the bonds until there was a set of projects the Council was interested in.

Mayor pro tem Anderson said that she had misstated the question. She wanted to know what the Town would be telling voters it wanted to do. "Are we just saying, we want $10 million and we'll let you know later," she asked.

Mr. Stancil provided some history on the Town's recent approaches toward doing more for AH, which included a possible bond referendum. He said that information from AH providers regarding projects they had in the pipeline had gone into determining the $10 million amount, and Council had asked staff to validate that as a reasonable number.

Mr. Stancil explained that staff had multiplied the Town's target of 400 AH units over five years by an average subsidy that seemed reasonable ($22,000 to 25,000 per unit) and had arrived at $10 million for the size of

the bond referendum. The Town would only receive that money when the Council decided to sell, and by that time, there could be a specific list of projects, Mr. Stancil said.

Mayor pro tem Anderson asked how many Town residents were on the verge of needing assistance and would be pushed into an unstable situation if their taxes went up.

Mr. Pennoyer replied that he would be able to show what the increase would mean for people with properties in a certain value range when estimates on what Orange County, the School District, and the Town were going to propose as tax increases were available.

Mayor pro tem Anderson said she wanted to be open about what a bond referendum would do to people's taxes and did not want there to be unintended consequences.

Council Member Parker noted that the cash flow scenarios were only for five years and asked to see a further time horizon because the commitment to pay for 20 years meant that the money would not be available to spend in years six through 20. With regard to the $10 million, he said it could be helpful to break out the cash flow to understand which projects were certain to happen versus those that might or might not happen.

Mr. Pennoyer pointed out that only a certain amount of information could go on a screen and be readable. He said that one could model hundreds of scenarios based on a dozen different projects coming in at different times and at different costs. However, he agreed to try and come up with some basic ones before the next meeting.

Council Member Buansi asked if staff envisioned the bond covering some of the anticipated renovation costs with the Public Housing Master Plan, for example.

Ms. Clark replied that staff had been thinking about using some of the funding for the major redevelopment projects of public housing. The Town did have other resources available for repairs and renovations, but that would have to be phased because there was not enough to do everything all at one time, she said. Ms. Clark said that staff was preparing to present a broader Public Housing Master Plan in May, which would show the investment that would be required to maintain existing housing and/or redevelop other sites.

Former Police Chief Brian Curran advocated for passing the AH bond, stating that he had seen the kinds of problems that lack of AH could engender. He was currently serving on the Habitat for Humanity in Orange County board, he said. Mr. Curran described how secure housing provided stability and urged the Council to seriously consider passing an AH bond.

Mary Jean Seyda, Housing Advisory Board (HAB) chair, said that the HAB had been recommending increasing the AH Development Reserve over the last couple of budget cycles. There was insufficient funding for the number of requests that the HAB received, she said. Ms. Seyda pointed out that an AH bond would create a fund that would allow the Town to seize upon preservation and new development opportunities that arise.

Susan Levy, executive director for Habitat for Humanity and chair of the AH Coalition, said there was an AH crisis in Town and not really any federal subsidy to address it. On behalf of the Coalition, Ms. Levy asked the Council to consider a $15 million bond, noting that Ms. Clark's presentation indicated a need for even more than that amount.

Ms. Levy said that Habitat's recent request for funding had been based on a real project that would not be achievable without a considerable amount of subsidy. She said that Ms. Clark's estimate of $22,000 in subsidy needed per unit seemed extremely low to her, unless there were some other sources of funding that she did not know about. She thought the number as based on was one that DHIC had used, which included low-income tax credits, Ms. Levy said.

Cherie Rosemond, director of UNC's Partnerships in Aging Program, said she wanted to focus the Council's attention on the issues that seniors face. Based on OC data, seniors were the most cost-burdened age group across the board, she said. She explained that 56 percent of senior renters and 28 percent of senior homeowners were cost burdened; more than a third were paying more than 30 percent of their income on housing. Ms. Rosemond asked the Council to consider that seniors were the most cost-burdened segment of the population when looking at what type of AH to build.

Hudson Vaughan, representing the Marion Cheek Jackson Center, clarified that the majority of AH efforts did affect people who actually live in Town. Most efforts help people move out of tents in the woods into homes in Town and from public housing into other housing opportunities, he said. He said that most of the new 400 units would be for people who live in Town but were currently in substandard housing or had no housing at all.

Mr. Vaughan explained that an additional penny on the tax rate would add about $35 a year for someone with a $350,000 house. That was not significant for most people, and tax mitigation programs existed for those who were tax-burdened, he said. Mr. Vaughan pointed out that some of the bond funds would be spent at Northside. He asked the Council to move forward with a $15 million bond as well as other ways to fund AH collaboration.

Deloris Bailey, executive director at EmPOWERment, Inc., pointed out that there were people in Town -- such as those living in mobile home

communities -- who would soon have nowhere to go. She recommended that the Council set aside $1 million to $3 million in addition to the AH bond for those who would need homes over the next one to five years.

Maggie West, co-director of Community Empowerment Fund, emphasized the need for substantially increasing resources for AH. A $15 million bond would be a fabulous investment, she said, noting that $7 million of the proposed $10 million was for Town-specific projects, which left an inadequate $3 million for other opportunities. A $15 million bond was far from enough but was much more realistic, she said. Ms. West spoke in favor of adding two cents over the long term so that there would be a total of three pennies for AH.

Council Member Bell recalled that one of the outcomes of a Mayor's Committee on Affordable Rentals had been that the Town would release a bond referendum. It was not a new conversation, she pointed out, adding that she had been talking about AH for six years. She said that the Town had made great strides when the Manager figured out how to find AH funds, and the Council was now looking at asking for additional funds.

Council Member Bell expressed support for a $15 million bond. She said that public housing was part of the Town's AH stock and should be supported. The need had been clear and consistent for decades and questioning whether or not there was a need felt inappropriate to her, she said. However, talking about scale did feel appropriate, said Council Member Bell.

Council Member Stegman said she agreed with Council Member Bell. She pointed out that federal funding for housing had been cut and had been close to decimated for AH. Therefore, the Town was not only trying to create more funding to make up for that but also needed funds for its public housing, which needed repairs and renovations, she said. Council Member Stegman proposed thinking about the bond as an opportunity to fund a land bank. She noted that many innovative ideas had been raised at an AH summit, but the Town did not have the funds to achieve them. Council Member Stegman said that she wanted to see numbers and consider a $15 million bond.

Mayor pro tem Anderson agreed that there was a clear need, but said that she had been asking for data that would help her understand what the Town could do. She did not know if $15 million was the right amount because she did not understand the impact of that on taxpayers, she said. She said that she supported an opportunity fund in conjunction with defined projects.

Mayor pro tem Anderson said she wondered why the Council would tell voters that the whole thing would be an opportunity fund when it already knew about important priorities that existed. Why wouldn't the Council be clear with voters about how it would use the money, and also set some

aside for what might be coming, she asked. Mayor pro tem Anderson said she did not think that a Town initiative should be based on money the Town did not already have.

Council Member Oates said she agreed with much of what Mayor pro tem Anderson had said. She wanted to be able to explain the costs to people she met at the supermarket, she said. With regard to the new penny and the tax increase that would cover the debt service, would the original penny have to go to the debt service too, she asked. Council Member Oates said that she understood that the new penny would cover debt service but assumed that the Town would have to pay back the principal as well. How much would that cost, whether it's $10 million or $15 million, she asked.

Council Member Gu said that the Council had talked about AH at almost every public hearing and that the need was clear. It was also clear that the Council was committed to trying to address the issue, she said. She agreed with Mayor pro tem Anderson that the solution needed to be comprehensive and sustainable, she said.

Council Member Gu said she understood that the Town would need to issue a $10 million bond in order to obtain 401 units and pay that by one penny on the tax rate over 20 years. But, if that 20-year increase was only to address the needs in the next five years, what was the solution for the other 15 years, she asked. She said that she wanted to see a comprehensive plan based on reasonable tax revenues and would feel more comfortable making the commitment if she knew that the Town would be able to take care of people in the long term.

Council Member Buansi asked for a breakdown from staff for scenarios one and two with a $15 million bond. He asked what conversations staff had had with OC and Carrboro about this regional issue.

Mr. Stancil replied that staff had been having monthly conversations with regional managers regarding AH and had also been meeting monthly with housing providers to coordinate efforts. Much of staff's thinking had been informed by those conversations and efforts to collaborate, he said. Mr. Stancil noted that OC had passed a bond referendum for AH. He said that he talked only with managers, however, so he did not know if the OC Commissioners and Carrboro Aldermen were discussing AH bonds.

Council Member Buansi asked Mr. Stancil if he was aware of any conversations about a tax increase, or any other means of dedicating funding to AH.

Mr. Stancil replied that that had not been part of his conversations. He pointed out that the Council's March 21 vote would be about having the opportunity to have a bond referendum in November. The Council would always have the option to not put it on the ballot, he said. Mr. Stancil

added that one cent tax for a $10 million bond would cost the average tax payer $35 per year.

Council Member Parker asked for information regarding how much of OC bond funds was expected to come to Chapel Hill. It seemed as though OC was telling the Town it was on its own regarding AH, he said, and he pointed out that the Town made up 50 to 60 percent of OC. Chapel Hill needed to push harder for help in solving the AH problem, Council Member Parker said.

Mayor Hemminger said that the Council was in agreement that there was a need for AH but that the Town had limited resources and competing needs. The penny for AH had been based on $10 million, so $15 million would require more, she pointed out. She confirmed with Council members that they agreed with continuing the $688,000 per year as part of the Town's operating budget.

Mayor Hemminger said that the Council's strategic plan for AH had been based on having a bond. However, the Town's property values were growing, so a penny was becoming a little more each year, she pointed out. She characterized the situation as a balancing act where the Town had a lot of needs and had to figure out how to make it all work.

Mayor Hemminger said that AH was a primary community value and that the Town had to do a better job of working with partners and finding more opportunities to leverage funds. The Council needed to think about all of that when deciding on the size of the bond at its next meeting, she said. She pointed out that the Manager had not yet presented the next year's operating budget, and she mentioned some of the possible expenses and sources of revenue. Mayor Hemminger said she was excited about redeveloping and improving Town properties, and she recommended pulling in partners to do that as well.

Council Member Bell confirmed with Mr. Stancil that having a bond approved in November would not necessarily mean adding a penny to taxes this year. Mr. Stancil explained that the Town could delay the tax rate increase for AH to when it actually sold the bonds. He noted that one alternative would be to put a penny on the tax rate this year, before actually having the referendum, in order to generate funds that could be used to pay for design and other pieces of Town projects. Another option would be to phase in a tax rate to pay back the debt while selling the bonds, Mr. Stancil said. He pointed out that it did not have to be one penny all at one time.

Council Member Bell said that it would not actually cost more to do a $15 million bond because the bond gave the ability to use those funds, but the Town did not have to use any of it.

Mr. Pennoyer agreed that a vote to approve the bond would give the Town

the authority to issue but would not compel it to do so. The Town could issue all, some, or none of the bonds, he said.

Council Member Bell said that she was trying to clarify that holding a bond referendum in the fall would not mean spending $15 million on January 1, 2019. It would mean telling the community that the Council wanted the opportunity to do some things over the next 20 years that would require additional funds and was asking citizens if they agreed or not.

Mayor Hemminger said that committing to putting a bond referendum out meant committing on how to pay for it. The Town would have to pass the penny to add to the debt fund in order to be able to ever pull those funds down because it would hit a negative slope if it did not, she said.

Mayor Hemminger reminded Council members of three important upcoming meetings: A meeting with OC commissioners the following week regarding a list of topics that would include AH; the Legislative Breakfast on April at 8:30 a.m.; and the Near to Far Festival on Franklin Street on April 8.

This item was received as presented.

ZONING ATLAS AMENDMENT(S) and SPECIAL USE PERMIT(S)

ZONING ATLAS AMENDMENT(S)

4. Open the Public Hearing: Application for Zoning Atlas Amendment - Merritt Mill East, Multi-Family Development, 800 S. Merritt Mill Road (Project #17-084). **[18-0211]**

Senior Planner Kay Pearlstein gave a brief PowerPoint overview of the Town's rezoning and Special Use Permit (SUP) processes. She then presented the Merritt Mill East Multi-Family Development rezoning application, noting that the 24 one-bedroom, rental project, developed by CASA, was 100 percent AH. She pointed out that the Planning Commission (PC) had recommended approval.

Ms. Pearlstein showed the site's location on an area map and explained that only half of it was in Chapel Hill, with the other half being in Carrboro. She recommended that the Council receive the staff report, hear public comment, and recess the public hearing on rezoning to April 25, 2018.

Jess Brandes, CASA's housing developer, said that the rezoning was being requested because of changing conditions. She listed ways the project would achieve the purposes of the Chapel Hill 2020 Comprehensive Plan. Ms. Brandes explained that the development would include 24 one-bedroom units on the Chapel Hill side and 24 two-bedroom units on the Carrboro side. The total lot was three acres and the units would be

permanently affordable to those at 60 percent of the area median income (AMI) or below, she said.

Ms. Brandes explained that the proposed main source of funding was low-income tax credits and that CASA would accept rental subsidies. She described the site plan and noted its steep slopes and underground stormwater detention with a playground above. Ms. Brandes discussed landscaping, buffers, and elevations. She said that the project would reduce traffic, increase density, would be an urban infill of vacant land, and would exceed ASHRAE standards.

Council Member Parker asked for more information about the requested zone, and Ms. Pearlstein explained that a Residential Special Standard Conditional zone was only available to 100 percent AH projects. That zoning district did not have a density cap, perimeter setbacks, or required landscape buffers, she explained. Ms. Pearlstein said that the proposed zone also had a fairly high floor-to-area ratio. It allowed about 56,000 square feet, but the applicant was proposing only 25,000, she said.

Mayor Hemminger expressed enthusiasm about the opportunity and said she was glad that staff had been collaborating with the applicant. It was an AH project that was needed in the community, she said.

A motion was made by Mayor pro tem Anderson, seconded by Council Member Buansi, that this Public Hearing be continued to April 25, 2018. The motion carried by a unanimous vote.

SPECIAL USE PERMIT(S)

5. Open the Public Hearing: Application for Special Use Permit - Merritt Mill East, Multi-Family Development, 800 S. Merritt Mill Road (Project #17-084). **[18-0212]**

Ms. Pearlstein said that all development review boards had reviewed and approved the Special Use Permit (SUP) application, with two of them adding special considerations. She showed the two-parcel assemblage on a map and described the proposed three-story building with a clubhouse at the front and 26 parking spaces. The entire development would maximize the building area and would have only one entrance, she said.

Ms. Pearstein noted that the applicant was asking for a steep slopes modification to allow for a flatter building site. She reviewed plans for OWASA sewer and water, a sidewalk, and five-foot bike lanes along the frontage. She noted a list of requested modifications regarding a planting strip, steep slopes, solid waste/recycling, tree canopy, and recreation space. The applicant had also asked to remove Stipulation 18, which required that the playground be fenced in, due to the playground's location on the Carrboro side away from the street, she said.

Ms. Pearlstein suggested two additional changes to Resolution A, which pertained to the direction of an evergreen screen and the number of bicycle parking spaces. She recommended that the Council receive evidence, hear testimony, and recess the public hearing to April 25, 2018.

Civil Engineer Dave Ballentine suggested that Section 9, regarding utilities on page 73, be worded differently. He explained that the applicant was preparing plans that could be approved by the NC Department of Transportation and was not doing the water line work.

Ms. Brandes asked to tweak the wording to say that designs would be provided and approved. She stressed that the April 25 Council meeting was an important date because the deadline for tax credit funding was May 11, 2018.

Ms. Brandes disclosed that she had submitted a modified funding request to the Town for an additional $220,000, due to the expanded scope of the project from 12 units to 24 units. She said that CASA was asking the Town to fill the gap so they could turn in a complete application by May 11th.

With regard to Council Member Parker's earlier question about what percentage of Orange County's AH bond funds were being spent in Chapel Hill, Ms. Brandes pointed out that CASA had received more than $1.3M from Orange County and that those funds had made the project feasible.

Mayor pro tem Anderson mentioned that Duke Energy was providing incentives for green building and asked if CASA had pursued that.

Ms. Brandes replied that they had not. They had received many environmental suggestions from Town advisory boards and were open to looking at which ones they could accomplish, she said. She pointed out that CASA would be better able to determine what it could afford once it had been awarded funding in August. Ms. Brandes mentioned that CASA agreed with Carrboro's requested to replace trees with the same specimens that were being removed.

Council Member Buansi asked how many feet from the NC 54 exit the development's proposed entrance was. Ms. Brandes replied that she was not exactly certain but that the NC Department of Transportation had said it could not be any closer to NC 54 than the location being presented.

Council Member Oates said she thought that multi-family developments always had to have two points of egress.

Ms. Pearlstein replied that the development would be sprinkled and that each parcel would have its own fire hydrant. That was apparently sufficient for fire regulations, she said.

Council Member Oates asked if there would be compensations to surrounding properties if more run-off resulted from the steep slopes being leveled.

Mr. Ballentine explained that construction would actually improve drainage in the area. The applicant would be treating stormwater on the site, putting it underground, and adding catch basins and other improvements along NC 54, he said.

Council Member Oates asked if having laundry facilities in the clubhouse meant that the apartments would not have them.

Ms. Brandes replied that the Housing Finance Agency had recently recommended that accommodations for those facilities be put in the apartments. She said that putting laundry facility hook-ups in apartments would probably not significantly increase the cost, since CASA would not be supplying the appliances.

Mayor Hemminger verified with Ms. Brandes that first floor units would be ADA compliant. Ms. Brandes said that CASA was required to have 10 percent set aside for people with disabilities, or who were homeless, and they would try to increase that to 20 percent. She said some units were fully wheelchair accessible.

A motion was made by Mayor pro tem Anderson, seconded by Council Member Bell, that this Public Hearing be continued to April 25, 2018. The motion carried by a unanimous vote.

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

A motion was made by Council Member Gu, seconded by Council Member Schaevitz, that the council enter Into Closed Session as authorized by General Statute Section 143-318.11(a)(3) to consult with the Town Attorney concerning the handling of an existing lawsuit in which the parties are William Raynor, Jr., Kara Raynor, the Town of Chapel Hill, the Town of Chapel Hill Historic District Commission, John Wood Sweet, Kimberly Kyser, Robert L. Epting, Mary Frances Vogler,, Susan S. Smith, Walter Woodrow Burns, Jr. and Alan E. Rimer.; and, as authorized by General Statute 143-318.11(a)(5) to consider possible acquisition of real property. The motion carried by a unanimous vote.

ADJOURNMENT

The meeting was adjourned at 10:52 p.m., the Council went into closed session and the meeting adjourned at the end of the closed session.