

Tuesday – December 11, 2018- 3:00 p.m.

Worksession

Present: Mayor Esther E. Manheimer, Presiding; Vice-Mayor Gwen C. Wisler; Councilman Brian D. Haynes; Councilman Vijay Kapoor; Councilwoman Julie V. Mayfield; Councilwoman Sheneika Smith; Councilman W. Keith Young; City Manager Debra Campbell; and Deputy City Clerk Sarah Terwilliger

We have started the budget process differently this year by sharing with Council and the public detailed budget information for each department earlier in the process. Asheville has unique challenges around its cost of living, demographics, affordable housing, as well as significant daytime growth in the city population. At this worksession, Council will continue to hear about how these challenges are impacting departmental budgets. Council will also continue to hear about the impact of the national economy on the City as an employer, and also hear about our focus on equity and how that is changing our service delivery models.

The City also continues to experience significant community interest in planning and zoning as we address growth and the impact of non-residents. All of these and other factors demand changes in how services are delivered, in the kind of technology and the equipment needs that exist. Keeping pace with changes in these areas allows us to have the best facilities and equipment to provide quality services to our residents and visitors.

As important as our facilities, equipment and technology needs are, people are still the organization's most important resource. The people we hire here are integral to quality of the service delivery. Throughout the presentations last month, we noted that a large part of the budget is dedicated to the employees who provide the services.

Department Directors from the Community & Economic Development Department; the Transportation Department; and the Water Resources Department each reviewed their organizational chart; overview of core services; key partners; budget and Fiscal Year 2018-19 budget drivers; prior year spending trends; Fiscal Year 2018-19 budget changes; department challenges; and Fiscal Year 2018-19 department goals from their respective department.

Various staff responded to several questions/comments raised by Council, some being, but are not limited to: further explanation of the US Cellular Center Fund prior year trends; how do we examine (i.e., metrix, benchmarks, etc.) the effectiveness of the \$100,000 contribution through the Chamber for the Economic Development Coalition; how much, if any, does Buncombe County participate in the Economic Development Coalition; request for profit and loss reporting functions for the Sports Commission and how the \$45,000 helps the U.S. Cellular Center; what are the other sources and level of funding for the Economic Development Coalition; further explanation on economic incentive encumbrances; how many economic incentive grants are outstanding; what are we doing to address barriers to attracting entities relating to jobs and increase wages; how effective has the Economic Development Coalition been in bringing in higher wage jobs; update on Code Purple; clarification that if we transfer street lights back to Duke Energy, we will be saving maintenance costs not the power bill; are we maxing out what we can transfer from the Park Fund to Transit; what can citizens do regarding speeding in the neighborhoods and large trucks prohibited but still using neighborhood streets; are we still meeting the transit system certification standards and do we have any plans to get recertified; what is the City's relationship with the Conservation Trust of NC, Council of Independent Business Owners, and Riverlink regarding water; do we do all chemical testing for water in-house; confirmation that the Water Resources Department working with the Sustainability Office in looking for both renewable and efficiency options for electricity; and what is our current water loss rate.

For those questions not readily answered, and for any additional questions Council members submit, they will be provided to Council via a memorandum.

Mayor Manheimer and City Manager Campbell explained how the City continues to try to get the community engaged in the budget process.

Mayor Manheimer adjourned the worksession at 4:20 p.m.

Tuesday – December 11, 2018 - 5:00 p.m.

Regular Meeting

Present: Mayor Esther E. Manheimer, Presiding; Vice-Mayor Gwen C. Wisler; Councilman Brian D. Haynes; Councilman Vijay Kapoor; Councilwoman Julie V. Mayfield; Councilwoman Sheneika Smith; Councilman W. Keith Young; City Manager Debra Campbell; Interim City Attorney Sabrina Rockoff; and City Clerk Magdalen Burleson

Absent: None

PLEDGE OF ALLEGIANCE

Mayor Manheimer led City Council in the Pledge of Allegiance.

I. PROCLAMATIONS:

II. CONSENT AGENDA:

- A. APPROVAL OF THE MINUTES OF THE REGULAR MEETING HELD ON NOVEMBER 27, 2018**
- B. RESOLUTION NO. 18-301- RESOLUTION ADOPTING THE 2019 CITY COUNCIL MEETING SCHEDULE**
RESOLUTION BOOK NO. 40 - PAGE 203
- C. RESOLUTION NO. 18-302 - RESOLUTION AUTHORIZING THE TRANSFER OF HOUSING TRUST FUND SECURITY INTEREST FROM 444 BEAUCATCHER ROAD TO THE CHAPEL PARK/MARIGOLD PROPERTIES**

Summary: The consideration of a resolution authorizing the transfer of Housing Trust Fund Security Interest from 444 Beaucatcher Road to Marigold/Chapel Place Properties.

Beaucatcher Commons LLC borrowed \$200,000 from the Housing Trust Fund (HTF) in November of 2010 to build 12 units of new affordable housing at 444 Beaucatcher, at 2% interest payable over 30 years. These units are made affordable to households at 60% AMI for a period of 30 years. The loan has been paid on a timely basis, and has a current principal balance of \$166,219.19.

The developer has an opportunity to refinance the first mortgage on that property through the Freddie Mac Small Balance Fixed Loan program. This loan is a no-recourse loan and has a

fixed rate for 10 years and is amortized for 30 years. There can be no subordinate financing on the property which is the reason for the request to transfer the city's loan to another property. Therefore, Beaucatcher Commons has requested that the loan balances and security for the 444 Beaucatcher Property be transferred to the Marigold Street/Chapel Park Place loan.

The developer borrowed \$150,000 from the HTF in June of 2013 to create a total of eight affordable units on Marigold Street and Chapel Park Place. \$75,000 was interest only at 2%, the other \$75,000 was fully amortized over a 30 year term. There is a current total loan balance of \$69,246.79 on the second loan. The Beaucatcher loan would then be added to those two loans as the total due of loans secured by the Marigold/Chapel properties.

The Housing & Community Development Committee approved this request on November 15, 2018.

Pros:

- The proposed interest transfer helps secure operating cost reducing refinancing on a property available to those with incomes under 60% of AMFI.
- The release of the security on the 444 Beaucatcher Road property would not release the affordability restrictions on that property, which will be in effect until 2041.

Con: None.

There is no fiscal impact associated with this action.

Staff recommends City Council approve the Beaucatcher Housing Trust Fund Security Interest transfer and authorize the City Manager to sign all documents necessary to give effect to this transaction.

RESOLUTION BOOK NO. 40 - PAGE 204

D. ORDINANCE NO. 4716 - BUDGET AMENDMENT IN EACH OF THE CITY'S ANNUAL OPERATING FUNDS TO APPROPRIATE FROM RESTRICTED AND ASSIGNED FUND BALANCE THE REQUIRED BUDGET AUTHORIZATION FOR PRIOR YEAR CONTRACTS, PURCHASE ORDERS, AND OTHER CARRY-OVER APPROPRIATIONS THAT ROLLED FORWARD TO FISCAL YEAR 2018-19

Summary: The consideration of a technical budget amendment in each of the City's annual operating funds to appropriate from restricted and assigned fund balance the required budget authorization for prior year contracts, purchase orders, and other carry-over appropriations that rolled forward to Fiscal Year (FY) 2018-19.

As part of its ongoing operations, the City enters into various contracts and purchase order agreements throughout the fiscal year. When these contracts and purchase orders are entered into, budget funds are encumbered for the full amount of the expected purchase. Often these contract and purchase orders are not fully completed and paid in one fiscal year. North Carolina General Statutes provide authorization for local governments to reserve the unexpended portion of these prior year commitments and roll those budgets forward to the new fiscal year.

As a part of the FY 2017-18 annual audit, staff identified prior year commitments and carry-over appropriations to roll forward to FY 2018-19, and these dollar amounts were deducted from the unassigned fund balance amounts that were reported in the Comprehensive Annual

Financial Report. The technical budget amendment will provide authorization to officially appropriate these amounts in the FY 2018-19 budget for each of the City's annual operating funds.

It is standard practice for staff to bring forward this technical budget amendment each year at the same City Council meeting in which the external auditors present the annual audit results.

Pro:

- Provides budget authorization for prior year contracts, purchase orders, and other carry-over appropriations that rolled forward to FY 2018-19.

Con:

- None.

As noted above this budget amendment simply provides budget authorization for prior year commitments which have already been restricted or assigned in the City's FY 2017-18 financial statements. There is no impact on unassigned/available fund balance in the City's operating funds.

City staff recommends City Council approve the technical budget amendment in each of the City's annual operating funds to appropriate from restricted and assigned fund balance the required budget authorization for prior year contracts, purchase orders, and other carry-over appropriations that rolled forward to FY 2018-19.

ORDINANCE BOOK NO. 32 - PAGE 254

E. MOTION ADOPTING THE FISCAL YEAR 2019-20 BUDGET CALENDAR

Summary: The consideration of a motion to approve the Fiscal Year 2019-2020 Budget Calendar.

As a part of the Fiscal Year 2019-2020 Operating Budget development process, which began internally in late November, staff is proposing a budget schedule which encompasses the following:

- A series of budget worksessions with City Council beginning in March 2019,
- Formal presentation of the City Manager's Proposed Budget on May 14, 2019, and
- Budget adoption on June 11, 2019.

Staff recommends that City Council review the calendar and approve the motion to adopt the Fiscal Year 2019-2020 Budget Calendar.

F. ORDINANCE NO. 4717 - ORDINANCE AUTHORIZING THE CHIEF BUILDING OFFICIAL TO CAUSE THE REMOVAL OR DEMOLITION OF THE STRUCTURE LOCATED AT 26 LOWER GRASSY BRANCH ROAD

Summary: The consideration of an ordinance authorizing the Chief Building Official to cause the removal or demolition of the structure located at 26 Lower Grassy Branch Road.

The residential structure located at 26 Lower Grassy Branch Road was severely damaged in a fire on February 14, 2014. It has remained vacant in its burned out condition due to

inadequate staffing and a lack of resources to move forward with enforcement of the Unsafe Buildings Ordinance.

The Chief Building Official issued a Declaration of Unsafe Building on November 9, 2017 notifying the property owners that the structure is an unsafe building. On February 6, 2018 a hearing was held and the Chief Building Official subsequently entered an Order that found the structure to be unfit for human habitation.

The structure remains unsecured and accessible to the public. Debris from the structure remains scattered on the property, including the accumulation of additional debris due to attractiveness of the property for illegal dumping. Multiple efforts have been made to communicate with the property owners and compel them to clean up and secure the property. The owners and family members have been unwilling or unable to cooperate.

The property and structure are unfit for human habitation, remain a danger to the public, are an eyesore, and are a public nuisance. Due to the repeated failure of the owners to remedy the defective condition of the structure, the remaining option is for the City to move forward with demolition of the structure.

Pro:

- Demolition of the structure remedies an ongoing public safety and public nuisance condition.

Con:

- Demolition costs are absorbed by the City until such time as a real property lien is disbursed.

The estimated cost of this demolition is \$18,000. The Development Services Department has a total of \$20,000 allocated to demolition initiatives in FY19. This fund will be substantially depleted with the city initiated removal of this structure. However, the amounts incurred by the city for the removal or demolition of the structure shall be a lien against the real property upon which the cost was incurred.

Staff recommends City Council adopt an ordinance authorizing the Chief Building Official to cause the removal or demolition of the structure at 26 Lower Grassy Branch Road.

ORDINANCE BOOK NO. 32 - PAGE 256

G. RESOLUTION NO. 18-303 - RESOLUTION AUTHORIZING THE CITY MANAGER TO CONVEY AN EASEMENT OVER A PORTION OF CITY-OWNED PROPERTY AT NORTH PACK SQUARE TO MHG ASHEVILLE R, LLC, FOR THE PURPOSE OF OUTDOOR DINING, ACCESS, AND LANDSCAPING

Summary: The consideration of a resolution authorizing the City Manager to convey an easement over a portion of City-owned property at North Pack Square to MHG Asheville Tr, LLC (MHG) for the purposes of outdoor dining, access, and landscaping.

The City of Asheville owns real property located at North Pack Square along the frontage of the Arras Residences and Hotel (formerly known as the BB&T building). In November 2017, the City entered into an Encroachment Agreement with MHG for outdoor dining, access and landscaping within this area owned by the City of Asheville. At this time, MHG has approached the City with a request to obtain an easement in this area in order to secure long-term permission for outdoor dining, access and landscaping.

The City received a similar request to modify long term permissions for outdoor dining as part of the recent approvals process associated with the Grove Arcade sublease in May 2018. Under the current policy, the City routinely grants encroachments for outdoor dining within the public right of way and reserves the right to rescind permission to use City property for outdoor dining with a 30 day notice. In certain cases, the City may elect to grant longer term permissions for outdoor dining based on request. With this specific request, it is reasonable to confirm that the improvements to the structure and exterior, including the improvements within the encroachment area, are considered long-term in nature and that a reasonable property right to reflect this relationship in the form of an easement is preferred. Additionally, the easement area does not lie within a traditional public right-of-way area (i.e. sidewalk, street) and therefore, there is no concern that the granting of the easement will impact public passage.

The proposed easement area includes 1,384 square feet. Based on the City's appraisal of the property, the fair market value of the easement is estimated at a price of \$76,120 and MHG has agreed to pay this amount. The proposed easement would specify that certain uses, including outdoor dining, access and landscaping, are permitted activities within the easement area. The easement would be granted to the owner of the adjacent real property and run with the land in perpetuity.

Pros:

- Appropriate amount of compensation for the property.
- The easement relieves the City of liability associated with the use of property.

Con:

- The City would relinquish square footage for its future use.

The amount of revenue generated by the sale of the easement will be deposited into the General Fund.

Staff recommends that City Council approve a resolution authorizing the City Manager to convey the 1,384 square foot easement over a portion of City-owned property North Pack Square for the purchase price of \$76,120 MHG Asheville Tr, LLC (MHG) for the purposes of outdoor dining, access, and landscaping.

RESOLUTION BOOK NO. 40 - PAGE 205

H. RESOLUTION NO. 18-304 - RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO A SOLE SOURCE LEASE AGREEMENT WITH PROTERRA INC. FOR FIVE CATALYST E2 BATTERIES FOR USE IN THE FIVE PROTERRA ELECTRIC BUSES

Summary: The consideration of endorsing a resolution authorizing the City Manager to enter into a sole source lease agreement for five Catalyst E2 batteries from Proterra Inc. for use in the five Proterra electric buses that have been procured.

In January 2018, City Council adopted a budget amendment to procure five Proterra electric buses, as well as the batteries that will be leased from Proterra for the buses. The Staff Report approved by City Council included language regarding the battery lease payment, which requires an "upfront" pre-payment for each battery and subsequent annual payments over a 12-year period. The battery lease agreement specifies an \$118,000 per battery pre-payment, and an annual payment of \$20,000 for each bus.

A separate agreement is necessary since the batteries will be leased from Proterra Inc.,

instead of purchased. Proterra Inc. is the only manufacturer to make Catalyst E2 batteries that can be used in the Catalyst E2 Proterra buses purchased by the City.

The decision to lease, rather than purchase, batteries with the overall bus procurement was made in order to reduce the upfront cost of the bus purchases and to ensure that the battery efficiency over the lifetime of the buses would be maintained, which is guaranteed by Proterra through the lease program. Part of this guarantee includes full battery replacement at mid-life, which is approximately year six of the lease. It should be noted, however that if a battery fails to perform per the specifications included in the agreement, Proterra is responsible for fixing or replacing the battery at any time during the lease period at no cost to the City.

The Finance Committee reviewed this action on November 27, 2018, and unanimously endorsed it to move forward to City Council for review and approval.

Pros:

- Proterra is a leading North America manufacturer of the Catalyst E2 Batteries.
- The battery lease pre-payment will reduce annual battery lease payments per bus from approximately \$32,000 to \$20,000, an operational savings of \$60,000 per year for the five buses.
- The battery lease agreement includes battery mid-life battery replacement ensuring battery efficiency is maintained throughout the life of the agreement.
- This action ensures compliance with the federal transit Administration and the City of Asheville's procurement policy.

Con:

- None

The \$118,000 per battery pre-payment is budgeted in the Adopted Capital Improvement Program (CIP) as part of the initial bus purchases. The annual \$20,000 lease payments for each battery will be budgeted as part of future Transit Operating Fund budgets. The current action is administrative and does not affect the budget.

Staff recommends that the City Council adopt a resolution authorizing the City Manager to enter into a sole-source lease agreement for five Catalyst E2 batteries from Proterra Inc. for use in the five Proterra electric buses that have been procured.

RESOLUTION BOOK NO. 40 - PAGE 206

I. RESOLUTION NO. 18-305 - RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH CLARK PATTERSON LEE, P.C., FOR THE U.S. CELLULAR CENTER HVAC DESIGN & ENGINEERING SERVICES PROJECT

Summary: The consideration of a resolution authorizing the City Manager to execute a Contract Amendment to the Professional Services Agreement with Clark Patterson Lee, P.C. in the amount of \$132,400 for design and engineering services for the U.S. Cellular Center HVAC and Mechanical Renovation Project.

On November 3, 2017, the General Services Department issued a Request for Qualifications for Design and Engineering Services for the U.S. Cellular Center (USCC) HVAC and Mechanical Renovation project for professional services including design, planning, and construction administration services. Clark Patterson Lee, P.C. was selected as the most qualified firm. On February 6, 2018, the City Manager awarded the firm an initial phase and

schematic design contract in the amount of \$50,000. On April 10, 2018, City Council authorized a contract amendment for \$215,000 to fund the professional services for the first priority scope described below.

The project is partially funded by a 2016 Tourism Product Development Fund (TPDF) grant for \$1,500,000 and City Capital Improvement Program funds that were authorized in the 2016-17 budget. The project is based on a 2015 building energy analysis, and the design and planning considerations are being coordinated with the Office of Sustainability.

The project's first priority was to use the limited construction funds available to replace the most critical HVAC equipment, which would increase system efficiency in the process. These improvements will reduce the U.S. Cellular Center's operating costs, provide moderate sustainability gains, and will provide greater flexibility for the venue to book a wider range of events. This first priority is currently underway with design nearing completion by the end of the year. Bidding is expected to begin this winter, and construction is anticipated to begin in the spring of 2019.

The project's second priority is to provide a more complete systems modernization plan for future improvements. This work will include scope development, biddable design documents, and cost estimation. This second priority work will provide the USCC general manager with the information needed for capital planning and to execute all or part of the remaining HVAC work in future phases as funding becomes available. A key sustainability item that will result from this work is a design for the addition of a solar array on the arena roof.

This contract amendment provides funding for the project's second priority.

Pros:

- Provides designs that will improve the sustainability of the U.S. Cellular Center, including the design for a solar array on the arena roof.
- Improves future facility capital planning.

Con:

- Utilizes portion of current construction funds to perform design needed for future capital improvements"

The funding needed for this agreement is currently allocated within the TPDF Theater Project (C1701) in the Capital Improvement Program (CIP) Fund.

Staff recommends City Council adopt a resolution authorizing the City Manager to execute a Contract Amendment to the Professional Services Agreement with Clark Patterson Lee, P.C., for the amount of \$132,400 for design and engineering services for the U.S. Cellular Center HVAC Design and Engineering Services, which yields a total contract amount of \$397,400 for these professional services.

RESOLUTION BOOK NO. 40 - PAGE 207

- J. RESOLUTION NO. 18-306 - RESOLUTION AUTHORIZING THE MAYOR TO AMEND THE MAY 15, 2018, AGREEMENT WITH THE TOWN OF BLACK MOUNTAIN TO TRANSFER WATER RESOURCES ASSETS WITHIN THE TOWN OF BLACK MOUNTAIN SERVICE AREA FROM THE CITY OF ASHEVILLE TO THE TOWN OF BLACK MOUNTAIN, AND EXPAND THE**

AGREEMENT TO THREE PHASES WITH THE FIRST PHASE TO OCCUR ON OR BEFORE MAY 31, 2019

Summary: The consideration of a resolution authorizing the Mayor to amend the May 15, 2018, agreement with the Town of Black Mountain to transfer Water Resources assets within the Town of Black Mountain service area from the City of Asheville to the Town of Black Mountain, and expand the agreement to three phases with the first phase to occur on or before May 31, 2019.

The transfer of Water Resources assets has been in consideration for greater than 15 years. The transfer includes relinquishing ownership and future maintenance responsibilities of the City of Asheville's infrastructure within the Town of Black Mountain service area to the Town of Black Mountain over a two year period in three phases. This transfer allows the entities to be more efficient in the operation and maintenance of the water systems, which in many cases, occupy the same right of way. This also allows the Town of Black Mountain to increase their capacity through system expansion to serve their residents and proposed future commercial and industrial development.

This item was reviewed by the Finance & Human Relations Committee on April 23, 2018, and they recommended approval and that it move forward to the full Council.

Pros:

- The transfer will allow both entities to operate each water system more efficiently.
- The City will avoid future maintenance and infrastructure investments for these assets.

Con:

- Short-term revenue loss.

Although there will be a reduction in revenue for the City of Asheville, the increased water supplied to Black Mountain through the wholesale agreement will help offset this revenue loss. Additionally, the City will be able to reduce the maintenance activity of this system, which will need significant investment in the next 10 to 20 years. Black Mountain will be able to take advantage of the redundant infrastructure in some cases to minimize the maintenance and replacement costs that would be incurred by Asheville. Over time, the transfer of these assets is a good economic and customer service decision for both entities.

Staff recommends City Council adopt a resolution authorizing the Mayor to amend the May 15, 2018, agreement with the Town of Black Mountain to transfer Water Resources assets within the Town of Black Mountain service area from the City of Asheville to the Town of Black Mountain, and expand the agreement to three phases with the first phase to occur on or before May 31, 2019.

RESOLUTION BOOK NO. 40 - PAGE 208

K. RESOLUTION NO. 18-307 - RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE A LEASE AMENDMENT WITH DEWINE SEEDS - SILVER DOLLAR BASEBALL, LLC FOR CITY-OWNED LAND AT 30 BUCHANAN PLACE IN ORDER TO CONTINUE OPERATION OF THE ASHEVILLE TOURISTS MINOR LEAGUE BASEBALL STADIUM

Summary: The consideration of a resolution authorizing the City Manager to execute a lease amendment extending the current lease for six months between the City of Asheville and DeWine Seeds-Silver Dollar Baseball, LLC (DeWine Seeds) for City-owned land at 30 Buchanan Place in order to continue operation of the Asheville Tourists minor league baseball stadium.

- In 2012, the City of Asheville entered into a lease agreement with DeWine Seeds-Silver Dollar Baseball for the McCormick Field stadium facility and parking lot at 30 Buchanan Place (identified as PIN # 9648-47-8566-00000).
- The current lease is set to expire in December 2018.
- The current annual lease fee of \$1.00 per year and all existing terms of the lease will continue.

Committee:

- Finance & Human Resources Committee - November 27, 2018 - approved unanimously

Pros:

- DeWine Seeds-Silver Dollar Baseball is committed to keeping minor league baseball in Asheville.
- Continues a successful use of city property with existing tenant.

Con:

- None

RESOLUTION BOOK NO. 40 - PAGE 209

Mayor Manheimer asked for public comments on any item on the Consent Agenda, but received none.

Mayor Manheimer said that members of Council have been previously furnished with a copy of the resolutions and ordinances on the Consent Agenda and they would not be read.

Councilwoman Mayfield moved for the adoption of the Consent Agenda. This motion was seconded by Vice-Mayor Wisler and carried unanimously.

III. PRESENTATIONS & REPORTS:

A. SNOWSTORM RESPONSE

Mayor Manheimer thanked all City staff for working hard on the snowstorm response. City Manager Campbell also thanked the City staff, community, media and Buncombe County for their cooperation in this dangerous snow storm.

Fire Chief Scott Burnette updated City Council on the City's snowstorm response from the various City departments.

B. ARTSPACE AFFORDABLE HOUSING PROJECT UPDATE

Interim Assistant Planning & Urban Design Director Stephanie Monson-Dahl introduced Assistant Director for the Center for Craft Mike Marcus, and President/CEO of The Community Foundation of WNC Elizabeth Brazas.

Ms. Brazas explained that Artspace is a national nonprofit real estate developer for the arts with a mission to create, foster, and preserve affordable space for artists and art organizations.

Mr. Marcus explained their project partners and funders, along with project funding, the project leadership group, the timeline of the project, and fundraising which began in November,

2015, through Phase One of the Artspace Preliminary Feasibility Study & Report, through Phase Two of the Artspace Arts Market Survey & Market Study ending in May, 2018.

Mr. Marcus explained that for Phase One, their stakeholder engagement culminated in 250+ community members engaged via focus groups, community meetings, etc. It centered on cross-sector focus groups and an assessment of Asheville's creative sector housing needs. This included site visits to 10 potential project locations. For Phase Two, their stakeholder engagement culminated in 10,000+ engaged through launch event, rack card, posters, social media campaign, etc. Phase 2 built on the outcomes of Phase 1 and further developed the specifics of whether or not a new affordable housing space for the creative community was viable.

Mr. Marcus said that one key step in Phase 1 was assessing potential sites. Several of the properties visited were City-owned and already earmarked for affordable housing efforts. Phase 1 identified 91 Riverside Drive (the Ice House) as the priority site for this project by Artspace using their site selection matrix and scoring criteria. The property rankings centered on the presumed demand for an 80 unit affordable artist housing mixed use project. Phase 2 later affirmed the site as the top choice of survey respondents. He then showed the statistics on location preference.

Mr. Marcus then said that Phase 2 included surveys to assess the interested in a new, affordable space in Asheville and related space preferences of the local and regional creative sector. The result was 1,435 collected surveys.

Mr. Marcus said to achieve this level of engagement they developed strong partnerships with a diverse set of cultural organizations. Concerted outreach by all of our partnering organizations led to the impressive response for the survey. Of the respondents who indicated an interest in affordable spaces, 55% were between 21-40 years old, 67% of whom are female. Race percentages closely map 2016 census data with 16% identifying as other than caucasian. Regarding demographics, 40% of individual respondents indicated interest in affordable housing, which is the highest percentage that Artspace sees in communities across the country, with a typical range of 20-40%. The data also demonstrates significant demand for studio space and highlights the variety of our creative sector. From an income perspective, 59% reported an income below the 2016 Median Area Income of \$46,443. These income statistics substantiate the need for affordable housing and other space solutions for our creative sector.

Mr. Marcus said it is important to note that 52.5% of respondents indicated their primary income comes from work outside of their creative practices, further demonstrating that Asheville's creative sector is representative of our entire community.

Ms. Brazas summed up by saying that to build on our joint success, and to take advantage of this unique opportunity to partner with Artspace, they request Council to affirm that 91 Riverside Drive be developed to support affordable housing for artists and creatives and that any and all of the City's affordable housing tools be used in support of this project, including innovative policies and funds from the bond referendum and affordable housing trust fund.

Mr. Marcus responded to Councilwoman Mayfield if Artspace has developed an affordable housing building that combines either shared or private studio space.

In response to Mayor Manheimer, Ms. Monson-Dahl said that staff will be presenting information later this meeting about this site and two other sites. With 91 Riverside Drive, staff will be recommending that Council allow staff to move forward with a Memorandum of Understanding, some private partners and also Artspace that will allow Council to receive a proposal which Council will evaluate within the probably next 18 months.

Mayor Manheimer thanked Ms. Brazas, Mr. Marcus and President and CEO of the Asheville Area Chamber of Commerce Kit Cramer for their work on this very thorough process.

C. ALCOHOLIC BEVERAGE CONTROL BOARD UPDATE

Mr. Lewis Isaac, Chair of the ABC Board, said their priority is responsible sales of spiritous liquor, commitment to excellent customer service, and efficiency - more resources back to our community. He then introduced Mr. Mark Combs, General Manager of the ABC Board, said that no taxes are used to operate the ABC Board. He showed a five-year chart of the sales, income from operations, distributions to the City & County, and profit % to sales. Of the 167 boards in North Carolina, Asheville's ABC is 8th in overall sales; third in commercial sales; orders 12-15% of all special orders in North Carolina; top tier in profitability; and top tier in efficiency. He explained their service to our community (1) 11 local alcohol and rehabilitation grants (\$235,744) in Fiscal Year 2018-19; (2) Buncombe County Rehabilitation Services (\$92,643); (3) N.C. Dept. of Health Services (\$102,895); and (4) three alcohol enforcement agents. He then explained their warehouse/headquarters that are being renovated.

Mr. Isaac said that in the future they foresee (1) continued growth, especially in MXB sales; (2) national trend to legalize Cannabis - who will oversee sales and distribution?; (3) diligent staff "knowledge" training to aid customers choose higher quality spirits; (4) provide excellent customer service; and (5) continuous focus on efficiency, innovation and leadership to the N.C. ABC system.

Mr. Combs responded to various questions from Mayor Manheimer, noting that the majority increase in gross sales is the sale to hotels and restaurants purchasing the liquor.

On behalf of City Council, Mayor Manheimer thanked Mr. Isaac, Mr. Combs and the entire ABC Board for their dedication and hard work.

D. NEIGHBORHOOD ADVISORY COMMITTEE UPDATE

Mr. Phil Lenowitz, Chairman of the Neighborhood Advisory Committee (NAC), said that NAC consists of 9 members, all appointed by City Council, with representation from neighborhoods throughout the City. The Committee was established in 2012 to improve communications between neighborhoods and the City Council and to submit reports concerning issues facing neighborhoods. The Committee acts as a sounding board for neighborhood issues and is a conduit to bring these issues, along with strategies for improvement, to City Council. We held three Regional Meetings and a City-wide Festival of Neighborhoods this year. He then explained in detail the neighborhood citizen concerns and recommendations of traffic, sidewalks, rapid growth-inadequate infrastructure, housing, noise, greenways, neighborhood/small area plans, signage for neighborhoods, short term vacation rental enforcement, and bears. He asked City Council if there are any issues they would like for them to probe. He also asked for support for Neighborhood/Small Area Plans and for Vision Zero to reduce crashes. Finally, he asked for feedback if the NAC is relevant.

All of Council supported the efforts of NAC and felt they are an important part of our community, dealing with quality of life issues and providing an identity for neighborhoods.

Council responded to some of the recommendations, as follows: (1) the Planning & Economic Development Committee will look at requiring notification of development to registered neighborhood groups; (2) there is some discussion around revising the noise ordinance; (3) investigation into some top-of-the-street signs for neighborhood identification; (4) new City

Attorney will be looking at short term rental enforcement; and (5) Council's difficulty of balancing people who do not want infill housings vs. those that what housing close to workplaces.

Vice-Mayor Wisler felt the NAC could help Council by finding out ways the community wants to be engaged, i.e., how do they want to participate and how they want to be kept informed.

On behalf of City Council, Mayor Manheimer thanked Mr. Lenowitz and the entire Committee for their dedication and hard work.

E. FISCAL YEAR ENDED JUNE 30, 2018, AUDIT REPORT

Ms. Patricia Rosenberg, Internal Auditor introduced Mr. Robbie Bittner, representing RSM , who reported on the Fiscal Year ended June 30, 2018, audit report, summarizing that the City has received a unmodified "clean" (highest level of assurance) rating.

IV. PUBLIC HEARINGS:

A. PUBLIC HEARING TO CONSIDER A PERFORMANCE BASED ECONOMIC DEVELOPMENT INCENTIVE GRANT FOR BURIAL BEER COMPANY, LLC

RESOLUTION NO. 18-308 - RESOLUTION APPROVING A PERFORMANCE BASED ECONOMIC DEVELOPMENT INCENTIVE AGREEMENT WITH BURIAL BEER COMPANY, LLC

Community & Economic Development Director Sam Powers said that this is the consideration of a resolution to approve an economic development incentive grant to Burial Beer Company, LLC. This public hearing was advertised on November 30, 2018.

City of Asheville has been requested by Asheville-Buncombe EDC to consider granting a performance based incentive agreement under the City Economic Development policy to an existing Asheville manufacturing facility, operated by Burial Beer Company, LLC. The purpose of the City's participation would be to induce Burial Beer Company, LLC to make additional investments in the City for expenditures to acquire and install machinery/equipment, make facility improvements which increase the tax value as determined by the Buncombe County Tax Department in the amount of \$1,800,000 and create 17 new median wage jobs (estimated to be \$35,000 per year) with benefits. The company is Living Wage Certified. The performance based agreement would be based on a grant reimbursement of 50% of new city taxes created by the project for a five year agreement term. Based on the \$1,800,000 capital investment, the grant amount is estimated to be \$3,842 annually each year of a five year performance contract for an estimated agreement total of \$19,210, but in no case an amount not to exceed \$30,000. North Carolina state law requires a public hearing be held before an incentive grant can be officially awarded.

Pros:

- Supports growth of existing manufacturing in the City of Asheville;
- Performance driven agreement that is distributed after job and investment is achieved or mutually agreed performance benchmarks are established;
- Supports capital investment in the City of Asheville;
- Supports regional and state cooperation in the project.

Con:

- The economic development incentive agreement is formulated based on use of a portion (50%) of the new incremental increase from property tax revenue generated by the project for a 5 year period.

The project has an overall positive fiscal impact on tax revenues received by the city. Initially (during the grant period), the City will receive 50% of new incremental property tax revenues, estimated cumulatively at \$19,210 at the current tax rate as well as the existing property tax revenues from the project. After the grant period of 5 years, the City will henceforth receive 100% capture of all city taxes.

City staff recommends Council approve a resolution authorizing a performance based economic development agreement to support the existing industry expansion of Burial Beer Company in the City of Asheville.

Mr. Doug Reiser, representing Burial Beer Company, spoke about their work in the community and thanked Council for their support.

Mayor Manheimer opened the public hearing at 6:22 p.m.

Ms. April Brown, representing the Asheville-Buncombe Economic Development Coalition, spoke in support of this economic development incentive agreement.

Mayor Manheimer closed the public hearing at 6:24 p.m.

Mayor Manheimer said that members of Council have previously received a copy of the resolution and it would not be read.

Vice-Mayor Wisler moved for the adoption of Resolution No. 18-308. This motion was seconded by Councilman Haynes and carried unanimously.

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B. PUBLIC HEARING TO CONSIDER CONDITIONAL ZONING OF PROPERTY LOCATED AT 155, 137, 129 AND 123 BILTMORE AVENUE FROM CENTRAL BUSINESS DISTRICT TO CENTRAL BUSINESS DISTRICT EXPANSION DISTRICT/CONDITIONAL ZONE FOR THE CONSTRUCTION OF A 56-ROOM HOTEL IN ONE NEW 5-STORY BUILDING AND THREE EXISTING BUILDINGS

At the petitioner's request, Councilman Young moved to continue this matter to March 26, 2019. This motion was seconded by Councilwoman Smith and carried unanimously.

C. PUBLIC HEARING TO CONSIDER THE CONDITIONAL ZONING OF PROPERTY AT 62 FAIRVIEW ROAD FROM COMMERCIAL INDUSTRIAL DISTRICT TO LODGING EXPANSION/CONDITIONAL ZONE FOR THE DEVELOPMENT OF A SIX-STORY, 170 ROOM HOTEL WITH A RESTAURANT

Urban Planner Jessica Bernstein said that this is the consideration of conditionally zoning property at 62 Fairview Road from Commercial Industrial District to Lodging Expansion/ Conditional Zone for the development of a six-story, 170 room hotel, with a restaurant. This public hearing was advertised on November 30 and December 7, 2018.

The project site consists of a single parcel located at 62 Fairview Road with an area of approximately 3.7 acres (per plans). The site is currently zoned Commercial Industrial and surrounding zoning includes CI to the east, west and south (across Fairview Road), and Urban Place (UP) across the railroad right-of-way to the north. Uses in the vicinity include a variety of commercial and light industrial uses as well as high-density residential. There is a building on the site that will be removed and a stream running along the eastern side. Additionally, the site is noted as a brownfield.

The applicant is proposing to construct a hotel building on the site with approximately 170 rooms, meeting/event rooms and a restaurant space with approximately 125 seats. The building is six stories (approximately 65'-8" according to plans) and a total of 117,130 square feet. The restaurant building is located between the hotel and the Fairview Road frontage and is two stories in height. There is an additional two-story portion of the development that houses ballroom spaces.

Vehicular access to the site is proposed via a single driveway from Fairview Road. Surface parking is provided to the side and rear of the building with approximately 140 spaces included on plans.

Sidewalks are shown along either side of the driveway on Fairview Road and are ten feet in width according to district standards, and continue into the site. The site is situated along the S5 transit route and the Transportation Department has requested that the applicant install a transit shelter to meet with standards in the Lodging Expansion District.

Landscaping is required for this project and includes street trees, parking lot landscaping, building impact landscaping and dumpster screening. Conceptual plans indicate the ability to comply with these standards.

Fifteen percent of the lot area is required for designated open space. Conceptual plans indicate a minimum of 24,000 square feet of open space provided in several areas throughout the site.

Standards relating to building orientation and fenestration in the requested zoning district are met with this proposal. Although the actual road frontage is limited, the restaurant use is placed close to Fairview Road.

Conditions - The project does not comply with the following standards in the requested zoning district:

1. Lot width standard - a minimum lot width of 100 feet is required. This lot has only approximately 47 feet of lot width. This is an existing condition dating back from the earliest plat recorded in 1944.

The applicant is required to undergo the conditional zoning due to the lodging use.

Projects undergoing conditional zoning review are required to hold a neighborhood meeting; the meeting for this project was held on June 12, 2018. The project was approved with conditions by the Technical Review Committee on July 16, 2018.

The Planning and Zoning Commission discussed this proposal at their meeting on November 7, 2018, and ultimately voted unanimously to support approval of the project (6-0). Commissioners noted that this project had favorable elements such as the brownfield remediation, parking provided on the site, willingness to participate with a shuttle service for

guests and public, and ground-floor activation with the restaurant use.

Staff has received comments of concern from citizens regarding increased traffic impact on Fairview Road from this development and the recent residential developments in the vicinity. A Traffic Impact Study (TIS) was required and has been reviewed and accepted by the Asheville Transportation Department and N.C. Dept. of Transportation (NCDOT). An Oakley neighborhood resident spoke at the Planning and Zoning Commission meeting in favor of the proposal but expressing concern at the overall increased traffic along the full extent of Fairview Road; requesting that a further study and improvements be made to Fairview Road.

Recent projects in the area include The District mixed-use development (14-11869 PZ), River Mill Lofts (14-13052 PZ) and a Level II hotel on Thompson Street (16-11738 PZ).

The proposal is compatible with the surrounding area. The site is just south of Biltmore Village and just north of I-40, making it easily accessible by vehicle. Sidewalk improvements proposed with this project and also improvements related to The District development facilitate pedestrian connectivity to transit and to Biltmore Village. The lodging use is buffered from the single-family neighborhood by the multi-family development adjacent to the east. The site is designed to pull the active building front up to Fairview Road and parking is provided to the side and rear of the building.

The Living Asheville plan identifies this location as a Town Center on the Future Land Use Map. The lodging use is considered appropriate in the Town Center category, which encourages multimodal access, placing buildings towards the street to enhance streetscape activity, and uses that can support not only the immediate area but also the region.

The proposal aligns with the 2036 Council vision in the following areas: (1) *A Well-Planned and Livable Community* – the project is aligned with the Future Land Use designation of town center; and (2) *Transportation and Accessibility* - the project contributes to pedestrian connectivity in the area by providing new sidewalks, and transit enhancements are possible with a new bus shelter.

Considerations:

- The uses complement the mixed-use intent for the area
- The proposal will complement the Biltmore Village Historic District and the Biltmore House by supporting the tourist use with a walkable product
- Over 500 residential units have been approved with over 300 completed in the vicinity of this project in recent years
- The project incorporates a transit shelter on site
- The location is within a designated opportunity zone
- There have been a number of new hotels recently approved within the general vicinity - two just north of Biltmore Village currently under construction (229 rooms) and two recently opened near the I-40 and Hendersonville Road interchange (236 rooms)

Staff recommends approval of the conditional zoning for the construction of a new lodging facility with a restaurant use based on policies in the Living Asheville Comprehensive Plan, Future Land Use map and City Council's 2036 Vision Considerations; however, staff also recommends the completion of the comprehensive plan policy that suggests a study of lodging uses, need and impact to aid in evaluating new lodging uses. At the October 23, 2018, City Council meeting, several Councilmembers made statements concerning the number of lodging facilities recently approved and that it may be out of balance with other City needs. Comments furthered that additional scrutiny and consideration is needed in how to evaluate these proposals and the impact to the City.

The Planning & Zoning Commission recommends approval of the conditional zoning for the construction of a new lodging facility based on policies in the Living Asheville Comprehensive Plan, Future Land Use map and City Council's 2036 Vision Considerations.

Ms. Bernstein said that primary concern from two people who spoke at the Planning & Zoning Committee related to the existing traffic volume on Fairview Road; however, they were pleased to see restaurant space. In addition to the standard conditions, the applicant has agreed to provide bus passes for staff and a shuttle service for guests to reasonable locations (i.e., the Airport and Downtown). He applicant has also agreed to three additional conditions regarding building materials and signage.

Mr. Derrick Allen, representing the developer, talked about hotels in general and the importance of looking at them on a case by case basis to see what is unique and what makes sense. He felt this is a unique project in this particular location. They are independent hotel operators and in each location they seek out the specific characteristics of that community. For Asheville, they feel it should be all things craft - craft restaurant, craft beer, craft coffee, etc. This is a 170 room hotel with 145 parking spaces. There will be a 125 seat restaurant and a coffee shop, along with 3,000 sq ft of meeting space. There will be 5,500 sq ft of ballroom/events/conferencing space. The height is limited to 80 feet, about 20 feet higher than the existing retaining wall. There will be wide sidewalks throughout the site and on Fairview Road. It will employ 100-120 employees and the applicant has committed to a living wage for all their employees. Bus passes will be available for all employees. In addition, they have committed to a transit shelter and transit shuttle for guests. They held their neighborhood meeting in June and there was no opposition. The Technical Review Committee approved in July. They then held multiple meetings and new requirements from the NCDOT in terms of TIS and how those were reviewed. They have received the NCDOT's comments last week. They were not heard by the Planning & Zoning Commission until November and received unanimous approval. This project site is 35,000 sq feet of warehouse space, located down from the District apartment site. This location is in an opportunity zone. This is also a brownfields site and is not eligible for any long-term residential housing or multi-family without remediation to the site consistent with the brownfields agreement. The site is eligible for hotel use and restaurant use. This will help finish out the sidewalks that the District and the City are completing that connects the District Apartments and the neighborhood to the north of the District Apartments to Biltmore Village. The project is Comprehensive Plan compliant. We talked to a lot of the retailers in and around Biltmore Village. Our original thoughts were about the patrons that would be going to those shops, but it became clear that it was more than just that for them. There were concerns from some of the Biltmore Village merchants that that side of Biltmore Village lacks cohesiveness and lacks a hard edge. They looked at this as a way to give some definiteness and some comprehensive planning to that side of Biltmore Village. Regarding traffic issues, looking at the TIA and the comments from NCDOT, once those improvements go into place for the intersections involved below this project, traffic will improve in terms of its level of service. Other issues they heard about were density and parking on the site. Due to easement, floodplain, and setback, the building envelope is pretty small. They have tried to shield the parking from view. Another concern was the project did not meet all the elements of a town center as described in the Comprehensive Plan. This is too small of a site, but he explained how it does achieve the town center feel.

In response to Councilman Kapoor, Mr. Chris Day, representing Civil Design Concepts, said that seven intersections primarily in that area were evaluated, but not all the way up Hendersonville Road.

Ms. Bernstein responded to Councilman Kapoor when he asked what the Comprehensive Plan designates this area - town center designation.

In response to Councilwoman Mayfield, Ms. Bernstein felt this project complies with a number of the elements of the town center and lodging expansion.

Mayor Manheimer opened the public hearing at 6:50 p.m.

The following individuals spoke in support of this conditional zoning:

Mr. Benjamin Mitchell, an adjacent property owner
Mr. Karl Koon, owner of property adjacent to the property
Mr. Ashley Edwards

Ms. Dee Williams felt that more conversation was needed on this project on how it benefits low income people as it is an opportunity zone.

Mayor Manheimer closed the public hearing at 6:58 p.m.

Councilman Kapoor stated that he does look at each hotel project on a case by case basis. He could not support his particular project as he is concerned about traffic, especially at the intersection of Sweeten Creek Road and Hendersonville Road. Another concern is that he felt we have an abundance of hotels (6 plus another one under construction) in that vicinity.

Councilwoman Mayfield also looks at all hotel projects on a case by case basis. There are a number of good aspects with this project; however, she felt this is not what a town center should look like. If other parcels were combined on this site, then perhaps we will see more of what a town center should be.

Mayor Manheimer said that members of Council have previously received a copy of the ordinance and it would not be read.

Councilman Kapoor moved to recommend denial of the conditional zoning request for RB Hotel at 62 Fairview Road from Commercial Industrial to Lodging Expansion District Conditional Zone (LODG EXP CZ), and find that the denial is reasonable and is in the public interest because the proposal is not consistent with the City's comprehensive plan for the following reasons: (1) The development does not comply with lot frontage standards; (2) The district and land use category anticipates an active streetscape for the pedestrian with buildings up to the road but the proposed building is setback 100 feet from the street; and (3) While the lodging use may generally be appropriate per the future land use category of the Living Asheville Comprehensive Plan, there have already been multiple hotels recently approved in the general vicinity and the Comprehensive Plan encourages a diversity of uses built in a compact urban street grid. This motion was seconded by Councilman Young and carried on a 6-1 with Vice-Mayor Wisler voting "no."

D. PUBLIC HEARING TO CONSIDER AN AMENDMENT TO THE UNIFIED DEVELOPMENT ORDINANCE MAKING ALL SUBDIVISIONS IN HISTORIC OVERLAY DISTRICTS AND ON LOCAL HISTORIC LANDMARK PROPERTIES A MAJOR WORK

Because this will be reviewed by the Planning & Economic Development Committee, Councilman Young moved to continue this hearing until January 22, 2019. This motion was seconded by Councilman Kapoor and carried unanimously.

V. UNFINISHED BUSINESS:

A. UPDATE ON OUTCOMES OF THE FEASIBILITY STUDY TO CREATE AFFORDABLE, MIXED-INCOME COMMUNITIES ON THREE CITY-OWNED OR CITY-CONTROLLED PROPERTIES

Interim Assistant Urban & Planning Department Stephanie Monson-Dahl said that this is an update on outcomes of the feasibility study to create affordable mixed-income communities on three City-owned or City-controlled properties.

The 2016 general obligation bond program allocates \$25 million for affordable housing over 7 years, of which \$15 million is dedicated to the redevelopment of City-owned land. On February 7, 2017, City Council directed staff to perform due diligence for the redevelopment of three specific properties to support affordable housing redevelopment under this allocation. The sites identified include (1) 171-179 S. Charlotte Street, (2) 81-91 Riverside Drive and (3) 319 Biltmore Avenue. The City of Asheville is the owner of the properties located on S. Charlotte Street and Riverside Drive. The City has an option to purchase the property at 319 Biltmore Avenue, which is currently owned by Duke Energy.

The goal of the due diligence study - conducted by Lord Aeck Sargent in coordination with staff - was to assess the feasibility of achieving successful affordable housing developments on each of the selected sites. The study identified the physical opportunities and constraints with respect to development, a realistic number of housing units that can be developed on each site, the massing and conceptual improvements that could be built onsite and the market conditions for mixed use development. Additionally, the study tested specific financial scenarios to explore affordability options, including ranges of incomes and quantities of affordable units. The next step in this work is to create an implementation plan for the redevelopment of each property.

Over the past year, staff and consultants have engaged with the community around the redevelopment of these three sites. This engagement helped inform potential redevelopment scenarios and highlighted the importance of making other public investments at these sites while creating affordable housing. In November, staff and consultants had a public meeting and shared current market conditions, costs of development and number of potential units for these sites. Different income-level targets and the subsidies needed to produce affordable units were also presented. Overall, the community confirmed that they understand the need for additional housing and especially the need for units affordable to a variety of income levels. In addition, the community confirmed that important infrastructure improvements, such as sidewalks, pedestrian crossings, and open space, should occur around these sites as part of redevelopment that improve quality of life.

The results of the due diligence study are summarized below.

319 Biltmore Avenue - A solid opportunity to create housing options with a range of affordability and improve connectivity in a growing neighborhood that includes Lee Walker Heights; work to solicit developers for this site can begin immediately.

- A potential development program of 300-310 units on 5.5 acres; approx. 54-56 units / acre density; 470 +/- total parking spaces; approx. 12,000 square feet of commercial space.
- Estimated development cost of \$49 million.
- Subsidy required per affordable unit depends on income levels served and ranges from \$57,500 - \$70,000 per unit.
- There is a market for some mixed-use development on or near the Biltmore Avenue frontage; the community would like a small format/urban grocery store but the market here may not be strong enough to support it.

- Housing unit sizes and affordability levels that complement what is already being created on adjacent parcels and speaks to the proximity of this site to Mission Hospitals should be taken into consideration when evaluating a preferred development program.
- Other investments that can be made to create a livable community include providing a connection between the neighborhoods and recreation areas on the east side of Biltmore with this site and Lee Walker Heights; incorporating open space and a transit stop along Biltmore; and developing a connection from this development site south to Choctaw.
- The City should work with Duke Energy, Mission Hospitals (future HCA Healthcare), Buncombe County, NCDOT and other potential partners to maximize opportunities for this site.

171-179 South Charlotte Street - A significant opportunity to use housing development - in concert with the community - to plan and grow a neighborhood impacted by Urban Renewal. Future development can reconnect the East End community to the Central Business District and make S. Charlotte Street safer for residents, bicyclists and pedestrians. In order to realize this opportunity, existing City Operations must be relocated in a strategic and sustainable manner.

- A potential development program of approximately 540-550 units on 7.5 acres, approx. 72-73 units/acre density, 775 +/- total parking spaces, approx. 32,000 square feet of commercial space.
- The large size of the development would require the City to phase the project over time for three main reasons: to protect adjacent neighborhoods from negative impacts of rapid change; to secure labor in our region; and to absorb new housing units at a rate the market can handle.
- Estimated total development cost for Phase 1 (the ABC store / Fleet Maint Bldg) is approximately \$31 million.
- Estimated development cost for Phase 2 (Public Works Garage, south of Beaumont but north of Phase I) is approximately \$62 million (this does not include the potential cost to relocate city services).
- Subsidy required dependent on levels of income served and estimated to be between \$70,000 and \$80,000 per unit (for both phases).
- The development program considers capping a small brownfield site at the rear of the Fleet Maint Building and using it for connectivity and surface parking; and replacing the culverted section of Town Branch in order to facilitate development.
- There is a market for some commercial spaces at key nodes or intersections; creating commercial uses that align with the “Expand Equitable, Upward Mobility” goal of the recently adopted Living Asheville plan may be possible with additional public investment.
- The potential development program includes new open/green space as a connector and gathering space between East End and Downtown.
- Other investment priorities that could be made to create a livable community include developing safer and easier connections between East End, this site, and downtown; this could include significant investments in S. Charlotte Street, S. Market Street, and a new connection from MLK Jr. Drive to downtown.
- Acknowledging the history of this site as an intact African American neighborhood before urban renewal should be part of the context for redevelopment.
- The City should work with NCDOT, Buncombe County, and local small business and economic development partners to maximize opportunities on this site.
- Currently, redevelopment cannot occur unless the City relocates two major City service facilities - the Fleet Management Division and the Public Works Complex. Additionally, the City recently completed a Facilities Condition Assessment that concluded that the Fleet Management facility is near end-of-life. Staff recommends that the City perform an Operations & Maintenance Center Facilities Study to consider the service delivery

models and estimate costs required to relocate services to a new site, which have yet to be calculated.

91 Riverside Drive - An opportunity to create artist housing and strengthen the character and economic vitality of the River Arts District.

- The Riverside Drive Development Plan, adopted in 2014, recommends this site be redeveloped for a mix of uses including housing. Financial analysis from the plan showed that return on investment in the property will benefit from increased density, a mix of uses, and partnerships with adjacent landowners and private partners. This model suggested that 80+ housing units could be developed here.
- Within the current study, consultants and staff reported to HCD and the public in June that this site was not as well-suited as the other sites for a traditional affordable housing development. In addition to unique (riverfront-related) site constraints, the site lacks proximity to food services and transit; and this site's smaller size and narrow configuration significantly lowers its programming capacity.
- An Arts Market Study was commissioned from Artspace as part of a collaboration between the Center for Craft, the Chamber of Commerce and other partners, including the City. The Artspace market assessment found those artists desiring affordable housing made an average of \$30,000 a year and work in the hospitality, education and retail sectors.
- After confirming that local demand exists for an 80-unit affordable housing concept for artists, the Artspace report recommends doing further analysis including financial feasibility for this unique affordable housing concept, with the River Arts District being the most preferred location.
- Staff continues discussions with adjacent property owners and stakeholders to determine if there is interest in partnering/expanding the development footprint in order to improve potential development programs and resulting outcomes in support of affordability.

Based on these findings, key next steps in this process include:

1. Pursue the development of 319 Biltmore Avenue first; create a development that complements Lee Walker Heights, includes a mix of affordable and market-rate housing and a small amount of commercial space. The next step in this process is to solicit proposals from qualified development partners. *An implementation plan and timeline would come to Council in January.*
2. Staff will release a Request for Qualifications (RFQ) for an Operations & Maintenance Center Facilities Study for 171-173 S. Charlotte Street; and staff will perform transportation planning related to the redevelopment of the site with affordable and mixed income housing. The appropriate next steps are to A) understand the facility costs and operational impacts associated with the relocation of City services, and B) begin discussions with NCDOT to improve the pedestrian character of S. Charlotte and its connection to the East End neighborhood. *A consideration to approve a budget amendment to fund the Facilities Study would come before Council in January 2019.*
3. Staff will proceed with negotiation a Memorandum of Understanding (MOU) with partners to explore the redevelopment of 91 Riverside Drive as aligned with Artspace findings and the Riverside Drive Development Plan. Partners could include Artspace and/or adjacent landowners and the term of the MOU would be time limited. *A Memorandum of Understanding would come to City Council in early 2019 for approval.*

The Housing and Community Development Committee of City Council reviewed the site findings at the November 15, 2018, meeting and requested that staff proceed to full City Council review and discussion. The Affordable Housing Advisory Committee reviewed these findings at

the December 6th meeting. Committee's actions were not available in time for this report and will be shared at the December 11th City Council Meeting.

In support of City Council's Strategic Priorities, these next steps comply with Goal 15 by performing analysis of specific City-owned properties with the intent to develop strategies to implement affordable housing. This action supports Council's 2036 Vision goal of achieving quality affordable housing within proximity to transportation options, local job centers and downtown Asheville or River Arts District. This action also aligns with the Comprehensive Affordable Housing Strategy and Policy Framework adopted by City Council in 2015 and is a key step in fulfilling the intent of the 2016 general obligation bond referendum for affordable housing. This action also helps implement goal 13 of the Living Asheville Plan- Increase and Diversify the Housing Supply.

Pros:

- Accepts key findings and next steps which are critical to implementing the Affordable Housing Bond Program on a deadline-driven timeline;
- Acknowledges that recommendations are the results of a cooperative and transparent process from consultants, committee, council and community as well as a multi-disciplinary staff team;

Con:

- Affordable housing community projects are complicated and will not likely be accomplished without a strong and innovative private sector partner or partnership.

There is no fiscal impact at this time. Council may consider fiscal impacts in January.

Next steps are as follows: (1) Pursue the development of 319 Biltmore and come to Council in January with an implementation plan; (2) Release an RFQ for an Operations & Maintenance Facilities Study as a first step in the potential development of S. Charlotte Street and come to Council in January with a budget amendment using existing /available funds; staff to perform transportation planning for S. Charlotte Street related to affordable housing redevelopment; and (3) Negotiate an MOU for 91 Riverside and come to Council in early 2019 with a proposed development agreement.

Ms. Monson-Dahl then introduced Bob Begle, representing Lord Aeck Sargent, who reviewed the approaches to community development and scenario building; their process; existing context analysis; individual site assessments; comparison matrix; design, massing and program studies for each of the three sites; development pro formas and affordability comparisons for each of the three areas; affordable housing trade offs. In summary, this means that (1) affordable housing is hard; (2) all three sites have opportunity, but they vary in timing and scope; (3) Riverside Drive is not a traditional affordable housing site; (4) South Charlotte Street is very important, but needs more evaluation; (5) Biltmore Avenue is the most ready to go; (6) starting point financial scenarios are generally too costly; (7) the City needs partners; and (8) affordable housing gap funding will require careful consideration of trade-offs. Next steps include (1) pursue the development of 319 Biltmore Avenue; come to Council in January with implementation plan; (2) release a Request for Qualifications for an Operations & Maintenance Facilities Study for S. Charlotte Street; come to Council in January with a budget; staff to begin transportation planning for S. Charlotte Street; and (3) negotiate a Memorandum of Understanding for 91 Riverside; come to Council in early 2019 with a proposed development agreement.

City Council was supportive of City staff continuing to work on (1) an RFQ for the facilities assessment; (2) on an RFQ for the Biltmore Avenue site; and (2) potential development partners for 91 Riverside Drive.

B. RESOLUTION NO. 18-309 - RESOLUTION AUTHORIZING THE CITY MANAGER TO MODIFY THE TERMS OF THE LOAN FOR AND DISBURSE THE REMAINING FUNDS TO EMP COMMERCIAL, LLC AND EMSDC FOR COMMERCIAL AND RETAIL SPACE IN THE DEVELOPMENT KNOWN AS EAGLE-MARKET PLACE

ORDINANCE NO. 4718 - BUDGET AMENDMENT TO FUND EAGLE-MARKET PROJECT PAYMENT

Assistant City Manager Cathy Ball said that this is the consideration of approving the terms of the loan to EMSDC for commercial space on the Block and approval of a Budget Amendment in the Section 108 Fund in the amount of \$450,000 utilizing existing funding from the general Affordable Housing Capital Improvement Project (CIP).

- In 2013, City Council adopted a resolution approving a Section 108 Loan in the amount of \$718,000 for the EMSDC for commercial office and retail space on the Block.
- \$268,000 of the \$718,000 was disbursed to the project in Fiscal Year (FY) 2017.
- Minutes from the 2013 meeting state that the purpose of the loan was to provide lower than market rental rates to Historically Underutilized Businesses (HUB) and create a minimum of 21 jobs in five years.
- A deed of trust was never recorded to secure the loan.
- A promissory note was signed only for the \$268,000 that was disbursed in FY 2017. The terms of that promissory note now need to be modified to reflect the terms of the entire \$718,000.
- The City paid back the Section 108 Loan in 2017 to save on the interest. The loan was repaid from the original Section 108 loan balance. The payment of the remaining \$450,000 will be dispersed from the general affordable housing CIP account. This funding source has a balance of \$2.6 M and is intended to support affordable mixed income/mixed use communities.
- EMP Commercial, LLC was created by Eagle-Market Street Development Corporation (EMSDC) in 2018 when the development was declared a condominium, separating units into residential and commercial use. EMP Commercial, LLC now owns the commercial unit at issue.
- EMSDC/EMP Commercial, LLC are requesting the remaining balance of \$450,000 to pay the contractor for work completed.
- The terms of the loan are included as an attachment provided to Council, which consist of (1) 21 jobs within 5 years; (2) lower than market rate rents (a) 0 to 5 years - average 20% below market; and (b) 6-20 years - average 15% below market; (3) good faith efforts to rent to Historically Underutilized Businesses; (4) "up-fit" of space completed in two years of the final payment; (5) annual review; and (6) default clause.

Pro:

- The purpose and intent of the loan approved by City Council in 2013 are being met with the new terms of the loan.

Con:

- None

The fiscal impact, as noted above, funding for the \$450,000 loan payment will come from the general Affordable Housing CIP. This CIP is not related to the GO Bond funds. The loan will be repaid as outlined in an attachment provided to Council.

Ms. Stephanie Swepson-Twitty, representing the Eagle-Market Street Development Corporation, said they are amenable to the terms outlined by Ms. Ball. She also thanked City Council for their support of this project.

Councilman Young asked that in order to revive the area and to meet the spirit and intent of the 2013 loan, can consideration given to lower the market rate rents from 0 to 5 years to an average of 25% below market and from 6-20 years to an average of 20% below market. Ms. Swepson-Twitty said that for the change they want to see, they have to be profitable. In order for them to meet their debt and business model, they need to keep the terms as outlined by Ms. Ball.

Councilman Young questioned why good faith efforts are to rent to Historically Underutilized Businesses rather than African American or Minority Businesses. Interim City Attorney Rockoff said that legally we can't say minority, but we can use the money for Historically Underutilized Businesses.

In response to Councilwoman Smith, Ms. Swepson-Twitty said that their target audience is to recruit healthy, underutilized (African American) businesses. 75-80% of all those businesses that will come into the project are African American businesses. We only have one business now that we are negotiating with that is a business of non-color. Those businesses that we have sought out are more than capable than meeting our rates. She said that in order for them to be able to meet the debt service on the project and to pay the City, we need to keep the rates as outlined by Ms. Ball.

When Vice-Mayor Wisler asked by the \$718,000 was budgeted when the City committed to it in 2013, Ms. Ball said that the money was part of Section 108. In January of 2017, staff came before Council and requested to pay off that loan because we were continuing to pay interest. The original Section 108 money was borrowed in 2014 for the intent of re-doing something on The Block. There was an initial project that failed to move through. The City had continued to pay interest on that Section 108 loan for a number of years and we felt that it was in the City's best interest (savings of around \$83,000 in interest payments) to pay the loan off sooner. That loan was paid off and then the intent was to use funding from the Capital Improvement Program to make the loan. Basically, when we paid off the loan, the City's didn't reserve for the Capital Improvement Program.

When Mayor Manheimer asked for public comments, none were received.

Mayor Manheimer said that members of Council have been previously furnished with a copy of the resolution and ordinance and they would not be read.

Vice-Mayor Wisler moved to authorize the City Manager to modify the terms of the loan as set forth in Exhibits A and B and disburse the remaining funds to EMP Commercial, LLC and EMSDC for commercial and retail space in the development known as Eagle Market Place, to amend the Promissory Note dated February 2, 2017, to reflect the same terms as the loan on the remaining funds, and to agree to such other terms and execute such other documents as necessary and in accordance with the intent set forth herein. This motion was seconded by Councilwoman Mayfield and carried unanimously.

RESOLUTION BOOK NO. 40 – PAGE 211

Vice-Mayor Wisler moved for the adoption of Ordinance No. 4718. This motion was seconded by Councilwoman Mayfield and carried unanimously.

ORDINANCE BOOK NO. 32 - PAGE 258

VI. NEW BUSINESS:

VII. INFORMAL DISCUSSION AND PUBLIC COMMENT:

Ms. Sarah Skinner and Ms. Dee Williams spoke to Council about the S. Charlotte Street and Biltmore Avenue plans regarding affordable housing.

Mr. Jonathan Wainscott urged Council to reconsider their position on the electoral structure.

VIII. ADJOURNMENT:

Mayor Manheimer adjourned the meeting at 7:59 p.m.

CITY CLERK

MAYOR