

**SUMMARY OF THE CHAPEL HILL COUNCIL
COMMITTEE ON ECONOMIC SUSTAINABILITY MEETING
PLANNING ROOM 341, TOWN HALL
FRIDAY, DECEMBER 9, 2016**

Council Present: Mayor Hemminger, Council Member George Cianciolo, Council Member Michael Parker, Council Member Sally Greene, Council Member Ed Harrison, Council Member Maria Palmer, Council Member Nancy Oates,

Other Committee members: Associate Vice Chancellor for University Real Estate Operations Gordon Merklein, Orange County Director of Economic Development Steve Bradley. Director of Chapel Hill/Orange County Visitor's Bureau Laurie Paolicelli

Staff: Deputy Town Manager Florentine Miller, Laura Selmer, Economic Development Officer Dwight Bassett, Town Manager Roger Stancil, Public Works Director Lance Norris, Executive Director of the Office of Planning and Sustainability Mary Jane Nirdlinger

Citizens: Fred Lampe and John Quintero.

3. Incentive Policy

Council Member Cianciolo opened the meeting at 8:06 a.m. and introduced the third agenda item, the incentive policy.

Town Manager Roger Stancil reported that he had had conversations about the policy with the County Manager Bonnie Hammersley. He said they were in general agreement as to the contents and wording of the policy, and noted that the Board of Commissioners had yet to discuss it at a formal meeting and that the first opportunity for this would be at a work session early in February. He said that he would refer any ideas from Council to the commissioners.

Economic Development Officer Dwight Bassett said that they looked at the policy and made changes. He noted that development incentives were part of a paragraph but had been broken down into two categories. He referred to strategies for job creation and development.

Council Member Cianciolo asked where the job creation numbers came from. He wondered if they were pretty standard for the area and if Wake County or another reference point had been used.

Mr. Bassett said that it was based on what other people were doing in the field, and that it was illegal to dictate wages but that they could encourage wages in that range

Steve Brantley said that they looked at numbers that included the baseline for number of minimum jobs and targeted dollar value of jobs.

Mr. Brantley said that he had looked at the numbers from Durham, Cary, Raleigh and Greensboro. He said that the county would be in line for state projects that were being recruited for if those projects were approved by local government. He gave the example of a 100-employee software company and said that the state could come along and offer \$100,000 dollars for such a project. He noted that the state used a formula that took into account both the number and value of jobs.

Mr. Bradley said that there was a way to approach the issue of a living wage and referred to a state incentive. He stated that every county has an average wage and that Orange County's is \$17.00 an hour. Mr. Brantley noted that the state would not incentivize a project unless the project had an average wage that was greater than or equal to the average wage of the community it was located in. He added that pay for software and related jobs would be greater than or equal to minimum wage, especially when benefits

were factored in.

Mr. Bassett said that consideration would be given to businesses that offered higher than minimum wage and they could make it a priority, but that the Council would still have to approve each one. He reiterated that an award could not be made without the Council's authorization.

Council Member Greene said that she agreed with the approval process but that she was worried that they would lose tax money through the incentive. She noted that they had discussed that if they created a lot of jobs, it would be okay, but that there had been no mention of anything quantitative, such as a dollar amount.

Mr. Bassett referred to the incentive plan and the investment of up to 50% of net new taxes. He said that they would not pledge more than 50% of net taxes and that the rest would be reserved for Orange County and Chapel Hill, so that tax revenue would be preserved.

Council Member Cianciolo noted that job creation would generate increased spending and thus increased tax income. Council Member Greene said that she was not comfortable with that, and wondered if they would get that money back if a company that received an incentive went out of business within the first five years.

Mr. Bassett replied that there were no claw-backs. He said that when it was performance-based, you rewarded them when they reached a performance level, and that if they still went out of business, you would not get the money back. He added that if there was a chance for non-performance prior to payment, they would do a claw-back, but that that was not the approach they had taken.

Council Member Greene said that they had clarified the issue but that she was still not comfortable with it.

Mr. Bassett said that targeted sector had been noted in the Commercial Development Strategy: Output of Medical School, Pharmacy School (and research), Applied Sciences and Technology. He said that he had discussed it with Gordon Merklein and they were in agreement that that was where most of the opportunity was.

Mr. Stancil noted that the idea behind an incentive was to be focused. He said that the goal was to not give incentives to anyone because you already had what you wanted, but that they wanted to use the incentive policy to get those pieces, such as tech jobs or jobs that met their salary interests, into place. He suggested that a joint policy would probably be even more focused. It would always come to the Council for approval, he said, rather than staff being able to offer it to people. He reiterated that the Council would have the last say.

Council Member Oates asked if they would give a company that wasn't what they were looking for, such as a grocery store that paid low wages, an outright no.

Mr. Bassett referred to part of the policy related to extension of the payback period.

Council Member Parker asked how long they would need to keep the jobs. He suggested that they add something requiring that they keep them for a minimum period of time.

Council Member Oates suggested that they also add something about the jobs being created in Chapel Hill.

Council Member Cianciolo noted that as it was a joint project, jobs could be located in either Chapel Hill or Orange County.

Council Member Oates agreed that they should be limited to Orange County and that they should avoid providing incentives to companies whose employees would be based outside of the area. She gave the example of a tech company that was based there but had employees in California.

Council Member Greene noted that it was all optional. She said that they could turn them down for any reason and that it was not a matter of anyone who met the criteria automatically being given an incentive.

Mr. Bassett agreed that that was the case.

Council Member Greene asked if there wasn't a way to avoid having to say no to companies that they wouldn't have said yes to in the first place.

Mr. Stancil stressed the importance of identifying targets.

Council Member Greene stated that the point was growing a local economy. She noted that jobs were all over the world and that they couldn't control it. She added that she did not find this comforting.

Mr. Brantley gave the example of a state incentive awarded for net new jobs with the stipulation that a certain number of existing employees be retained. Regarding screening, he said that while they didn't have a lot of completed incentives, screening did occur at the county level. He also stated that it may be more appropriate if something like a small business loan. He referred to an international boarding school based in the area and said that it might be no different from a manufacturing company if they paid taxes, though the Manager's Office might state that they didn't want to pursue that kind of business and that it was not the target of the incentives. Mr. Brantley noted that inquiries were turned down at his or the next level but only approved at the level of the commissioners. He said that even if you incentivized something that went out of business, you would have the net value of 50%. He stated that 50% was retained relative to 75% for county industrial grants. Mr. Brantley noted that the people who worked there would have gained job skills and experience and that the business may have brought more vendors to the community.

Mayor Hemminger said that the incentive policy passed for Wegmans sent out a huge signal that they were serious about bringing business to the area and that regardless of whether or not they gave out more incentives, it was a big deal. She stated that it had generated a lot of interest and gotten out the message that Chapel Hill was welcoming and serious about working with people. She noted that no guideline had existed then, but that the incentive policy should help guide them rather than their having to make it up along the way. Mayor Hemminger said that the truth of the matter was that they could craft incentives on a case-by-case basis using the policy as a guide.

Council Member Cianciolo suggested that they recommend staff changes and take the revised policy to the County.

1. I-2 Zoning District

Executive Director of the Office of Planning and Sustainability Mary Jane Nirdlinger provided an update on I-2 zoning. She said that they were preparing to bring it to the committee in February. Ms. Nirdlinger talked about rezoning the Millhouse properties. She said that she had worked with Town

Attorney Ralph Karpinos on the language of the zoning ordinance. She recommended that they establish a special use zone rather than rezoning properties as then they would be able to negotiate. She noted that they didn't want to rezone proactively and potentially interfere with annexation.

Ms. Nirdlinger added that she and Mr. Karpinos would continue to work on the language of the zoning ordinance.

2. Proposal for Town Property at Millhouse Road

Mr. Bassett said they reviewed a concept plan that might be in the new zone, discussed how they might build out after the zone was in place with the developer, and held a concept meeting. Mr. Bassett displayed a map of the transit-owned/public works property they were looking at and pointed out its location relative to Millhouse and the interstate. He noted that they owned two small parcels and pointed out the location of Public Works. He noted that of the two parcels, one was acquired using transit funds, which meant that there were limits on what they could do with it, while the other parcel was purchased with bond funds. Mr. Bassett proposed that rather than constructing two large buildings, they build a row of smaller buildings in the 5,000 to 7,000 square foot range lining the street, similar to a traditional main street. Mr. Bassett suggested a swap of equal land that would result in transit dollars and the related restrictions being shifted to other properties, freeing up their ability to negotiate use of those strips of land. He stated that they had just begun exploring that option a few weeks prior but that it seemed applicable to the zoning discussion. He noted that they had talked about a mix of one and two-story buildings. Mr. Bassett stated that he was mostly just providing an update as it would return to Council at some point.

Council Member Cianciolo said that they would still have to negotiate since the concept would always need access across Millhouse to get to their lots and it was the only way to get down from Millhouse. He noted that not having to worry about access would be one potential advantage of owning the lots.

Mr. Bassett commented that we could offer a long-term lease and that the Town could retain land rights and allow them to build on it. He added that Council had the option of selling at any time.

4. Lease of Former Planning Space for Start-up

Mr. Bassett said that as part of the rehabilitation work on the third floor of Town Hall, they had leased a 1,500 square foot property until May of 2017. He stated that they had begun to explore usage options for the remainder of the lease term and started discussing the possibility of the space being used by current participants and past graduates. It was pointed out that their time there was limited, he said, and in response, they had acquired information on ownership and considered extending the lease for six months to a year from the current end date. Mr. Bassett suggested that it could house growing companies, potentially for free, but that they had not yet identified any specific companies as potential tenants. He noted that they had established a selection committee that was working on selecting a Cohort 7 group to go into the accelerator and that they could make a recommendation on what the space was used for.

Mr. Bassett asked what they were thinking from a market perspective and whether it would be partially or fully subsidized. He suggested that it would be partially subsidized.

Council Member Cianciolo asked if it would be partially subsidized across the board or if it would depend on the company, such as how much they were able to pay, and if the selection committee would decide.

Mr. Bassett responded that they would be graded on ability to pay and level of use and that after that point, they would decide how much to subsidize.

Council Member Cianciolo recommended that staff continue to work on it and bring it to Council on January 9, 2017.

5. Wallace Deck

Mr. Norris provided an update on the Wallace Parking Deck. He said that they had engaged the original architect to look at the deck and determine what would be built on it. He said that this would be a limited review. He stated that at the time, they could add another 10,000 square feet. Mr. Norris added that there were electrical deficiencies and water and sewer work that needed to be done. When the deck was built, he said, there were no seismic requirements in the code. He suggested that one additional story of up to 10,000 square feet, or about half of the top story, could be added to the deck. He noted that the engineer that looked at the deck in 2008 was FDH Engineering, but that they had since gone out of business. He said that they had hired Collins Engineering to do a visual of the deck and that it could take up to 60 days, the amount of time requested by the engineering company, depending on the condition of the 25-year-old deck and whether or not they needed to do structural testing. He commented on the need to look at the 2005 code and see what improvements the deck might need to carry that load.

Mayor Hemminger referred to concerns over the loss of public open space. She stated that the space was not being used and that most people didn't know that it existed. She said that they were looking at options to better serve Town needs. Mayor Hemminger referred to a partnership with Carolina Square that involved finding ways to use their large outdoor activity space. She said that they were exploring ideas for Wallace Parking Deck, whether for half or all of the top of the deck, so that they would at least be aware of their options.

Mr. Stancil said that the Kidzu plan would use half of the top of the deck and that they'd negotiate what to use the other half for.

Mr. Norris stated that they would need to go back to that at some point.

Mayor Hemminger suggested that if we go forward with building on the deck, the Town should avoid doing anything they didn't have to.

Mr. Stancil noted that they deferred fixing the roof because they had had inquiries about building on the space. He said that if they didn't have someone who was interested, at some point, they would have to spend the half-million in order to protect the Deck investment.

Council Member Cianciolo asked if any work had been done on lighting.

Mayor Hemminger said that they replaced the lighting and that the new lighting was incredible.

Council Member Cianciolo asked if she meant the lighting on the top.

Mayor Hemminger confirmed that she had referred to the lighting on the top of the deck.

Council Member Cianciolo replied that he meant the inside lighting, for parking.

Mr. Stancil responded that they had worked on inside lighting and it was very bright now.

Other Development

Council Member Greene said that she noticed some activity at the old Glenn Lennox shopping center on her way to the meeting. She asked if anyone was thinking about developing that area.

Mr. Bassett said that the same development company that did Chapel Hill North was exploring some options and that Glenn Lennox could be one of the properties they were considering.

Council Member Harrison said that the last update he saw hadn't included much of the agenda from the church next to Glenn Lennox's board. He commented that he didn't know what kind of update there was to give.

Mr. Bassett replied that he had lunch with a property team manager four to five weeks prior and he noted that it was his understanding that they were in the primary planning stages and would like to break ground in summer of 2017.

Council Member Harrison pointed out that they would need a building permit for a project of that size.

Mr. Bassett responded that it would be a phased project, with phase one to include apartment units and a clubhouse.

Writing about the Town/Town publicity

Mr. Bassett discussed publicity of Town development projects/businesses and that they had hired a writer to tell the story. He added that we were also featuring available properties.

Mayor Hemminger said that she attended a mayor's conference where they said that telling stories was the best thing you could do as they got out there and highlighted innovation. She noted that stories about minorities in innovation spread awareness that your community was welcoming.

Other

Council Member Cianciolo asked about Carolina Square. Mr. Brantley replied that it was growing and that the work was on schedule.

Mayor Hemminger noted that Target would open in July.

Council Member Harrison asked about campus plans. Gordon Merklein responded that they didn't want to get a master plan ahead of a strategic vision.

Council Member Cianciolo asked Mr. Brantley if he had anything to share relative to the county and Mr. Brantley said that they were going to issue progress update on grants and loans. He noted that lawyers had made them take out identifying businesses that had received grants. He said that booklets would be mailed that identified the businesses, with the goal of connecting the recipients of loans and grants to the actual jobs that were created as a result. Mr. Bradley noted that in the past year, many companies had added employees, with a male to female ratio and a minority ratio of 50%.

Parking

Mayor Hemminger referred to a meeting related to increase parking for businesses. She talked about improved lighting in Basnight Lot and increased signage to encourage more people to park there. She suggested that they look at the lot on Rosemary Street that the Town shares with Carrboro and try to come up with ideas for it. Mayor Hemminger expressed a desire to make things easier for people

visiting downtown by helping them figure out where to park and where to go. She suggested that the university publish that information on their website so that when people visit UNC-CH, they also visit downtown and patronize Chapel Hill businesses. She talked about the expansion of the surface parking lot behind The Courtyard and noted that it was a process and would take some time.

Council Member Palmer suggested that they needed to do a better job of providing businesses with tools for informing their customers. She said that she had talked to many people who had read her posts about biking and found that there were a lot of misconceptions regarding what was available and where. She suggested something like a handout with a map. Council Member Palmer referred to a visit to Boulder and how they solved their parking problem. She said they charged \$3.50 in Boulder and \$1.50 in Chapel Hill. She wondered if they wanted to increase parking charges and noted a need to make people think carefully as they implemented better public transit options. She said that it was a way of tilting the scale and that she wanted to put it out there and provide information. Council Member Palmer suggested that if someone could add \$1.50 to their tip at a restaurant without thinking about it, increasing parking charges by \$1.50 should also be a non-issue. She asked if they should consider charging more for parking.

Mayor Hemminger said that they wouldn't be ready to tell their story until they created more parking spaces. She pointed out that they didn't want to invite people downtown only to have them get frustrated and decide not to come back. She added that she didn't want them to seem like a towing community and that they were working on resolving these issues.

Council Member Oates pointed out that Carrboro charged \$2.00 for parking.

Council Member Harrison referred to UNC parking lots.

Mayor Hemminger expressed her appreciation of UNC for opening two of their parking lots to the town.

Visitor marketing/events

Laurie Paolicelli commented that at the moment, the bulk of their marketing was with Garden and Gun Magazine, at \$25,000 for a spread, and that they had their biggest readership with Garden and Gun Magazine and Southern Living. She noted that they were thinking about moving into television and that it was their big spring project. She said that they would launch a "visit Chapel Hill" campaign. She pointed out that the Southern Village hotel opening was in March. Ms. Paolicelli noted that this was their shoulder season, an ideal time for youth sports tournaments, including high school and club sports, as they tended to lose a lot of those type of events this time of year.

Ms. Nirdlinger asked Ms. Paolicelli to define the term "shoulder season," Ms. Paolicelli explained that it meant the slow time of the year, when there was low occupancy. She stressed that it was a good time to encourage events and focus on community events and engagement. She said that they would stay open for Second Fridays for the parade. She talked about supporting local events and referred to the signature event of the Visitor's Bureau.

Closing - Council Member Cianciolo announced that the next meeting would take place on January 6, 2017 at the library.

The meeting ended at 9:28 a.m.