MINUTES
REGULAR MEETING
CITY COUNCIL

October 1, 2018

Ronnie Thompson, Mayor   Sally W. Sandy, City Manager
Wendy Cato ) Louis E. Vinay, Jr., City Attorney
Forrest A. Fleming ) Council
Christopher Hawkins )
Sidney Simmons )
Joy Hern-Guzman, Interpreter

Prior to this regular City Council meeting a joint meeting was held with Burke County
Board of Commissioners for the purpose of hearing an update from DFI regarding the
Broughton District Reuse Plan. That meeting was held in the City Council Chambers,
began at 4:00 p.m., and concluded at 4:56 p.m.

I. Call to Order – The Meeting was called to order in the Council Chambers at City
Hall at 6:00 p.m. by Mayor Thompson.

II. Public Comment – The Mayor stated the guidelines for public comment and said
speakers were to be called in order of sign-up.

No speakers were signed up or appeared, so the Mayor recessed the meeting at 6:01
p.m.

III. Business of the Council – The Mayor reconvened the meeting at 6:15 p.m.

IV. Pledge of Allegiance to the Flag – Mayor Pro-tem Fleming led the recitation of the
Pledge of Allegiance to the Flag.

V. Invocation – The invocation was given by the Rev. Marshall Jolly of Grace
Episcopal Church.

VI. Introduction of Council – The Mayor introduced the Council and staff.

VII. Service Pin – The Personnel Committee and City staff have decided to recognize
long-term employees for years of service at a Council meeting. David Abernathy is a
Sign Technician in the Public Works Department. The City Manager stated David was
unable to attend and will be presented a 25-year service pin at a later time.
VIII. Public Advocacy Issues and Strategies

a. Consideration of Revising the Public Comment Policy – Attorney Vinay stated that at the September 10, 2018 regular Council meeting, Staff was asked about the process to modify the public comment procedures. Upon review, Council can simply approve any changes. Attorney Vinay said that in the past year only once or twice have speakers used the full 15 minutes allotted.

The procedures are attached, with a modification to item 1, which simply states that if there are not enough speakers to use the entire 15-minute period set aside for comments, City Council would no longer recess the meeting, but instead go directly into the regular business portion.

Upon motion by Councilman Simmons, seconded by Councilman Hawkins, and carried unanimously, the Council approved changes to the public comment procedures policy to allow for the immediate start of regular business if public comments do not fill the allotted 15-minutes.

b. Community Appearance Advisory Commission – Staff Liaison Scott Lookadoo thanked all of the members of Community Appearance for all of the work they do in planting trees; the litter campaigns; streetscapes; recognizing private development with awards for appearance/landscapes; for nuisance abatements, etc. Chairman John Cantrell of the Community Appearance Advisory Commission stated that the Commission had a special commendation to present to Bill Allman for all of his hard work and dedication to the Commission. Chairman Cantrell also stated there would be a reception for Bill at Grace Ridge in the Table Rock Room and that the public was invited.

c. Proclamation: Fire Prevention Month – The Mayor read the proclamation which was accepted by Captain John Campbell, of the Public Safety Department. Captain Campbell thanked the Council for their support and that there were multiple events this month for fire prevention month.

Upon motion by Councilwoman Cato, seconded by Councilman Fleming, and carried unanimously, the Council approved the proclamation for Fire Prevention Month.

d. Proclamation: Public Power Week and Public Power Video – The Mayor read the proclamation which was accepted by Brooks Kirby, Director of Electric Services. Kirby stated he had a short video. Kirby thanked the Mayor, Council and City Manager for all of their support and the Electric Department will keep working to keep the electricity on. Kirby also stated that there would be a display with various information and prizes next week for Public Power Week. A video produced by ElectriCities celebrating linemen was shown.

Upon motion by Councilman Simmons, seconded by Councilman Hawkins, and carried unanimously, the Council approved the proclamation for Public Power Week.
e. **Wastewater Project Update** – Brad Boris, Director of Water Resources, gave an update of the project at the Wastewater Treatment Plant. Boris showed pictures of the work and gave an update on the conversion project which should be completed by March of 2019. Boris suggested a field trip for Council in November to see the project.

f. **Morganton Rotary Update** - George Milner, President of the Morganton Rotary Club, gave an update of projects. Milner thanked the Mayor and Council for allowing him to show what Rotary has been doing. He highlighted the upcoming pancake breakfast at the Community House.

g. **Upcoming events**: The Mayor announced the upcoming shows at CoMMA including *My Sinatra – Starring Cary Hoffman*, October 6; *What Would Mary Ann Do?*, October 13; *Steel Magnolias Movie Screening*, October 16; *Keith Allyn – A Neil Diamond Tribute*, October 25; and *Bits ‘n Pieces Puppet Theatre presents Three Billy Goats Gruff*, November 1. The Mayor also announced that Farmers Markets continue on Saturdays and Wednesdays; Ghost Tours will be held on Friday / Saturday, October 19-20 and October 26-27 (tickets available at the Mainstreet office); the downtown Halloween Spooktacular will be October 31 from 3:00-6:00 p.m. and Spooky Meadows held at Catawba Meadows will be October 26-27 with $1.00-off coupons to be found in the *News Herald*. The Mayor also reminded everyone that there is now a bus to ride in Morganton and Burke County which started this week. He also stated that the ride is free this week and every Friday this month.

IX. **North Carolina Municipal Power Agency Number 1 Update** – The City Manager stated that elections for NCMPA1 will be held on November 13, 2018 with two seats up for election. She stated that nominations are due October 12th.

X. **Consent Agenda** – The City Manager presented the Consent Agenda and asked if any items should be removed from the Consent Agenda. No request was made.

Upon motion by Councilwoman Cato, seconded by Councilman Hawkins, and unanimously carried, the Consent Agenda was approved and each individual item adopted as stated, these being as follows:

A. Minutes for a regular meeting held on September 10, 2018 were approved as submitted.

B. Approved a budget amendment (Ord. #18-56) to receive funds from Fulenwider Enterprises, Inc. for a sewer line extension at 401 Carbon City Road.

C. Awarded a contract for roofing replacement at CoMMA to Sam Turner, Turner Waterproofing, in the amount not to exceed $100,000.
D. Authorized the award of bid and contract with Perkins Hearing and Air, Inc. in the amount of $84,586.52 for the provision and installation of two (2) 20 ton Trane gas package air conditioning units at the Collett Street Recreation Center.

XI. Items Removed from Consent Agenda – There were no items removed from the consent agenda.

XII. New Business

A. Public Hearing

1. Public Hearing and Consideration of Economic Development Incentives Grant Agreement for Project Copy

The Mayor opened the public hearing at 6:46 p.m.

The City Manager stated that a company identified for confidentiality reasons as “Project Copy” currently owns and operates an industrial facility in the City of Morganton, and plans and proposes to expand its operation. Project Copy plans to make a capital investment of about $45,000.000 in this expansion, and to create at least 54 new full-time jobs.

Through negotiations with Burke Development, Inc. (“BDI”), the Company has indicated that to achieve its plans, it desires an economic development incentives grant from the City and Burke County, and that the project will not be achieved without such incentives. The proposed grant would provide for reimbursement to the Company for improvements to its private property by grants equal to 50% of the additional ad valorem property taxes which would become due to the City and the County because of the Company’s investments, such grants beginning in 2020 and continuing for 5 years if the conditions are met. Such grants would also be applied toward the required 50% “local match” for a “One NC” grant which the Company is seeking from the State of North Carolina.

The proposed incentives agreement is in basically the same format as previous such agreements entered into by the City. Once the State and the Company conclude terms of any One NC or building re-use grants, the identity of the Company will be revealed, and the actual name will be inserted in place of “Project Copy”. The Agreement is a joint effort with the County, which must separately approve it. The annual incentives must be separately approved and paid by the two governments, after public hearings, and are not dependent on each other.

The City and the County have each, separately, called for public hearings to consider the proposed incentives, as required by North Carolina law. Notice of the City’s public hearing, set for the October 1, 2018 stated meeting of Council, was published in the News-Herald on September 18, 2018.

There being no public comment, the Mayor closed the public hearing at 6:48 p.m.
Upon motion by Councilman Fleming, seconded by Councilwoman Cato, and carried unanimously, the Council approved and entered into an Economic Development Incentives Grant Agreement for the company known as “Project Copy”, and authorized the Mayor and/or City Manager to execute all necessary documentation.

Mayor Thompson asked when this matter would be taken up by the County. City Manager Sandy stated that the County would consider this at its November meeting.

2. Public Hearing and Consideration of a Rezoning Request to Change the Zoning for 0.78 +/- acres of Property Located at 500 West Fleming Drive from Conditional Use (CU) to High Intensity District (HID)

The Mayor opened the public hearing at 6:49 p.m.

The Director of Development and Design Services Philip Lookadoo stated an application has been submitted to rezone the property listed as 500 West Fleming Drive. The property is currently zoned General Business-Conditional Use with a Corridor Overlay and the application is to re-zone to High Intensity District (HID) with a Corridor Overlay. The property encompasses approximately 300 feet of road frontage along West Fleming Drive and is adjacent on all sides to HID zoned parcels.

The property was re-zoned from Heavy Industrial (HI) to General Business Conditional Use on April 7th, 2014 to accommodate for commercial use of the property. This re-zoning request is to allow for all the uses allowed under the HID zoning and to conform to the surrounding parcels along that corridor.

Research into the Mission 2030 Land Use Plan as well as the zoning of the surrounding parcels show that rezoning this parcel from GB-CU to HID would create a congruous relationship to the West Fleming Drive Corridor. The City of Morganton Planning and Zoning staff recommends approval of the rezoning to create a less segmented HID district along West Fleming Drive and to better enhance this major commercial corridor.

The Planning and Zoning Commission, at their regularly scheduled meeting held on September 10, 2018, unanimously (9-0) voted in favor of this map amendment.

Notice of the City’s public hearing, set for the October 1, 2018 stated Council meeting, was published in the News Herald on September 20 and 27, 2018.

There being no public comment, the Mayor closed the public hearing at 6:50 p.m.

Upon motion by Councilman Hawkins, seconded by Councilman Simmons, and carried unanimously, the Council certified that this rezoning request is in conformance with Morganton’s adopted Mission 2030 Land Development Plan.
Upon motion by Councilman Hawkins, seconded by Councilman Simmons, and carried unanimously, the Council adopted Ordinance #18-58 for a Map Amendment of approximately 0.78 +/- acres of property located at 500 West Fleming Drive from Conditional Use General Business (CU-GB) to High Intensity District (HID).

3. Public Hearing and Consideration of Several Text Amendments to the City of Morganton Zoning Ordinance

The Mayor opened the public hearing at 7:01 p.m.

The City Manager stated this is one Public Hearing for 4 text amendments. Comments will be heard in order of each item, voted upon, and the hearing closed at the end of the last text amendment.

Attorney Vinay said the proper procedure would be to open a public hearing for the proposed amendments, then vote on each separately at the end.

a. Text Amendment to the City of Morganton Zoning Ordinance, Section 4.8.4 Neighborhood Conservation Overlay (NC-O) of the City of Morganton Zoning Ordinance; Overlay Residential Design Standards to Meet State Statute G.S.160A-381

Director of Development and Design Services Lookadoo stated the zoning ordinance requires homes within the NC-O to abide by building design standards for wall materials, roofing, and garages. State Statute G.S. 160A-381- Limits residential building design to lot orientation, height, bulk, buffering, etc. The State Statutes no longer allow municipalities or counties to regulate design for single family residential development.

City staff proposed, under the title: 4.8.4 Neighborhood Conservation Overlay, Residential Design Standards; to insert this sentence immediately below the subsection heading: “The following are recommended design elements.” Within each subsection, change all uses of the word “shall” are changed to the word “should”.

The Planning and Zoning Commission, at their September 10, 2018 regular meeting, voted (9-0) in favor of this proposal.

Notice of the City’s public hearing, set for the October 1, 2018 stated Council meeting, was published in the News Herald on September 20 and 27, 2018.

Mayor Thompson asked for any public comments. No public comments were made.

b. Text Amendment to the City of Morganton Zoning Ordinance, Tables 4.3, 4.5 and 4.6 Allowing for Increased Density in the Central Business District (CBD) and Incorporating Additional Performance Points for Infill and Redevelopment Projects Throughout the City
Director Lookadoo stated that since the adoption of the 2018 Downtown Masterplan, there has been an increased demand and need for housing and development within the CBD. The Development and Design Services Department, through implementation of the zoning ordinance, presently does not have the ability to approve projects to meet increased demand.

To implement the Downtown Masterplan, staff and the Planning and Zoning Commission (P&Z) propose an amendment to the zoning ordinance that adjusts the performance points found in Tables 4.5 and 4.6 within Section 4.3 (Performance Standards). Staff and the P&Z have also found it necessary to amend the density tables, Tables 4.2 and 4.3, within Section 4.2 (Density and Dimensional Standards).

For Performance Standards, staff and P&Z recommends amending the points allocated to existing categories as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infill development</td>
<td>2/3(in CBD)</td>
<td>5/6(in CBD)</td>
</tr>
<tr>
<td>Redevelopment of site with existing building and infrastructure</td>
<td>2/3(in CBD)</td>
<td>5/6(in CBD)</td>
</tr>
<tr>
<td>Redevelopment of existing buildings</td>
<td>2/3(in CBD)</td>
<td>5/6(in CBD)</td>
</tr>
</tbody>
</table>

Two additional categories have been proposed: 1) Inclusion of street level retail on multiple level multi-use development in the CBD carrying 6 points and; 2) Addition of pervious parking or parking within the structure (1 per dwelling unit) carrying 4 points.

Through the adoption of these amendments, the intent of the 2018 Downtown Masterplan can be achieved in addition to increasing the incentives for redevelopment of existing sites throughout the city.

Notice of the City’s public hearing, set for the October 1, 2018 stated Council meeting, was published in the News Herald on September 20 and 27, 2018.

Mayor Thompson asked for public comments. No public comments were made.

c. **Text Amendment to Table 3.1 of the City of Morganton Zoning Ordinance to Add Neighborhood Conservation Overlay (NC-O) and Corridor District Overlay (C-O) Exceptions for Pawn Shops as Permitted Uses**

Director Lookadoo stated that as City staff continues to review the voluminous Zoning Ordinance, inconsistencies and obvious omissions/typos are being discovered.

“Pawn Shops” are permitted uses as listed in Table 3.1, Permitted Uses. An exception to this permitted use for pawn shops is in the River District Overlay (RD-O), meaning “Pawn Shops are not allowed in the RD-O. In order to comply with the adopted Mission 2030 plan, this exception should also be in the Neighborhood
Conservation and Corridor Districts overlays, and the proposed amendment would provide the same exception to be made in the NC-O and C-O. An additional piece to this proposal is to add, under “Conditions” a reference to section 3.4.5 A, which serves to ensure compatibility with the surrounding area.

This text amendment will ensure that the intent of the Mission 2030 Plan and therefore the Zoning Ordinance is kept by maintaining consistency of the permitted uses within the overlay districts mentioned previously. The Planning and Zoning Commission, at their regularly scheduled meeting on September 10, 2018, voted unanimously (9-0) to recommend this proposed amendment to City Council.

Notice of the City’s public hearing, set for the October 1, 2018 stated Council meeting, was published in the News Herald on September 20 and 27, 2018.

Mayor Thompson asked for public comments. No public comments were made.

d. Text Amendment to City of Morganton Zoning Ordinance, Section 4.8.2, Applicability Subsection (B) to Include Renovation of 50% or Greater of an Exterior Façade of a Non-residential Development

Director Lookadoo stated that currently the zoning ordinance reads “The standards shall apply to new construction and expansions of greater than 20 percent of the gross floor area of the building within the building type categories shown in Subsection A.” The proposal reads- “The standards shall apply to new construction and expansions of greater than 20 percent of the gross floor area or exterior remodels of over 50% of each primary façade.”

City staff believes by adding this amendment, the intent of the widely supported Mission 2030 Plan and therefore the City of Morganton Zoning Ordinance is maintained. Without this proposal, exterior remodels of any kind can be designed without standards as long as a 20 percent expansion does not take place. The Planning and Zoning Commission, at their regular meeting held on September 10, 2018, voted unanimously in favor of the proposal (9-0).

Notice of the City’s public hearing, set for the October 1, 2018 stated Council meeting, was published in the News Herald on September 20 and 27, 2018.

The Mayor closed the public hearing at 7:03 p.m.

There being no public comment, the Mayor called for separate motions on the 4 proposed amendments.

Upon motion by Councilman Simmons, seconded by Councilman Fleming, and carried unanimously, the Council adopted Ordinance #18-57 amending Section 4.8.4 of the City of Morganton Zoning Ordinance to bring said ordinance into compliance with N.C.G.S 160A-381
Upon motion by Councilman Hawkins, seconded by Councilman Simmons, and carried unanimously, the Council adopted Ordinance #18-57 to amend Tables 4.3, 4.5 and 4.6 of the City of Morganton Zoning Ordinance to provide additional incentives, through density bonuses, for redevelopment of existing sites and buildings and provision of first floor retail in the CBD.

Upon motion by Councilwoman Cato, seconded by Councilman Hawkins, and carried unanimously, the Council adopted Ordinance #18-57 amending Table 3.1 of the City of Morganton Zoning Ordinance to include “pawn shops” as an exception to permitted uses in the Neighborhood Conservation Overlay and the Corridor Overlay as well as providing for their compliance with Section 3.4.5 of the Zoning Ordinance.

Upon motion by Councilman Fleming, seconded by Councilman Simmons, and carried unanimously, the Council adopted Ordinance #18-57 amending Section 4.8.2 (B) of the City of Morganton Zoning Ordinance as proposed by staff and recommended by the Planning and Zoning Commission, the effect of which would require exterior remodels of greater than 50% of any primary façade of a non-residential structure to comply with the ordinance standards.

The Mayor asked the Interpreter Joy Hern-Guzman if she needed a break. Ms. Hern-Guzman said she didn’t need a break.

4. Public Hearing and Consideration of Approving a Development Incentive Grant (DIG) for Morganton Lodging Associates, LP

The Mayor opened the public hearing at 7:04 p.m.

The City Manager stated that the City has the opportunity for another transformative project which is a downtown hotel. This will require a public/private partnership. In this case, both the City and Burke County are being asked to consider a Development Incentive Grant (DIG). This program was adopted as a vehicle by which the City and County could incentivize qualifying projects in designated zones that create additional tax value and revenues. The DIG program was created after the community worked together on the Mission 2030 plan, which was a land use plan rooted in economic development. City staff has reviewed the DIG application submitted by Morganton Lodging Associates, LP. A financial analysis, as required by the DIG guidelines, has been performed.

The direct economic benefit of the downtown hotel will be positive for Burke County and all the municipalities in the County. The City Manager presented a brief power point presentation and civics lesson to show the economic benefits to the City from the project. The power point presentation contained a chart depicting the sales tax distributions to all of Burke County. It is clear from this chart that the smaller municipalities rely heavily on sales tax to provide services in their communities. Morganton is instrumental in attracting and supporting retail in Burke County to ensure the sales tax remains strong.
Another direct benefit from a new hotel is occupancy tax. Last year’s occupancy tax distributions are included in your packet. These revenues are shared by Burke County/TDA, Morganton and Valdese.

It has been determined that economic development is a legitimate public purpose for which public funds may be expended. NC General Statues 160A-458.3 “Downtown development projects” states that if the city council finds that a project is likely to have a significant effect on the revitalization of the central business district, the city may acquire, construct, own, and operate or participate in the acquisition, construction, ownership, and operation of a downtown development project or of specific facilities within such a project, provided it meets the public purpose rule.

Additionally, City staff contends that should find that the hotel project will serve a public purpose in terms of continuing to revitalize the downtown economy, because the project among other things will:

1. Create jobs.
2. Generate additional ad valorem tax, sales tax and occupancy tax revenues for the County, Morganton and other municipalities in the County.
3. Protect the City's other investments in downtown Morganton.
4. Stimulate other North Green Street/Bouchelle Street projects.
5. Enhance the City’s standing in the regional meeting market by supporting the public investment in the Morganton Community House as a banquet and event center.
6. Increase business for other hotels due to positive latent demand providing an increase in hotel visitor related sales.

The managing partners of Morganton Lodging Associates, LP have been working with City staff for some time concerning the budget and requirements for this project. The partners were aware of the DIG and have used those incentives in the pro formas presented to their commercial lender. City staff believes this project meets the requirements to qualify for a DIG and that the increased public revenues to be realized warrant approval of the application. Please see the attached spreadsheet for a projection of the 10-year tax receivables for this project. The 10-year estimated property taxes for the hotel indicate that after considering the incentives related to the DIG the City should net around $142,000 in new tax revenue.

Notice of the City’s public hearing, set for the October 1, 2018 stated Council meeting, was published in the News Herald on September 23, 2018.
David Bennett of 217 Riverside Drive, Morganton, a principal in Morganton Lodging Associates, stated that the process was started December 13, 2013 and that he has been working on the numbers, contacting major hotels; and arranging an investment pool and financing. He needs only a two more things to complete his process, one of which is his debt service and the other is the DIG agreement which is critical for his success. He thanked Sally Sandy, Sharon Jablonski and Philip Lookadoo for all of their help.

Keith Suttles of 3106 Hunters Ridge Court, Morganton said that Morganton needs this hotel. Last week the City hosted the road race and the cyclists and there weren’t enough places to stay. He stated he supports the hotel project.

There being no further public comment, the Mayor closed the public hearing at 7:26 p.m.

Upon motion by Councilwoman Cato, seconded by Councilman Fleming, and carried unanimously, the Council adopted and approved a Development Incentive Grant to Michael Kren and David Bennett, managing partners of Morganton Lodging Associates, LP and authorized the Mayor and the City Manager to execute and issue those agreements on behalf of the City together with the additional authority to make such alterations, technical amendments and changes as may be necessary.

Attorney Vinay said to make things clear that the grant was to Morganton Lodging Associates not the individuals.

B. Other Business

1. Consideration of Calling for a Public Hearing to Close an Alley Extending Northward from Concord Street between South Sterling and South Green Streets

The City Attorney stated there is an alley about 10 feet wide, historically open to the public, which extends from West Concord Street in a northerly direction through the middle of the block and parallel to South Sterling Street and South Green Street. This is best described as the alley beside Catawba Brewing Company.

While this alley has long been used by the public, and appears on numerous maps and plats, it is not and has not been maintained by the City. The alley, which is mostly paved but in rough condition, could serve as a means of access to the rear portions of several buildings that face either South Sterling or South Green Street.

A petition has been received from Catawba Brewing Company to close this alley and abandon the City’s interest in it as far back as the northern most corner of the Catawba Brewing property (owned by Pyatt Properties, LLC). The remainder, that is the northern most portion of the alley, which extends all the way to a cross alley connecting South Green to South Sterling, would not be affected by this proposed closure.
In order to consider closing this alley, Council would be required to call for and properly advertise notice of a public hearing.

Attorney Vinay stated that the alley had been there a long time and has had very little traffic.

Upon motion by Councilman Simmons, seconded by Councilman Hawkins, and carried unanimously, the Council called for a public hearing at the City Council’s meeting at 6:00 p.m. on November 5, 2018, on the petition to close a portion of that alley extending northward from West Concord Street between South Green Street and South Sterling Street, and to authorize publication of notice of such hearing.

2. Consideration of Approving a Bridge Loan for Morganton Lodging Associates, LP and Associated Budget Amendments

The City Manager stated that since the 1997 Downtown Masterplan, Morganton has invested public funds, championed projects, and actively courted developers to invest private funds into downtown. There is no question that Downtown Morganton is a vibrant and lively destination whose reputation and attraction reaches far beyond the borders of Burke County.

During the last 20 years, several projects have occurred in the CBD that have been transformative and instrumental in turning the economy of downtown Morganton around. All of those projects have been public/private partnerships with the City stepping up and being a partner. Many projects have been accomplished but the game changers include Yianni’s Restaurant, the Marquee Cinemas and Morganton Trading Company. These projects are cornerstones of downtown Morganton’s transformation. For the restaurant and theater, the City made economic development loans to make the projects happen. The City really stepped up and became the anchor tenant in Morganton Trading Company. The success of these projects speaks for itself.

The City Manager stated that now, the City has the opportunity for another transformative project which is a downtown hotel. This too will require a public/private partnership. In this case, both the City and Burke County are being asked to consider a Development Incentive Grant (DIG). This program was adopted as a vehicle by which the City and County could incentivize qualifying projects in designated zones that create additional tax value and revenues. The DIG program was created after the community worked together on the Mission 2030 plan which was a land use plan rooted in economic development. City staff has reviewed the DIG application submitted by Morganton Lodging Associates, LP. A financial analysis, as required by the DIG guidelines, has been performed.

Managing Partners, Michael Kren and David Bennett, with Morganton Lodging Associates, LP, began the process to apply for small business CDBG loan in January of 2018. Review of the loan application revealed that the hotel project would meet the HUD requirements and necessary job creation and that a small business loan of
$75,000 could be considered. Morganton Lodging Associates, LP incorporated the $75,000 into their project budget. However, in August 2018 an obstacle with regards to the timing of the CDBG loan and new construction was discovered. With the strict guidelines of HUD with regards to new construction, it was realized that the CDBG loan could not be awarded until a full Certificate of Occupancy is awarded for the project. The construction schedule for the hotel is a 14-month project.

This has created a need for some gap funding on the project. Therefore, Morganton Lodging Associates, LP has requested a bridge loan from the City in the same amount of $75,000. As stated earlier, the City has indeed loaned funds for economic development purposes before.

City staff recommended that based upon review of the CDBG small business loan application, the availability of those funds for this project and the review of the budget for the downtown hotel project, the City Council should consider a gap loan of $75,000 for a term of 18-months at 4% interest to Morganton Lodging Associates, LP.

It is anticipated that this loan would be a balloon type loan that would be satisfied in full at the time the CDBG small business loan is approved and funded. The managing partners of Morganton Lodging Associates, LP will provide personal guaranties for the loan.

Upon motion by Councilman Fleming, seconded by Councilman Hawkins, and carried unanimously, the Council approved the $75,000 bridge loan to Morganton Lodging Associates, LP and authorized the Mayor and/or the City Manager to execute and issue those agreements on behalf of the City, together with the additional authority to make such alterations, technical amendments and changes as may be necessary.

Upon motion by Councilman Fleming, seconded by Councilman Simmons, and carried unanimously, the Council approved the necessary budget amendments to appropriate the transfer of $75,000 from the Capital Reserve Fund to the General Fund for the bridge loan for the downtown hotel project.

3. Consideration of Grant Award of Entitlement Funds to Non-Profits

The City Manager stated that in the City’s FY 2018 Action Plan, CDBG funds in the amount of $24,750 would be used to provide assistance to non-profits that meet the goals and requirements of the CDBG program. Applications were received on September 17, 2018 and staff reviewed these applications based on specific requirements set forth by the CDBG program. Staff would like to recommend to the council that the following non-profits be awarded entitlement funds:

1. The Meeting Place requested $9,250 – The Meeting Place requested CDBG funds to replace a 210 ft. sewer-line at 813 West Union Street and also repair the HVAC system at this same property. Staff recommended the Meeting Place be awarded funds in the amount of $9,250.
2. The House of Refuge Ministries requested $9,000 – The House of Refuge Ministries Emergency Shelter for homeless men has requested CDBG funds for to assist in meeting the needs of the men that stay at the shelter nightly. The CDBG funds will be used to pay for needed repairs, supplies, and transportation for the shelter. Staff recommended awarding $9,000 to this program.

3. Burke United Christian Ministries (BUCM) requested $19,500 – BUCM requested CDBG funds for the Housing Assistance Program to pay rent deposits up to $300 for low/mod income persons in Morganton in need of this type of assistance. Staff recommended awarding $6,500 to this program.

Upon motion by Councilman Hawkins, seconded by Councilman Simmons, and carried unanimously, the Council awarded FY 2018 Entitlement Funds to non-profits as recommended.

4. Consideration of Approval of a Change Order for Secondary Clarifier Rehabilitation at the Wastewater Treatment Plant and Associated Budget Amendments

The City Manager stated that during an inspection of secondary clarifier equipment at the wastewater treatment plant, a need for rehabilitation was identified. In preparation of a required major plant shutdown during the current process conversion project, structural issues indicating imminent failure of a main support mechanism were observed.

The repair of this identified failure will require a plant shutdown. Staff would like to coordinate this shut down and the process conversion tie-in to take place at the same time. The anticipated lead time for material delivery for this rehab work is 30-36 weeks. It is recommended that the contractor currently on-site, Haren Construction, perform this work. Mobilizing another group would most definitely increase the associated cost.

Haren Construction has submitted a cost proposal to perform this secondary clarifier rehab work for the amount of $369,910. This will be treated as a change order to the existing contact for the Process Conversion Project, however, the funding source will be from the current approved 2018-2019 fiscal year CIP budget, which includes $400,000 for the secondary clarifier rehab work.

Budget amendments are necessary to transfer capital funds from the sewer capital improvement plan to the sewer capital project fund (and establish the appropriate budget) to fund the change order as part of the ongoing sewer project.

Upon motion by Councilman Hawkins, seconded by Councilwoman Cato, and carried unanimously, the Council authorized a change order to the existing contract with Haren Construction Company, Inc. of Etowah, Tennessee in the amount of $369,910 to be funded from the approved FY 18-19 CIP budget for secondary clarifier rehabilitation work at the wastewater treatment plant.
The City Manager stated that the money for this would be transferred to the capital projects fund.

Upon motion by Councilman Fleming, seconded by Councilwoman Cato, and carried unanimously, the Council amended the capital project fund for the conversion and improvements at the waste treatment plant due to a change order.

Upon motion by Councilman Fleming, seconded by Councilman Simmons, and carried unanimously, the Council approved the transfer of funds to the capital project fund to accommodate the change order.

5. **Consideration of Authorization to Enter into a Contingency Agreement with North Carolina Department of Transportation to Participate in the Planning and Construction of a New Drainage System on South Sterling Street**

The City Manager stated the City is currently working on design and installation of a new drainage system to be located West of South Sterling Street (NC18) and extending from the Norfolk Southern Railroad tracks to West Erwin Street. The North Carolina Department of Transportation has agreed to participate by funding $350,000 for the project. In order to receive the money, NC Department of Transportation requires Morganton to enter into this Contingency Agreement prepared by them.

This project has estimated cost of approximately $755,283. The City of Morganton will fund all additional expense associated with this storm drain project over and above the NC Department of Transportation funding.

Upon motion by Councilman Simmons, seconded by Councilman Fleming, and carried unanimously, the Council approved the contingency agreement authorizing the City of Morganton to receive funding in the amount of $350,000 from the NC Department of Transportation to construct a new storm drainage system on South Sterling Street.

6. **30-Day Notice for Boards and Commissions**

   a. Historic Preservation – The City Manager stated that due to upcoming expiration of terms, vacancies will exist on the Historic Preservation Commission. Expiring terms are those of Joan Malloch and Dottie Ervin. Both Ms. Malloch and Ms. Ervin have been long time members of this Commission. These positions will be filled at the next City Council meeting.

XIII. **Other Items from City Manager and City Council Not on Agenda** – There were no other items.

XIV. **Reports** – Reports were distributed to Council.

XV. **Adjournment** – The Mayor adjourned the meeting at 7:40 p.m.
Preparation of Minutes. These minutes were prepared by Carolyn Richardson, Paralegal. Copies of all resolutions, ordinances and orders referenced in these minutes are intended to be incorporated into these minutes as if fully set forth herein. Prior to including them into the official minute book, the minutes have been read and approved by the City Manager and the City Attorney, then distributed to each member of the City Council for further review and final approval, at a subsequent Council Meeting.

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Mayor

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Paralegal