

ECONOMIC DEVELOPMENT AND INNOVATION COMMITTEE

The Economic Development and Innovation (EDI) Committee of the City of Raleigh met in regular session on Tuesday, February 28, 2017, at 11:00 a.m. in Room 305 of the Raleigh Municipal Building, Avery C. Upchurch Government Complex, 222 West Hargett Street, Raleigh, North Carolina, with the following present:

Committee

Mayor Pro Tem Kay Crowder
Councilor Bonner Gaylord

Staff

Associate City Attorney Brandon Poole
Assistant City Manager James S. Greene
Planner I John Anagnost
City Planning Director Ken Bowers
Assistant Planning Director Travis Crane
Economic Development Manager James Sauls

These are summary minutes unless otherwise indicated.

Mayor Pro Tem Crowder called the meeting to order at 11:05 a.m. She announced that Mayor McFarlane and Councilor Dickie Thompson were absent and excused.

Item 15-01 – Economic Development Toolkit

This item is a follow-up action from the Council's recent retreat. The purpose of the item is to discuss the remaining tools within the economic development toolkit and to consider policy development for a small business grant. The following information was contained in the agenda packet:

RECOMMENDATION: Staff recommends removing the remaining Economic Development Toolkit items from the committee to allow additional consideration in the future and authorize staff to develop policy for small business grant for review at future EDI Committee.

Economic Development Manager (EDM) James Sauls presented this item with the assistance of a PowerPoint presentation. Sides during this part of the presentation included the following information that he explained further.

Agenda

1. Economic Development Toolkit Background;
2. Remaining Toolkit Items;
3. Small Business Grant; and
4. Next Steps.

Economic Development Toolkit

- Developed prior to the City's Strategic Plan.
- Multi-departmental effort.

- Seven focus areas:
 1. Innovation;
 2. Business Assistance and Retention;
 3. Business Recruitment and Marketing;
 4. Infrastructure;
 5. Development;
 6. Public/Private Partnerships.; and
 7. Workforce Development.
- Added to the city-wide strategic plan (Objective 3/Initiative 1)
 - “Create the Economic Development Toolkit containing policies and programs such as business grants, loans, innovation funding and small business assistance that support business recruitment, development and retention.”

Remaining Toolkit Items

- Innovation;
 - Demonstration policy.
 - Innovation districts.
 - Shared economy.
- Business retention and expansion;
 - Small business grants/loans.
- Business recruitment and marketing;
 - Marketing plan/strategy.
 - Convention/tourism.
- Infrastructure;
 - Financing alternatives for maintenance and repair.
- Development;
 - Economic Development Commission (EDC) / Development Authority.
 - Property swap.
 - Infrastructure grant.
- Public/Private Partnerships; and
 - Funding options for City participation (e.g. Tax Increment Financing)
- Workforce Development.
 - Labor force profile and analysis.
 - Regional forum with educators.

Small Business Grant

- Council has addressed the business needs for larger businesses via the Business Investment Grant (BIG).
- Gaps exist for financial support of small businesses.
- Policies such as the Building Upfit Grant (BUG) have addressed space needs for small business.
- There remains a need to support small businesses that are adding jobs.

Next Steps

1. Remove the remaining Economic Development Toolkit items from EDI committee to allow additional consideration in the future; and
2. Authorize staff to develop policy for small business grant for review at future EDI Committee.

Mayor Pro Tem Crowder pointed out that she did not want to lose sight of the goals of the Economic Development Toolkit, stating that if the item was taken out of Committee, the Council should continue conversation on the topic. Councilor Gaylord agreed. Assistant City Manager (ACM) Jim Greene responded that the item could be shelved and re-addressed as necessary. He added that some toolkit items are included in other studies that are currently going to the full Council or work sessions. AMC Greene noted that per direction from Council, staff will continue to bring toolkit related items to Council as part of the Strategic Plan, with a focus on small businesses.

Councilor Gaylord moved for approval of staff's recommendation to remove the Economic Development Toolkit from the Committee agenda and to authorize staff to develop a policy for small business grants. The small business grant policy should be categorized as a new item for Committee discussion. The motion was seconded by Mayor Pro Tem Crowder and carried by a vote of 2-0. Mayor McFarlane and Councilor Thompson were absent and excused.

Item 15-01 – Economic Development Building Upfit Grant

This item is a follow-up action from the Council's recent retreat. The purpose of the item is to evaluate the Building Up-fit Grant (BUG) for policy changes and Fiscal Year (FY) 2018 funding consideration. The following information was contained in the agenda packet:

BUDGET IMPACT (FUNDING SOURCE/BUDGET ACTION): Currently funded at \$500,000 annually through the Capital Improvement Program (CIP).

RECOMMENDATION: Staff recommends sending the BUG changes to full Council for consideration and request city manager to include \$500,000 to the FY 2018 recommended budget.

Economic Development Manager (EDM) James Sauls presented this item with the assistance of a PowerPoint presentation. Sides during this part of the presentation included the following information that he explained further.

Agenda

1. BUG background;
2. Proposed changes; and
3. Next steps.

Building Upfit Grant

- Policy adopted June 2016.
- Hosted community outreach meeting at Urban Design Center.
- Received 12 grant applications.
- Seven grants have pre-approval.
- FY 2017 funds (\$500,000) have all been allocated to pre-approved projects.
- Finalizing BUG contract.
- Council amended policy September 2016 to include the following language:
 - “Staff may bring projects to Council that fit the intent of the program and equal 1.5 times the minimum score or above on a case-by-case basis.”
- Funded \$500,000 annually through CIP.

Proposed Revisions

- Reduce maximum grant award to \$25,000 in Economic Development target zones and \$15,000 outside Economic Development target zones (currently \$100,000);
- Add job creation requirement to point system (currently not required);
- Award grants on a quarterly basis (currently first-come/first-serve);
- Allocate \$125,000 per quarter (currently not allocated quarterly); and
- Bring qualifying projects to Council quarterly for funding consideration (currently approved by staff review board).

EDM Sauls pointed out that these revisions should allow for the City to take on more projects. He noted that there is additional funding available from Community Development Block Grant (CDBG) funds for projects that locate within areas targeted for reinvestment as part of Housing and Neighborhood strategies. Mayor Pro Tem Crowder confirmed with EDM Sauls that the City would need to mirror CDBG rules.

Scoring

Criteria	Max Points
Level of capital investment: <ul style="list-style-type: none"> • \$5,000 - \$25,000 (5 points) • \$24,999 - \$49,999 (10 points) • \$50,000 or more (15 points) 	15
Square feet of space: <ul style="list-style-type: none"> • 250 – 499 (1 point) • 500 – 999 (2 points) • 1,000 – 1,499 (3 points) • 1,500 – 1,999 (4 points) • 2,000 or more (5 points) 	5
Within Target Areas for Economic Development	25 (20)
Appropriate rehabilitation of a contributing building in a	5

designated historic district or individually listed historic district	
Rehabilitates a deteriorated and/or dilapidated property	10 (5)
Reuses a vacant or underutilized property	10 (5)
Abates an environmentally impaired building	5
Located in a designated transit route or corridor	5
Project provides retail space	20
Number of new full-time jobs: <ul style="list-style-type: none"> • 1 – 3 (5 points) • 4 – 10 (10 points) • 11 or more (15 points) 	15
TOTAL POSSIBLE POINTS	100

Next Steps

1. Send BUG changes to full Council for consideration.

Councilor Gaylord stated that the suggested changes would make these grants more accessible for a larger, more diverse pool of businesses. Mayor Pro Tem Crowder agreed, adding that this approach would spread the wealth.

Councilor Gaylord requested to look at photos of what the City is buying in order to understand the impact of the investment. ACM Greene responded that staff would gather photos, adding that the only current completed project is The Flourish Market in Glenwood South. He referenced a photo of the market on an earlier slide.

Mayor Pro Tem Crowder moved to uphold staff’s proposed revisions to the BUG, including the allocation of \$500,000 in the FY 2018 recommended budget. The motion was seconded by Councilor Bonner Gaylord and carried by a vote of 2-0. Mayor McFarlane and Councilor Thompson were absent and excused.

ACM Greene pointed out that this item would leave the Committee unless it was sent back by Council.

Item 15-06 – Preservation of Historic Structures Downtown

This item was referred to the Committee by the Mayor at the September 6, 2017 City Council Meeting. The following information was contained in the agenda packet:

DESCRIPTION/SUMMARY: The Unified Development Ordinance (UDO) remapping applied lesser zoning heights to several historic properties on Fayetteville Street with the intention of discouraging demolition of historic resources. Affected property owners

have expressed concerns about the limitations on development potential created by the remapping. At their October 5, 2016 meeting, the Committee requested an investigation of tools that would enable additional development options while encouraging the preservation of historic structures. This item presents a preliminary review of five options.

BUDGET IMPACT (FUNDING SOURCE/BUDGET ACTION): The preliminary budget request for City Planning includes funding to hire a consultant to study one or more of the identified options and to develop policy and UDO amendments.

RECOMMENDATION: Refer one more identified preservation tools to staff for more detailed study and implementation.

City Planning Director (CPD) Ken Bowers and Planner I John Anagnost presented this item with the assistance of a PowerPoint presentation titled “Preservation Tools for Historic Structures Downtown.” Sides during this part of the presentation included the following information that he explained further.

Map: Zoned Height in Downtown Raleigh

Images: Historic Structures in Downtown Raleigh

Map: City Landmarks and Structures in Downtown Raleigh – National Register Historic District (NRHD)

Map: City Landmarks and Structures in Downtown Raleigh – 50% Depth General Historic Overlay District (HOD-G)

Images: Historic Structures in Downtown Raleigh

Preservation Tools

1. A new HOD-G with separate historic guidelines.
2. A non-contiguous HOD.
3. Transfer of Development Rights (TDR).
4. Height bonus.
5. Split zoning/limited depth HOD-G.

HOD-G with Separate Guidelines

- All HODs currently regulated by one set of design guidelines.
- Separate guidelines could be created for Fayetteville Street that allow a wider range of building heights.
- Pros:
 - Regulation, review procedure, and enforcement already exist.
 - Preserves aesthetics and scale.
 - Uniform application across properties.
- Cons:
 - Resource intensive to draft new guidelines.
 - May require more review capacity.
 - Does not prevent demolition, only delays.

CPD Bowers cautioned the Committee that it was not a trivial matter to craft new guidelines.

Non-Contiguous HOD

- Raleigh HODs are all composed of contiguous parcels.
- Non-contiguous parcels could be regulated under a HOD, only historic properties would be included.
- Parcels in between are not regulated, district character is defined only by historic structures.
- Pros:
 - Only regulates historic properties.
 - Review procedure and enforcement already exist.
 - Faster than landmarking.
- Cons:
 - Legality is uncertain.
 - Does not preserve fabric, only structures.

Transfer of Development Rights

- Development potential can be removed from one site and applied to another, allowing the second site to exceed zoned density.
- Sending sites (historic properties) would have some rights that could only be used if transferred, could not be used on-site.
- Rights can only be received in predetermined areas.
- A freestanding market for rights is formed independent of development review.
- Pros:
 - Requires preservation easement.
 - Directs growth to desirable locations.
- Cons:
 - Works best with floor area ratio (FAR) based zoning.
 - Needs long term strategy.
 - Possible lack of liquidity.

Height Bonus

- Additional height is granted on one portion of a site in return for preservation easement on another portion.
- Transfer would likely be part of site plan review process.
- Pros:
 - Requires preservation easement.
 - Enables additional development on same site.
 - FAR-based zoning may not be necessary.
 - Easy to administer.
- Cons:
 - Magnitude of bonus needs to be calibrated.
 - Limits receiving area.

Split Zoning

- Parcel containing historic structure has two zoning districts, each with a different allowed height.
- Base district (DX) would remain the same for entire parcel.
- Pros:
 - Regulations and enforcement already exist.
 - Can be tailored for each property.
- Cons:
 - May require text change.
 - Does not prevent demolition, may encourage.

Limited Depth HOD-G

- HOD-G is enabled in the UDO.
- Mapped HOD-G boundaries could extend only to first 50% of parcel from Right of Way (ROW).
- Development activity would only be regulated for design in first 50% of parcel.
- Pros:
 - Regulation, review procedure, and enforcement already exist.
 - Preserves aesthetics and scale.
 - Does not regulate rear of parcel.
- Cons:
 - Does not prevent demolition, only delays.
 - May require text change.

Staff Recommendation

- Fund a study of the following tools:
 - Height bonus; and
 - Limited Depth HOD-G.

Funding Options

- Option 1: Instruct staff to request funding in the next budget cycle.
- Option 2: Re-appropriate funds from Warehouse District Design Guidelines to this study.

Mayor Pro Tem Crowder commented that it is important to find a balance between preservation and densification. She provided a three-minute speaking opportunity for each citizen present who wished to provide input.

Carter Worthy, 2300 White Oak Road, stated she has interest in two buildings on the 300 block in downtown. She expressed concern that certain blocks of Fayetteville Street were zoned capriciously and without public input. She agreed that the City should complete a study in order to find a way to incentivize the preservation of historic structures, emphasizing that it should be approached as an incentive rather than a penalty. She suggested for the Council to first undo the punitive zoning that was put in place when the rezoning was adopted, and then have conversations with property owners and developers.

Greg Hatem, 511 East Jones Street, stated that he agrees with Ms. Worthy on several issues. He expressed concern that there was no conversation with downtown property owners prior to the rezoning. Mr. Hatem noted that Raleigh property owners are very understanding and supportive of preservation but do not understand the goal of the City. He suggested for the City and property owners to meet and discuss options and goals, since they seem to be converging. He believes that density would help the City.

Dean Debnam, 255 Penley Circle, stated he wants to preserve buildings but feels badly about the current process. He requested for property owners and staff to have a conversation prior to spending money on a study.

Mayor Pro Tem Crowder agreed that it would be helpful for staff to have a conversation with citizens who are involved in the world of preservation of historic properties prior to moving forward. ACM Greene replied that it is important to gather property owners in order to share ideas, but also important to complete a study and help evaluate. CPD Bowers agreed; however, suggested moving forward with a study and involving various property owners as a part of the study effort.

Councilor Gaylord stated that he agreed with the majority of the statements; however, unfortunately there is not an answer that will please everyone. He believes that the fastest way to reach a conclusion is to put out an RFP and begin a study.

Mayor Pro Tem Crowder suggested forming a steering committee that would walk through the process as the Council moves forward. Attorney Brandon Poole added that Council could have parallel conversation as the staff puts together solicitation documents, which would allow for more knowledge from impacted property owners and get the conversations started sooner.

Mayor Pro Tem Crowder asked about pieces of historic property that are not downtown. CPD Bowers replied that these tools would be broadly applicable.

Ms. Worthy confirmed with CPD Bowers that a limited zoning district would require a City-initiated zoning process.

Mayor Pro Tem Crowder moved to reallocate \$50,000 of the Contract Services account in the Planning Department from the Warehouse District Study to a Historic Preservation Initiative Study with the understanding that the report would return to the Committee for further discussion. She further recommended that staff should convene meetings with people who are affected and/or interested in historic preservation. The motion was seconded by Councilor Gaylord and carried by a vote of 2-0. Mayor McFarlane and Councilor Thompson were absent and excused.

Item 15-05 – Signs – UDO Regulations

This item was referred to the EDI Committee during the August 2, 2016 City Council meeting. The following information was contained in the agenda packet:

DESCRIPTION/SUMMARY: At a recent EDI Committee meeting, staff was asked to provide an overview of signage options in an urban setting. This request is related to recent City Council action to amend the signage regulations.

Assistant Planning Director (APD) Travis Crane presented this item with the assistance of a PowerPoint presentation. Sides during this part of the presentation included the following information that he explained further.

Item 15-05 - Signs

- Committee discussed a citizen petition in October.
- One question remained: how to treat “urban” signage?
- UDO contains three basic sign categories:
 - Wall, ground and special.
 - There are many types in these categories.
 - E.g. wall signage can be projecting, wall, and canopy.
- Maximum signage allowance per street facing façade of 300 square feet (without any ground sign).

Types of Signs

- Wall Signs
 - Attached flush to wall.
 - Limit on size, placement.
 - Images: Wall Signs.
- Projecting Signs
 - Attached perpendicular to wall.
 - Limit on size, placement.
 - Images: Projecting Signs.
- Canopy Signs
 - Attached to a canopy, overhang.
 - Limit on size, placement.
 - Images: Canopy Signs.
- Window Signs
 - Attached to a window (inside or outside)
 - May occupy 50% of window area.
 - Images: Window Signs.
- A-Frame Signs
 - Portable, near doorway
 - Maximum of 6 square feet.
 - Images: A-Frame Signs.

Next Steps

- If a change to regulations is desired, a text change must be authorized. I would ask that Committee provide feedback to staff so we can have more conversation of how we might alter.

Economic Development and Innovation Committee
February 28, 2017

Lanier Riddick, Vice President of Sales for Capital Sign Solutions, 761 Bishops Park Drive, Unit 101, thanked the Council for reverting back to the original UDO regulations. He stated that there have not been any problems, but he would love to be included in the process should issues arise.

Councilor Gaylord asked for more information on way-finding signs. APD Crane clarified that way-finding signs are not considered a sign unless it can be viewed from the public ROW. Councilor Gaylord replied that he has heard complaints that large parking signs that are being covered due to various impediments. He added that with increased parking challenges, there needs to be an easy way for people to find their way into parking decks. Mayor Pro Tem Crowder pointed out that most downtown parking decks have a projected signs and asked Councilor Gaylord if he thinks more signs are needed. Councilor Gaylord responded that he is not clear on what is allowed and asked staff to report back to the Committee on regulations. APD Crane confirmed that staff should explore any challenges associated with way-finding signs in general.

Councilor Gaylord added that the City should have some sort of relief valve should someone bring an artistic or attractive approach forward. In the case where an idea is not in compliance with the City's regulations, he asked if there could be an option to refer the idea to the Appearance or Art Commission. Mayor Pro Tem Crowder cautioned Councilor Gaylord, starting that the Council could create issues due to differing opinions. Councilor Gaylord replied that there is a need to converge forces in order to deploy public art within the City, and spoke briefly about murals. He pointed out that if a mural has a business name associated with it, it will get counted as a sign. Councilor Gaylord expressed concern that the City is drawing distinct lines that prevent artistic expression. He has heard from the art community that they want more murals. Mayor Pro Tem Crowder pointed out that the City has to consider public benefit.

APD Crane confirmed that staff should explore any vehicle available to allow for an increase of signage, provided there is some sort of design review incorporated. Councilor Gaylord added that there needs to be a way to distinguish between commercial and public benefit.

Mayor Pro Tem Crowder moved to make no changes to the sign regulations at this time and retain Item 15-05 Signs – UDO Regulations in the EDI Committee. She asked staff to bring back information and suggestions on way-finding signs and murals, per Councilor Gaylord's request. The motion was seconded by Councilor Gaylord and carried by a vote of 2-0. Mayor McFarlane and Councilor Thompson were absent and excused.

Adjournment. There being no further business Mayor Pro Tem Crowder announced the meeting adjourned at 12:18 p.m.

Cassidy R. Pritchard
Assistant Deputy Clerk