

**SANFORD CITY COUNCIL
WORK SESSION**

Tuesday, October 11, 2016
225 East Weatherspoon Street, Sanford, NC

The City Council held a Work Session on Tuesday, October 11, 2016, at 5:30 p.m. in the West End Conference Room at City Hall. The following people were present:

Mayor T. Chet Mann
Council Member Byron Buckels
Council Member Charles Taylor
Council Member James Williams
City Manager Hal Hegwer
City Attorney Susan Patterson

Mayor Pro Tem Sam Gaskins
Council Member Jimmy Haire
Council Member Norman Charles Post, III
Council Member Rebecca Wyhof
City Clerk Bonnie Davis
Deputy City Clerk Vicki Cannady

Work Session

Mayor Chet Mann called the work session to order and advised Council that Community Development Director Marshall Downey requested an opportunity to speak briefly.

Mr. Downey announced the retirement of Althea Thompson, a long-term employee who most recently served as Zoning Administrator, and recognized her service to Sanford and Lee County. Mrs. Thompson thanked fellow employees and Council members for their support.

Update on Hurricane Matthew Recovery

City Manager Hal Hegwer explained that in the wake of Hurricane Matthew, he was working with Lee County Manager John Crumpton to have Lee County designated as a FEMA disaster zone in order to obtain federal assistance for storm-related costs and hazard mitigation. There were two major waterline disruptions, including a large 24" line that will be quite costly to replace. Emergency 911 staff received 1,884 calls Saturday (the day of the storm), an increase of 340% in the emergency call volume and an increase of more than 600% in non-emergency volume. Century Link had storm related problems which affected internet service and caused the loss of some call data at the 911 center. The Fire Department answered 108 calls between 10 a.m. and 10 p.m. Saturday, an average of one call every 6.6. minutes. They performed one water rescue and two evacuations to shelters (at Lochmere Mobile Home Park and Riverbirch Shopping Center). Significant progress has been made with limb pickup.

Mayor Mann stated that he met with Mr. Hegwer, Public Works Director Victor Czar and Water Plant Supervisor Scott Christiansen on Sunday at the Emergency Management System (EMS) center. The Lemon Springs Fire Department responded to about 278 calls (their average for an entire year), with most calls requesting tree removal. EMS had a typical day but received more calls for service from fire and police staff. City staff spent a great deal of time and effort on the water line repair and the county allowed use of their "Reverse 911" to notify the public. Mr. Hegwer noted that this system notifies only customers with land lines but staff is considering updates to the metering system which may include additional options for customer notification. Mayor Mann suggested that Council develop a more detailed emergency situation protocol.

Update on Jonesboro Storm Water Issues

City Manager Hal Hegwer advised Council that an additional catch basin could be installed on Main Street at a cost of approximately \$25,000 and that DOT had been notified of the drainage issue near Lee Avenue in Jonesboro.

Discussion Regarding Central Carolina Enterprise Park

City Manager Hal Hegwer informed Council that progress had been made on the CCEP project and Council action will be required soon to approve Developers' Agreements for the CCEP site on Clyde Rhyne Drive (attached as Exhibit A) and the Triassic site on Colon Road (attached as Exhibit B). He noted that county officials are now convinced that annexation is no longer seen as an impediment to growth.

City Attorney Susan Patterson explained that annexation petitions would be submitted soon for both sites. If approved by Council, zoning would be assigned within 60 days and the City would enter into Developers' Agreements with the owners. The owner plans to develop the CCEP site (approximately 250+/- acres on Clyde Rhyne Drive) as a "Class A" enterprise park. The site would be divided into 17 or 18 lots under a common development scheme, with 80% manufacturing/industrial use and 20% commercial use; there will be no residential development on this site. Lot development would be subject to Covenants and Conditions (attached as Exhibit C) to ensure that all structures are compatible. Fire service would be provided as described in an agreement with the Northview Fire Department (attached as Exhibit D).

Attorney Patterson summarized some of the benefits to the City, including orderly growth, an increased tax base, economic diversification, job creation, and marketing. She also noted that since private developers are purchasing the land, they will be assuming much of the risk (rather than the city) and that expansion of water and sewer infrastructure will allow for more efficient expansion in the future.

Community Development Director Marshall Downey reviewed zoning information on the site (attached as Exhibit E) and explained that staff has discussed a conditional zoning district with the CCEP developer to include primary and secondary land uses. Buildings must be at least 20,000 square feet, with plans to target companies needing about 100,000 square feet. He gave details of primary uses (manufacturing of food/beverages, pharmaceuticals, transportation equipment; data centers; office buildings; testing/research labs; warehouses), noting that these would generate the need for secondary support services (restaurants, gas stations, hotels/lodging, day care centers, shopping/retail centers). These secondary uses would be limited to 20 percent of the development and would likely be located near the entrance. Regarding Covenants and Conditions, the developer has agreed with not only typical zoning standards (setbacks; impervious surface coverage; building standards), but also proposes additional self-imposed standards (for parking and screening; barring metal buildings), which would require architectural committee.

Attorney Patterson explained that the Developers' Agreement benefits and places standards on both parties. It also states that land use regulations in effect on the date of the agreement would remain in place for the term of the agreement: any zoning changes made after the date of the agreement would not apply to the development. This was requested by the

developer to provide continuity in regulation. Mrs. Patterson confirmed that this would not apply to any changes in state or federal regulations. She summarized responsibilities of both parties and noted that there is a provision for renegotiating costs if sewer line installation costs exceed \$3.5 million or if side path construction costs exceed \$1.5 million. The agreement also provides that the city would be reimbursed (on a proportional basis) up to \$2.5 million for the sewer line cost and up to \$1.5 million for side path installation in the event that less than approximately 40 percent of the park is developed as planned. Mrs. Patterson explained that water line extension is not included in this reimbursement provision because the water lines are being expanded as part of the system, not to benefit the site. There is also a provision that minor modifications (paint color, lighting locations, roofing material, lot line adjustments, etc.) could be approved by the City Manager rather than Council. The agreement is for a ten-year term with an automatic ten-year renewal unless terminated or modified by the parties.

Regarding fire service, Attorney Patterson stated that a proposal has been made for the city to contract with Northview Volunteer Fire Department to provide service to the CCEP and Triassic sites (even though a portion is in the Deep River Fire Department service area) and to pay them a fee for that service. She also explained that when property is annexed, the rural fire department must disclose their debt as a basis for compensation for loss of property in their special tax district. Mr. Hegwer explained that as this area develops over time, the city would assume the cost of providing additional staff until another station is needed. He also emphasized that the goal is to partner with Northview in a way that is fair to both parties. Council Member Taylor expressed concern that city fire department employees were voting as board members, and requested this information be disclosed before agreements are finalized.

In response to questions as to whether a “spec” building (constructed without a tenant) would qualify toward the minimum development requirement, Mr. Downey stated that, in his opinion, it would, since that building would increase the ad valorem tax base. Public Works Director Victor Czar stressed that “product” is loosely described at this point since agreements are not yet finalized and that there has been a great deal of discussion between the parties on how to best measure performance. Some developers view a large site with water and sewer service as “product”; some may want a site with a building already constructed; and others have very specific design standards and would construct to those standards. Attorney Patterson confirmed that the agreement is not yet final and more detailed definitions and information will be included.

Mr. Hegwer encouraged Council members to voice any concerns they may have, since both parties must approve these agreements. He stressed the fact that a private developer will be assuming much of the risk by purchasing and developing the property rather than the city, but there is still some risk to the city. Site development will benefit the city since we would then have the product (shovel-ready sites) needed to draw industry, which we do not currently have, while also increasing the tax base and producing jobs.

Mayor Mann reminded everyone that this property is one of very few sites in the state which have been certified by both Duke Energy and the state. McCallum and Sweeney (a major site selection consultant) has stressed the importance of developing to these standards to attract industry. He suggested that the developers of the CCEP and the Triassic sites have a wealth of resources and have made substantial investments in the park, so they are not likely to skirt

minimum requirements. They are also aware that full development could take up to ten years or even longer, just as the existing park took about thirty years to fully develop.

Council Member Williams stressed the importance of the fact that this northern section of Lee County is nearer to the Raleigh/Triangle area than any other section of the county. Council Member Wyhof questioned whether there were any other key components of the project involving other parties. Mayor Mann stated that the county has verbally agreed to provide broadband service to the site, which will be handled through a separate contract, and Mr. Hegwer stated that there have also been several conversations with the county about them funding the park's entryway and signage.

Triassic-Wicker Site

City Attorney Susan Patterson explained that the "Triassic-Wicker site" (the larger 490+/- acre tract on Colon Road) will be developed differently than the CCEP site. The owner hopes to attract a large manufacturing, industrial or hospital facility needing a larger campus; therefore, their Developers' Agreement has much less detail. Sewer infrastructure would be extended to the site (water service is already available), and the developer would be responsible for extending it into and through the property.

The owner would like to develop this tract in two phases, with the significant difference being a provision for a set of "Phase II" land uses. Phase I would target industrial/manufacturing use, but another category of Phase II land uses would be automatically allowed on January 1, 2020, at 12:01 a.m., if the property has not been developed as planned for in Phase I. The primary addition is for allowing residential land uses on up to 75% of the total acreage.

After the petition for annexation is received and approved, the property will be rezoned, potentially as conditional use, and the owners' request would be that Phase I run through December 31, 2019, and at 12:01 a.m. on January 1, 2020, it would automatically go to Phase II without additional Council approval. Attorney Patterson suggested that a large site like this may attract a business needing 150 acres, leaving the remaining acreage for residential use (single-family, multi-family, Planned Unit Development or some mixture of these).

Attorney Patterson noted that this tract is near the Raleigh/Triangle area and the Deep River Forest property, which may open the area for additional development if infrastructure is extended. Manager Hegwer reminded everyone that Baxter Pharmaceuticals strongly considered this site but ultimately chose to locate near Atlanta.

Community Development Director Marshall Downey reviewed key differences between this site and the CCEP site: the developer of this site is targeting one or maybe two very large employers; lots are not being created; no public street system is being created.

Phase I would include the same primary and secondary use concept: a maximum of 20 percent would be allowed for secondary uses (complimentary with the Triassic development and that of CCEP) along Colon Road and the Clyde Rhyne intersection. Phase II provides for the automatic addition of Phase II land uses, primarily to allow for residential land uses on up to 75% of the total acreage, while still permitting all primary permitted uses identified in Phase I.

On January 1, 2020, at 12:01 a.m., Phase II secondary uses would be added to the Phase I secondary uses. Phase II secondary uses are simply a longer, more expanded list of retail and personal services that would be more complimentary to the new optional residential development. Buffer and design standards have been discussed but not finalized and if not set forth in developer imposed regulations, they would be subject to the UDO standards. One of the conditions requested by City staff, and agreed to by the owner, is that Council approval of the residential development (including a Public Hearing, approval of preliminary and final plats) would be required if the proposed "Phase II" residential use is approved.

Attorney Patterson stressed the importance of compatible uses if the property is developed as both manufacturing/industrial and residential. The owner suggested the possibility that if the property were to be used for a hospital, there may be a need to provide staff housing for doctors, nurses, and support staff. Council Member Wyhof questioned whether the property would be subject only to regulations in effect on the date of agreement or if the developers would be required to meet standards (such as sidewalks) adopted by Council after the agreement date. Attorney Patterson responded that additional requirements must be agreed to by both parties and most terms are negotiable. She also suggested that if the proposed Phase II development is allowed, this requirement could be incorporated as a condition for Council approval.

Since the owner has had limited interest from commercial developers but has had significant interest from residential developers, Attorney Patterson explained that the two phase option gives the developer flexibility and the ability to hold the property in the hope of attracting larger commercial development without losing the potential of residential use. It adds another layer of use to what will be in effect initially. She summarized the developers responsibilities (grant all sewer easements at no cost, obtain all development permits other than sewer, marketing). She also summarized the City's responsibilities (to install a fully operational sewer line to the property at an estimated cost of \$1 million by December 31, 2017, barring any unforeseen issues).

Attorney Patterson noted that the reimbursement provision for Triassic is also slightly different from that of CCEP, in that the developer has ten years to develop at least 40% of the property for Phase I uses with no reimbursement requirement for the sewer line; if industry is operational and jobs are generated, the investment could be seen as successful. If, however, any of the property is sold for residential Phase II uses within ten years of the agreement date, the city would be reimbursed for the sewer line cost in proportion to the proceeds received by each owner. There is also a provision granting the city a 60-day option to purchase, at fair market value, any or all of the property not sold within ten years of the agreement date. She reminded Council that if the property is purchased by the city, the site may meet state criteria for economic development funding assistance. Attorney Patterson also confirmed that she requested a longer time period for exercising the option to purchase (24 months, 12 months, six months), but the owner suggested they would notify the city in the ninth year of the agreement in order to give the city enough time to consider exercising the option. She also noted that the 60-day option provides for 60 days' notice to sign a contract, not to close on the purchase. Staff anticipates no problem with completing the sewer line extension prior to December 31, 2017, but not completing it before that date would be a breach of the contract.

Mrs. Patterson encouraged Council members to review the terms, concepts, and proposals presented, since the terms of the agreements are negotiable.

Recess

Mayor Mann requested a recess at 7:00 p.m. The meeting was reconvened at 7:15 p.m.

Update on Providing Sewer to the Town of Pittsboro (Exhibit F)

Public Works Director Victor Czar advised Council that it has been estimated that the Chatham Park development (a 7,000 acre “live/work/play” project by Preston Development) will increase Pittsboro’s population by about 50,000 residents, along with the need to treat approximately 5 million additional gallons of wastewater per day. Pittsboro can currently process only about 750,000 gallons per day. In order to accommodate that additional service, officials have discussed the possibility of using the city’s wastewater treatment plant (WWTP). Since the Inter-Basin transfer rule allows for treating up to 2 million gpd without triggering another process, staff has discussed using our WWTP to process up to 2 million gpd as an intermediate solution. Estimates range widely on how quickly they would need this volume, but our facility could supply some of their needs for some time. The WWTP is permitted to process 12 million gpd and is currently processing an average of approximately 4.5 million gpd, so there is some remaining capacity.

Mr. Czar noted that the WWTP is an asset which could be maximized, especially since wholesale accounts (such as those we have with Goldston, Gulf, Carolina Trace) help to keep rates down. Providing this service to Pittsboro would be the city’s first major step in regionalization and connecting with the Triangle area, making the city a significant player in this region. Under terms of the agreement, the Town of Pittsboro would be a customer going forward (from the agreement date) with no term limit. They would be making a significant investment in infrastructure - somewhere in the neighborhood of \$15 to \$20 million - for a lift station and installing a pipeline to Sanford.

City Attorney Susan Patterson explained that line construction would be Pittsboro’s responsibility and they would also be responsible and liable for any spills or damages from the point of transfer to the point of delivery (which has not yet been determined); the city would be responsible for treatment beyond that point.

Council Member Buckels requested confirmation that the city would not be responsible for the any initial infrastructure costs. Mr. Czar stated that the intent is that Pittsboro would install the entire line and construct the lift station; however, he also noted that when Deep River Forest is developed, wastewater service will be needed and that may require three lift stations (due to the topography). He also noted that Pittsboro would retain ownership if the agreement was terminated, but the City could certainly negotiate purchasing all or part of the infrastructure.

Mayor Mann gave an example of how quickly development can be accelerated: a tract of approximately 800 acres in Wake County had no access to water and sewer service without constructing a \$2.5 million lift station. Within three months of constructing the lift station, there was a contract to purchase the property and approximately 400 houses were under construction.

Mr. Czar explained that another component of the agreement is exclusivity: the city wants to be the sole provider of wastewater treatment to Pittsboro for that first 2 million gpd. We don't want to have only a capacity reservation without use since (a) we could use the flow on a daily basis (the plant runs better with additional flow); and (b) that is one of the ways we would be reimbursed through the agreement. He noted, however, that the developer is building a 500,000 gpd wastewater plant, because they believe it can be operational before an agreement between Pittsboro and Sanford could be finalized and before the lines and lift station could be constructed. After connecting to the city's WWTP, their 500,000 gpd plant could be used only for reuse water. The developer wants to have a significant reuse portion for irrigation and cooling towers and the only other place to obtain that is from us.

Financial Services Director Beth Kelly described the two types of charges: (1) Capacity: calculation based on a capital component (the outstanding debt owed on the WWTP on the date of agreement. Their portion of that debt would be slightly more than \$7 million (as of November 1, 2016), and would be a one time, fixed component to be paid over a period agreed to between the parties (up to 20-25 years was discussed), at an interest rate agreed to between the parties; and (2) Treatment component: calculation based on WWTP expenses, less pre-treatment costs, divided by the number of gallons treated and multiplied by actual use.

Mr. Czar also pointed out another benefit to our system is that higher flow through the plant reduces the cost per unit. Although expenses would increase for electricity, chemicals and sludge handling, there would be no need for additional staff (a major expense) since the WWTP is already staffed continually. If there are changes in state regulations applicable to all gallons, Pittsboro would be responsible for their proportional share. If the change affected treatment costs, it would affect their treatment costs (since additional treatment typically means a higher rate paid for the treatment). The plan is to consider the prior year's actual expenses and divide it by the prior year's actual flows, resulting in an increase of actual expenses with no increase in flow, meaning that their rate would decrease. Their treatment rate would change annually and their fixed rate may also change. They have requested a fixed rate for a certain time period and there have been many iterations of this, including a fixed rate for a period longer than one year. While this is an option, the calculation is problematic: we would have to charge more than the anticipated costs and ultimately have a "true up" (reconciliation) provision where one party reimburses the other, which is not uncommon when negotiating this type of agreement.

Mr. Hegwer explained that on the capacity side, we are not actually holding 2 million gpd for them. The \$7 million calculation is based on their request for 2 million gpd, which is one-sixth of the 12 million plant capacity (the capital component).

Regarding administrative costs associated with the account, Mr. Czar explained that staff researched billing and overhead expenses and found that those costs were negligible. The primary costs are expenses at the WWTP. Cost accounting wise, staff has allocated expenses for their proportionate share and it is not anticipated that a great deal of staff time will be required, other than time involved in a "true up" reconciliation (if incorporated). The account is anticipated to be quite stable once established.

Attorney Patterson stated that if the state imposes any additional requirements, those costs would be an additional fee to Pittsboro. If we decide to make an improvement, Pittsboro would have the option to participate or not. If Pittsboro requests an improvement, we could decline and they could elect to proceed by paying all expenses. If they exceed the 2 million gpd, there would be an additional premium charge and they would be responsible for informing us as to how they will reduce use or provide for that increased capacity. The agreement would also include a provision anticipating that they will become a larger user or how they plan to reduce use: the city can accommodate either option.

Mr. Czar confirmed that using our WWTP is likely a quicker and less expensive option for Pittsboro. It would also promote regionalism (which the state encourages) and reduce discharge into Jordan Lake. The city would bill only Pittsboro, and they would be responsible for billing their individual customers. Mrs. Kelly pointed out that both types of charges explained earlier would be seen favorably by bond rating agencies since they would increase revenue and diversification.

Regarding the monitoring of incoming flow, Mr. Czar explained that all flow would have to meet our pre-treatment standards, including disclosure of all information before a pre-treatment permit is issued. They would also be responsible for using any and all remedies to verify that their customers are complying with the permit and if not, remedies would include (but not be limited to) terminating the agreement. Any fees, costs or penalties associated with non-compliance would be charged directly to Pittsboro since they would be the customer (regardless of which of their individual customers may have been responsible).

Mr. Hegwer stated that this option has been discussed between Sanford and Pittsboro staff for years, but due to the fact they now have a developer ready to move forward, their schedule has been accelerated. There are reports that one builder has committed to building 1,800 homes beginning in 2018. Their staff will be meeting with their Board in the near future. It appears that there is momentum for Pittsboro to make a decision on how to proceed, regardless of whether Sanford is involved or not.

Mayor Mann noted that at 7,200 acres, Chatham Park is larger than the Research Triangle Park and that partnering with Pittsboro would connect Sanford to the Raleigh/Triangle market.

Mr. Czar confirmed that current plans include only an incoming line and but they may also need additional reuse service since their 500,000 gpd plant may not meet their needs. He also confirmed that the city participated in a study conducted by Chatham County in 2012 to help them determine whether a partnership such as this would meet their needs and to also help with cost comparisons (constructing their own facility vs. partnering with Sanford).

Update on Golden Leaf Grant Application

City Manager Hegwer confirmed that staff submitted a Letter of Intent, which is required before an application can be filed, for a \$16 million Golden Leaf Grant to help with the cost of extending sewer infrastructure to the Moncure Megasite. Golden Leaf grants are awarded to encourage economic development in areas formerly dependent on tobacco production. The NC Infrastructure fund has partnered with Golden Leaf to set aside \$25 million for large scale

industrial projects throughout the state. The city has received Golden Leaf grants in the past to help with sewer extension to the VA Clinic on Tramway Road and on the Central Carolina Works project. Mr. Hegwer announced that staff has been notified that we should proceed with a full application, which is quite promising.

Update on Colon Road Water

Mayor Mann explained that the County is considering how to help Colon area residents with the need for a clean public water source. One option being discussed is for the City to loan the County \$200-\$250,000 to fund waterline development to approximately 20 homes on Old Colon Road and Hawkinberry Lane, in one of the areas most affected. The County would be responsible for line installation and would reimburse the city when coal ash funds are received from Duke Energy. No action was requested from Council at this time.

Discussion on Municipal Services District (MSD), Law Change, and New Operational Procedures (Exhibit G)

City Attorney Susan Patterson explained that in 2015, the legislature, in an effort to facilitate transparency and encourage public input, revised the statute regulating Municipal Service Districts (MSDs). Municipalities may now contract with private agencies (through competitive bidding) to provide services to that district and public hearings are required prior to spending funds.

The city sought input from the MSD and property owners through an on-line public survey. Results were compiled by David Montgomery, Senior Long-Range Planner (attached as Exhibit H). A request for bids was advertised seeking private agencies interested in providing services to the MSD (marketing/communications; economic development; event management; planning/ development): Downtown Sanford, Inc. (DSI) submitted the only bid. Prior to awarding the contract (attached as Exhibit I), a public hearing must be held in the district to specify the scope of services as outlined in the contract, which is proposed for a five-year term with a 90-day termination notice requirement. DSI would be required to seek input annually from property owners and to submit an annual accounting of their activities and expenditures. The city would still maintain financial oversight and pay expenses. Their budget must still be approved by Council and must also be presented at a public hearing (which could be held in connection with the city's budget hearing).

Mrs. Patterson advised Council that staff has discussed how to meet the statutory requirement without incurring unnecessary costs. Financial Services Director Beth Kelly noted that each public hearing must be advertised in the local newspaper twice, which will cost up to several hundred dollars each. Mrs. Patterson stated that there is interest from the League of Municipalities, among other groups, in amending the current statute to address what appear to be some unintended consequences. Scheduling the date and time for public hearing was discussed and consensus was reached to hold it at the Buggy Company Building (115 Chatham Street, Sanford) on Tuesday, November 1, 2016, at 5:30 p.m., prior to that night's Council meeting (scheduled for 7:00 p.m. at City Hall).

Council Member Charles Taylor suggested that Council help facilitate improved communication with downtown merchants on any issue affecting them.

Other Business

Council Member Rebecca Wyhof thanked everyone for their work during and following Hurricane Matthew.

Council Member Taylor also acknowledged work efforts in connection with Hurricane Matthew by staff, Duke Energy and their contractors, noting that there were crews from as far away as Maine and Cincinnati.

Council Member Haire relayed a citizen's request that parking spaces be designated on Gordon Street.

City Manager Hegwer stated that storm-related debris cleanup was proceeding and while there was substantial damage, it was not as extensive as Hurricane Fran or the 2011 tornado. He also noted that cleanup work continues on the First Street properties.

City Attorney Susan Patterson informed Council that closing proceeds had been received from the sale of the Daisy Street lot.

Mayor Mann reminded Council members of the SAGA All Boards Meeting scheduled for Wednesday, October 12, and the Mural Dedication Ceremony scheduled for Thursday, October 13. He acknowledged staff and Council for their work on the night's agenda.

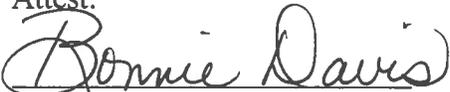
Adjournment

Council Member Post made the motion to adjourn the meeting; seconded by Council Member Wyhof, the motion carried unanimously.

Respectfully Submitted,



T. Chet Mann, Mayor

Attest:

Bonnie Davis, City Clerk