

**Council Committee on Economic Sustainability Meeting Notes**  
**June 2, 2017**  
**Chapel Hill Public Library, Meeting Room A**

Attendees: Mayor Pam Hemminger, Council Member George Cianciolo (Chair), Council Member Sally Greene, Council Member Ed Harrison, Council Member Nancy Oates, Council Member Michael Parker, Roger Stancil, Flo Miller, Jeanne Brown, Dwight Bassett, Ben Hitchings, Mary Jane Nirdlinger, Laura Selmer, David Finley, Rae Buckley, Loryn Clark, Sarah Vinas, Beth Vazquez, Meg McGurk, and Jeff Denny (Liaison Design).

Council Member George Cianciolo opened the meeting at 8:01 a.m.

Agenda approved.

**Updates**

Economic Development

Economic Development Officer Dwight Bassett reviewed the Commercial Development Strategy and five high level goals that provide a focus for economic development. Current projects include facilitative support to move forward the Maker Convening and Entrepreneur Council, and the co-working space expansion at LaUNCH. Mr. Bassett said we are beginning to see real output from company growth out of LaUNCH. One company has grown to more than 20 employees, and efforts remain focused on retaining them here in Chapel Hill and not losing them to the region. The goal is to select a facility for the expansion of LaUNCH within the next 90 days to provide growing companies with Stage 2 space.

Mr. Bassett was awarded a scholarship to attend the ULI Spring Meeting in Seattle, Washington. Economic Development continues to assist with projects like Carraway Village and Ephesus-Fordham that create jobs. Mr. Bassett spoke about the marketing work with Liaison Design Group, and said he anticipates that focus groups will be conducted with two key groups, millennials and post-docs, in late July and August. He announced that the last business retention event of the year will take place on June 6<sup>th</sup> at the Carolina Inn. Mr. Bassett showed an ad from Liaison Design that is currently running the *Carolina Alumni Review*, which builds on the momentum from the Tar Heels' NCAA National Championship win.

Mr. Bassett shared regional comparative data from Charles Warren of Toyon Group on population growth, and development of office, retail, multi-family residential, and hotel space.

Mr. Bassett advised that, just this week, he has received four substantial inquiries from companies; two are growing companies related to UNC or LaUNCH and two are relocations. Council Member Cianciolo asked why one of these companies wants to return to Chapel Hill from Durham. Mr. Bassett said that Durham is getting more expensive and the company's preference is to be located in a more urban area. Council Member Michael Parker asked what price points companies are looking for at different stages of company growth. Mr. Bassett responded that our focus is on acceleration, co-working, and Stage 2, who can typically pay less than \$25 per square foot. Mr. Bassett said that, with the next level of funding, companies are able to come nearer to the price per square foot rate typical for Chapel Hill.

The discussion turned to possible opportunities to create wet desks at The Exchange at Meadowmont and Chapel Hill 40. Council Member Parker asked if there are regulatory hurdles to building wet lab

space in Chapel Hill, which Town Manager Roger Stancil said is a myth. Council Member Parker asked if breaking down the wet lab myth is part of telling our story. Mr. Bassett agreed that dismantling this myth must be part of the conversation.

Mayor Pam Hemminger announced several ribbon cutting ceremonies that have taken place in recent weeks, including the Hyatt Place at Southern Village; Chipotle, Sprint, and Chopt at Eastgate Crossing; School of Rock; and The Joint Chiropractic at Rams Plaza. She also announced that the Target on West Franklin Street is on schedule to open July 15<sup>th</sup>.

### Planning and Zoning

Planning and Development Services Director Ben Hitchings provided an update on Planning and Sustainability, whose work flows from the Chapel Hill 2020 Comprehensive Plan and the community goals articulated in that document.

Mr. Hitchings showed several slides that depicted the distribution of square footage across different categories of mixed-use development, both approved floor area and floor area under construction or built. Mr. Hitchings highlighted that, while there has been a lot of commercial and office space approved, there is far less coming out of the ground. Council Member Cianciolo suggested that it would be helpful to see a cumulative representation of what has been approved versus built out.

Mayor Hemminger asked why these approved projects aren't being built. Mr. Hitchings hypothesized that a lot of the square footage approved, but not built, is part of Obey Creek. Mayor Hemminger added that the market has shifted; banks are under the impression that they have overextended themselves in multi-family development and are therefore not lending up to the level they were before. She also described a serious shortage of labor and supplies, which has driven up the cost of construction. Town Manager Roger Stancil added that Chapel Hill doesn't attract risk-taking developers because of a costly and time-consuming process. He theorized that one factor of our market is that investors make their money on the value of the entitlement and don't always intend to build.

Council Member Nancy Oates asked why office space isn't coming out of the ground. Mr. Bassett responded that the investment group doesn't want to build office in North Carolina because of House Bill 2, even with recent changes to the bill. Mr. Bassett said our two best options for success are to keep our vacancy rate low, around 5 to 7 percent, and to grow our inquiry book to show there is unmet demand.

Mr. Hitchings reviewed the development activity map, new concept plans, special use permit updates, projects under construction, and special planning initiatives. Mr. Hitchings highlighted the Fordham Boulevard Apartments (Days Inn redevelopment project) where Manager Stancil is leading a public-private partnership. The project utilizes a multi-objective framework to harmonize a development project that brings in tax revenue with a stormwater storage facility and a park amenity.

Council Member Sally Greene raised the Community Design Commission's interest in moving up the deadline for the completion of the Ephesus-Fordham Design Guidelines, currently projected to go through the end of 2018. Mr. Hitchings explained the timeline was sequenced to include public input, consultant drafting, staff review, and finally community review of several drafts of the design guidelines. Council Member Greene asked if interim guidelines could be adopted once some of the framework is established. Mr. Hitchings said a key question to consider is whether the guidelines simply provide

guidance for applicants, or whether some of the standards are requirements that must go through the text amendment process. Mr. Hitchings said staff will talk with the consultant to see what is possible.

Council Member Parker asked about the major elements of the scope of work of Winter & Company, consultants on the Ephesus-Fordham Design Guidelines project. Mr. Hitchings said the consultant will be addressing façade and massing, as well as block structure, details of the built environment, and pedestrian experience.

Council Member Cianciolo remarked that one of the areas not rezoned as part of Ephesus-Fordham includes the west/south side of Elliott, which is left open for the potential of providing incentives for affordable housing, such as density bonuses. Council Member Cianciolo suggested that this area be included in the design guidelines.

Council Member Parker inquired about the efficacy guidelines on other projects. Mr. Hitchings said the experience is mixed nationally. For example, often voluntary density bonuses get unused because the development framework is trying to anticipate how much bonus will be enough to entice someone to pursue something, which may or may not sync well with market conditions. He said that because of the way Chapel Hill's process is structured, applicants have to pay heed to guidance in a way that might not be true in other communities. In Chapel Hill, guidelines are a touchstone that serves as a basis for comments during the concept planning process. However, unless incorporated into a code requirement, guidelines are still voluntary.

Council Member Oates expressed concern that, by the time we get the product, the district will already be built out for the next 30 years. Mr. Hitchings said staff will look at the opportunity to share the evolving framework before the guidelines are formally completed. He said we do have to use caution not to give interim guidance that is later changed.

Mayor Hemminger acknowledged that advisory boards, especially the Community Design Commission, take these guidelines seriously and use them as the basis for the recommendations they provide to applicants.

Council Member Parker asked how much of Ephesus-Fordham will either be built or in the process of being built by the end of 2018. Mr. Bassett said he anticipates by the end of 2018 there's likely to be 30 to 40 percent development opportunity remaining.

Mr. Stancil said he would direct Planning staff and the consultant to look for options where we can provide design direction stronger than guidelines that can be used in the interim, while public input is still being provided. He said we can come back in September with some choices to look at that will provide an alternative to waiting a full 18 months for the guidelines to be completed.

#### Housing and Community

Office of Housing and Community Executive Director Loryn Clark introduced Assistant Director Sarah Vinas, who walked through some key points of the Affordable Housing Major Projects Work Plan.

Council Member Greene asked if the Northside Initiative and Self-Help are part of the HOME Consortium. Ms. Vinas clarified that, at this stage, the Consortium includes key partners on the Northside Initiative, including Community Home Trust, Habitat for Humanity, EmPOWERment, and CASA. Ms. Clark said the next step is to determine what other key partners need to be included. Council

Member Greene asked if Self-Help and the Jackson Center would be included before Monday's budget work session. Mr. Stancil said he is trying to work with all providers and recognizes that others need to and will be brought to the table.

Council Member Parker asked that we think about a common pool of resources for affordable housing that we collaboratively allocate across Orange County, including Chapel Hill. Mr. Stancil said he met with County Manager Bonnie Hammersley yesterday and talked about how to merge our planning operations with these non-profit executives, and how the Board of Commissioners and Town Council might come together to have these discussions. He said they will work toward formalizing a monthly meeting to plan together and collaborate on how resources are leveraged.

Council Member Parker asked if incentive structures and other similar strategies will be revisited. Ms. Vinas agreed that staff will be looking at all options.

Council Member Oates asked where staff sees the proposed increase in investment for affordable housing being used, and how soon will it be needed. Mr. Stancil said staff has been talking with our partners about sitting down with us and our financial consultant to plan out the timeline for funding, including when cash will be needed. He said the goal is to have information to Council in September or October that would allow Council to make a decision about the bond referendum.

### **Phase I Research for Telling Our Story**

Dwight Bassett introduced Jeff Denny, Principal with Liaison Design Group, who reviewed initial findings from the competitive research.

Mr. Denny summarized their approach to promoting Chapel Hill as a great place for business, which includes three phases: Phase One, Research the Community and Competition; Phase Two, Creative Concepting and Messaging; and Phase Three, Spread the Word.

Mr. Denny reviewed data comparing the Town of Chapel Hill with three fundamentally similar communities: Boulder, CO; Cambridge, MA; and Berkeley, CA. Comparative data reviewed includes population growth rate; population by gender, race, age, and generation; degrees awarded; National Institutes of Health awards and funding; job growth comparisons; total labor force; retail sales; average commute time; median home sales price and median monthly rent; and cost of living comparisons. He reviewed key insights from each of the comparison cities and initial impressions about Chapel Hill.

Mr. Bassett emphasized the need to conduct research with post-docs to better determine how to provide private opportunities for post-doc work beyond campus.

Council Member Cianciolo announced that the final two items on the agenda will be postponed; the next meeting will be in September.

Motion to adjourn at 10:03 a.m.