**DRAFT SUMMARY MINUTES OF A MEETING**

**OF THE CHAPEL HILL TOWN COUNCIL**

**COMMITTEE ON ECONOMIC SUSTAINABILITY**

**FRIDAY, MARCH 4, 2016, 8 A.M.**

**CHAPEL HILL PUBLIC LIBRARY, ROOM C**

Committee Members Present: Mayor Pam Hemminger, Council Members George Cianciolo (Chair), Sally Greene, Ed Harrison, Nancy Oates, Maria Palmer, and Michael Parker; UNC Director of Real Estate Gordon Merklein, Orange County Visitors Bureau Tourism Director Laurie Paolicelli, Downtown Partnership Executive Director Meg McGurk, and Orange County Economic Development Director Steve Brantley,

Staff Present: Town Manager Roger Stancil, Deputy Town Manager Florentine Miller, Economic Development Officer Dwight Bassett, Executive Director of Planning and Sustainability Mary Jane Nirdlinger, Communications and Public Affairs Director/Town Clerk Sabrina M. Oliver, Communications Manager Catherine Lazorko, and Mayoral Aide Jeanne Brown.

Guests present: Kristen Smith, Aaron Nelson, Roger Perry, Mark Moshier, Rachel Russell, Dave Mester, and Fred Lampe.

Committee Mission: Support opportunities to put Chapel Hill’s people to work, and create economic prosperity for all, now and in the future.

Chairman Cianciolo introduced the agenda.

1. Goals

Update on previously recommended goals – Consider joint Incentive Policy with Orange County – ask county and town managers to develop thoughts for consideration.

Town Manager Stancil said he had met with the Orange County Economic Development Director Steve Brantley and Chapel Hill Economic Development Officer Dwight Bassett and discussed a joint incentive policy and directives for incentivizing. He said the County would act as primary and the Town would contribute. He said they would get back together in 60 days and report to Council.

1. Consider these goals.

Evaluate options for incentivizing the development of office space at Obey Creek, Ephesus-Fordham, and/or Glen Lennox – ask Manager to identify options for consideration for recommending to Council.

Mark Moshier, Legacy Real Property Group, said that he and his partner were raised here, were staying here, and they loved the area. He said the development profile comes down to the following:

* Risk analysis, and the yield you might get.
* Rules are different here, takes one to three years and a $100,000 investment to not know what you’ll have at the end of the process.
* Developers need confidence in process.
* Chapel Hill doesn’t have huge office space demand.
* Acquisition cost is high here, entitlement risk, developers need help going through process because you never know how Council will react to the public hearing process.
* Developers need density bonuses, flexibility with parking requirements, help with storm water, help in filling buildings, and any kind of tax break. He cited a city in Virginia that lent money to the town at a lower interest rate until they could afford regular financing.

Council Member Oates said the Town needed to find reasonable ordinances and guidelines and stick to them.

Council Member Parker asked how the Town would know it was getting a good deal. Mr. Moshier said they would know by looking at best practices.

Mr. Brantley said that tax abatement/breaks are not permitted by law, but performance agreements are acceptable. He said that Charlotte incentivizes TIFs (tax increment financing).

Mr. Perry said he didn’t think there was a supply problem, but there is a demand problem created by the urban growth boundary. He said that was a Town policy developed during the 1970s through the 1990s that restricted growth and put the Town on a starvation diet.

Mr. Perry said because of restricted public investment, the Town doesn’t look as good as other areas. He said there was a new tide of money coming into Town from the development of Carolina Square, and Village Plaza, and developments at Martin Luther King Jr. Blvd. and the Weaver Dairy Road area. But instead of the Town putting that money into the General Fund, it should go out and aggressively go after bond funds and put it into the downtown area, he said. The area is in awful shape and the Town needs to make the investment in sidewalks, lighting and landscaping, he added.

Mr. Perry said Chapel Hill also has the potential for a world class bike and pedestrian plan for the entire region. Chapel Hill public schools are no longer on the cutting edge – they have stood still, he said, reiterating that the Town needed to bring downtown, bike and pedestrian ways, schools and transportation above that of the competition. He said the Town needed to bring in a bond expert because rates are very low and it is an excellent opportunity to bring in new revenue sources.

Mr. Perry also said the Town needed to regain its edge as a music venue and to invest in the arts and the community to make it competitive again. Give me a better town to be competitive in, he added.

Chair Cianciolo asked questions regarding traffic and residences – which comes first? Jobs? Retail offices? Residences? Mr. Perry responded that the Town had enough housing, but it needed more people working here and buying here. He said people are coming here and imposing their needs on us. They come for the area and its amenities, he added.

Mayor Hemminger asked how the Town could bring office space here and if it could be incentivized. Mr. Perry noted that people want to do business in Chapel Hill for the same reasons they want to live here.

What if business wants to come here but we have no space, Council Member Palmer asked. Mr. Perry said there was no shortage of office space, noting availability at Vilcom and Carolina Square. He said you create affordable office space from existing space. He said Durham had done that in collaboration with Duke. We need public partners with new space, he added. He said that Duke had determined that a vibrant downtown was necessary for their brand and incentivized the American Tobacco District to achieve that.

Mr. Perry concluded that the Town needed to use its resources to increase its competitiveness and increase the desire to work in Chapel Hill, and get behind the “eight ball” after it declined development for years.

Rachel Russell and Dave Mester, with Grubbs Properties, gave an update on Glen Lennox. Ms. Russell said that the demand is there, there’s a supply issue. She said work should begin on Phase I next week. She said the master plan consisted of 600,000 square feet of office space in Phase I at US 15-501. She said there would be shared parking with 250 plus apartment units. She said construction would be timed for a slower transition and they would be focusing on the easiest to execute. You don’t have supply to offer, so we’ll do 100,000 square feet of specialized office space.

Ms. Russell said they needed incentives for the $19.1 million of infrastructure in roadways and storm water. And if the Town gave them that, they would give them supply.

Mr. Bassett said there is 2.4 million square feet of office opportunity in Town. All we need to do, he added, is add 1 percent to our absorption rate.

Mr. Merklein said he had heard the three perspectives and that we need all of them. He said that Cary had one of the best bike and pedestrian systems in the country. We need to redefine and reinvest in Town to create a competitive edge. He said that when Duke committed to American Tobacco they stuck with it and let other projects fall to the side. He said we need to make what we’ve already approved successful and focus on regaining our edge in the region.

Mr. Merklein said, to see Chapel Hill grow, we need to step up to the plate, determine our role and be who we are, but get out there and sell that.

Dave Mester, Grubb Properties, said they needed to get those 100,000 square feet going, and the Town needed to identify who they want to be there.

Mr. Bassett said that pharmaceutical companies and technology want to be here, but we could not provide the conditions necessary – walkable property without parking restrictions.

Ms. Russell asked how they could help. Tell us what you need for success, Mayor Hemminger said. Mr. Bassett said bring us a development plan and phasing.

Chairman Cianciolo said the committee would take what they heard today and get staff to come back with information and a plan.

3) Consider these goals:

Consider rezoning Millhouse Road area for light-industrial/research companies. Ask Manager to propose process for initiating rezoning.

Ms. Nirdlinger introduced the review of the draft zoning district. The document was distributed so attendees could go through the document and submit questions to staff.

Mr. Brantley questioned the cost of land on Millhouse Road. He said the zoning district and uses for this area didn’t flush with the cost of the land.

Mr. Bassett said he and Ms. Nirdlinger would work together to overlay the district with roads and other infrastructure.

Council Member Parker said they needed to test market studies.

Mr. Noble said demand couldn’t be predicted because we haven’t had a plan for new ideas. He added that there was a need to create a flexible space.

Ms. Paolicelli recapped the meeting noting there was a parallel to tourism. She said she agreed with Ms. Russell and Mr. Perry. She said people come here because of who we are – 2.5 million tourists a year. She said we are missing recreational space and playing fields and lose those tourists to Cary. She said tourists tell us they love the nostalgia of Chapel Hill. She said the Visitors Bureau has invested $85,000 for a study.

Mr. Stancil said the Town would continue to work with the county on incentives. He said staff would take information provided by developers and synthesize the comments and submit them to the committee. He added that an electronic copy of the draft zoning district would be sent to attendees and comments would be shared at the next meeting.

The meeting was adjourned at 9:55 a.m.