I. The Meeting was called to order in the Council Chamber 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 Given by the Rev. Carol Morgan, Chaplain, J. Iverson Riddle Developmental Center – Rev. Morgan brought worship leader and JIRDC resident George to lead the invocation. JIRDC employee Alex Bussell introduced George prior to the invocation.

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. Cheryl Benton is a Lab Supervisor in the Water Resources Department. The City Manager stated Cheryl was unable to attend and will be presented a 30-year service pin at a later time.

VIII. Public Advocacy Issues and Strategies

a. Proclamation: Constitution Week 2018 – The Mayor proclaimed the week of September 17-23, 2018 as Constitution Week in Morganton.
Upon motion by Councilman Simmons, seconded by Councilman Hawkins, and carried unanimously, the Council approved the Mayor’s proclamation.

b. Proclamation: Recovery Month 2018 – The Mayor proclaimed September as Recovery Month in the City of Morganton. Kim James of Burke Recovery accepted the proclamation. James stated she was attending on behalf of the Burke Substance Abuse Network which is hosting the Rally for Recovery planned for Saturday, September 15.

Upon motion by Councilman Cato, seconded by Councilman Fleming, and carried unanimously, the Council approved the Mayor’s proclamation.

Proclamation: Deaf Awareness Week – The Mayor proclaimed September 24 – 28, 2018 as Deaf Awareness week in the City of Morganton.

Upon motion by Councilman Fleming, seconded by Councilman Simmons, and carried unanimously, the Council approved the Mayor’s proclamation.

c. WPCOG: New Bus Routes – Brian D. Horton, Transportation Planning Manager for the Western Piedmont Council of Governments shared information about the Greenway Bus System. The bus system will have new routes beginning on October 1, 2018.

Horton stated October 1 marks a new day in Morganton with new flex routes available on the Greenway Transportation system. There are many community partners who have worked to make this new transportation option available. Horton stated the new bus routes will empower families and seniors to be able to get out into the community. He stated they will be monitoring the routes closely looking for feedback from users, employers, etc. in order to create the most useful routes.

Camille Sterling, of Greenway Transportation, stated users don’t need to call ahead to reserve a spot, as they have in the past; riders can simply go to a stop and board the bus. She stated to access the route one should visit the My Greenway website for an interactive map or call their office for more information.

Councilwoman Cato thanked all who helped make this possible, stating viable transportation has been a community need and this helps fill the gap.

d. The Mayor announced the following upcoming events at CoMMA: The Sauce Boss on September 13 postponed until May 2019; The Hot Sardines on September 18; and Aaron Tippin on September 22. He announced that Farmers Markets continue on Saturdays and Wednesdays. The Mayor announced the upcoming Revolutionary War Weekend with activities to be held on September 29-30.

Mayor and Council thanked staff and volunteers for work at the Historic Morganton Festival this past weekend.
IX. North Carolina Municipal Power Agency Number 1 Update – The City Manager stated there were no updates.

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. Approved Minutes for a Regular Meeting held on August 6, 2018 as submitted.

B. Approved tax releases in the amount of $3,322.11.

C. Awarded a contract for the purchase of a Caterpillar backhoe from Carolina Cat in the amount of $114,988.

Awarded a contract for the purchase of a Peterson knuckleboom truck from Transource in the amount of $218,485.

Adopted Resolution #18-24 awarding a financing contract to BB&T for $335,489 at an interest rate of 3.04% for a period of four years.

D. Approved entering into a 5 year agreement with Conterra for 1 Gbps Connectivity with DDos mitigation to our Headend burstable to 10GB for a backup circuit at a cost of $2,500.

E. Approved Resolution #18-25 granting signing authority to Requisition for ARC Funds for the Green Street Revitalization Catalyst Project.

F. Authorized a contract in the amount of $43,000 with J&E Concrete Construction, LLC of Harmony, North Carolina to construct the Martin Luther King, Jr. Park sidewalk plan.

Authorized a contract in the amount of approximately $15,549.40 with Evans Construction of Connelly Springs, North Carolina to construct the outdoor basketball court at Martin Luther King, Jr. Park adjacent to Mountain View Recreation Center.

G. Rejected all bids and direct staff to re-bid the Bouchelle Street and Fleming Place Sewer Line Improvements Project.

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

XII. New Business
A. **Public Hearings**

1. **Public Hearing for Consideration of Entering into a Local Economic Development Incentive Agreement and Approved Building Reuse Payment / Jackson Corrugated, LLC aka Project JP3**

The Mayor opened the public hearing at 6:43 p.m.

The City Manager stated that a company, previously identified for confidentiality reasons as “Project JP3”, now announced as Jackson Corrugated, LLC, proposes to develop a new industry in Morganton, by re-purposing part of an existing but unoccupied industrial plant. The company projects spending approximately $11,500,000 for new plant and equipment, and creating about 60 new jobs.

To make its plans achievable Jackson Corrugated, LLC (Project JP3), now seeks an economic development grant from the City and from Burke County. BDI has negotiated a grant that would provide for reimbursement to the Company for improvements to its private property of grants equal to 50% of the additional ad valorem property taxes which would be due to the City and the County. Such grants would begin in 2020 and continue for 5 years if the qualifying conditions are met.

Before the City may enter into a grant agreement such as this, Council must notice and hold a public hearing, as required by General Statutes Section 158-71 for economic development incentives. This hearing was called at the August 6, 2018 Council Meeting and advertised in *The News Herald* on August 29, 2018.

BDI Director Alan Wood stated this is a sister-facility to the one they have in Dalton Georgia. They create corrugated flat board which is shipped to the end user. Wood stated that Jackson Corrugated is one of the largest paper recyclers on the east coast, if not in the US. He stated that jobs pay 25% above median income for Burke County, approximately $45,000 per year, with profit sharing, retirement, and insurance.

There being no further public comment, the Mayor closed the public hearing at 6:46 p.m.

The City Attorney stated, to be clear, this is a joint agreement with the County which has already approved the agreement at a previous meeting.

Upon motion by Councilman Hawkins, seconded by Councilman Simmons, and carried unanimously, the Council approved entering into an Economic Development Incentive Agreement with Burke County for Jackson Corrugated, LLC as authorized by G.S. 158-71, and to allow the Mayor and/or Manager to make technical changes as necessary.
2. Public Hearing and Consideration of an Amendment to City of Morganton Zoning Ordinance for Mobile Food Vendors

The Mayor opened the public hearing at 6:47 p.m.

Phillip Lookadoo, Director of Development and Design stated staff is proposing a Zoning Text Amendment for the addition of a Mobile Food Vendor Ordinance. This proposal would broaden the permitted area that allows Mobile Food Vendors as a use, while also adding standards and requirements for their operation.

Lookadoo stated that Senior Planner Jesse James authored the proposed amendment. James gathered a focus group and after some back and forth, they proposed this ordinance to the Planning and Zoning Commission. After review, the Commission approved this version with a unanimous vote.

Lookadoo highlighted the features of the proposed amendment stating it was very comprehensive.

Main Street Director Sharon Jablonski stated why she so badly wants this ordinance amendment to be approved. She stated that mobile food began in the 1800s with the chuck wagon to feed roaming cattlemen. Today, she stated, food trucks are an obsession. The food truck industry accounted for approximately $2.7 billion in food revenue while all restaurants are an $800 billion industry. Jablonski stated that food trucks are not standard street fair food, they are slower, specialize in one or two items, and are more authentic. She spoke about the economic impact of food trucks.

Mayor Thompson asked who receives the sales tax from the food trucks. Jablonski stated the county in which they are licensed would receive the taxes, however she hoped we could grow our food truck base once this ordinance is passed. The City Manager stated that a portion of local sales tax that we do receive based on statewide sales tax. Jablonski stated food trucks are an attraction themselves and will be another draw to bring people to this community.

Chris Jernigan, member of the Mainstreet Advisory Commission, stated that their group is very supportive of this concept. Jernigan stated that he works and lives downtown and would occasionally like something different; a food truck can do that. He stated that later in the evenings at breweries customers might like to have a smaller meal, a sandwich or a specialty item they can take back in to the brewery to enjoy. He stated he attended a food truck rodeo in Mooresville with about 6 food trucks. He stated he did not see where it hurt local restaurants as they were all full. Jernigan stated that he and the advisory commission encourage a yes vote.

There being no further public comment, the Mayor closed the public hearing at 7:03 p.m.
Upon motion by Councilman Simmons, seconded by Councilwoman Cato, and carried unanimously, the Council adopted Ordinance #18-51 amending the Zoning Text Amendment proposal regarding Mobile Food Vendors.

B. Other Business

1. Consideration of Calling for Public Hearing to Consider Economic Development Agreement and of Resolution to Apply for Building Re-Use Grant / Project Copy

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. 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 grant would also serve as the required 50% “local match” for a “One NC” grant which the Company is seeking from the State of North Carolina. A building re-use grant which the Company for which the Company is applying to the State would require a 5% local match. The City and Burke County would each contribute half of the local match. BDI is preparing an application to the State on behalf of Project Copy for a Building Re-Use Grant, and has requested the City by resolution support such grant.

Before the City may enter into a grant agreement such as this, Council must notice and hold a public hearing, as required by General Statutes Section 158-71 for economic development incentives.

Upon motion by Councilman Fleming, seconded by Councilman Hawkins, and carried unanimously, the Council adopted Resolution #18-26 calling for a public hearing on October 1, 2018, at 6:15 p.m., in Council Chambers, to consider adoption of an economic development agreement for Project Copy.

Upon motion by Councilman Fleming, seconded by Councilman Simmons, and carried unanimously, the Council adopted Resolution #18-27 supporting a State Building Re-Use Grant for Project Copy, in an amount not exceeding $500,000, with a 5% local cash match.
2. Consideration of Calling for a Public Hearing for a Development Incentive Grant (DIG) for the Hotel at 400 North Green Street

The City Manager stated that the City’s Development Incentive Grant (DIG) program is designed to accomplish a combination of goals related to economic development and community development efforts identified within the adopted Mission 2030 Plan. Specifically, to attract and expand new and existing businesses, services, new developments and employers in order to position Morganton to compete in the economy of the 21st century and in the reality of declining large manufacturing employers; to increase the property tax base of the city and county and maintain a future diversity of opportunities for its citizens, and prevent further erosion of existing developed areas; and to support neighborhood retail services, enhance commercial corridors and boost employment hubs as identified in Mission 2030.

DIG funds can only be made available to those projects determined otherwise unfeasible or unachievable “but for” the combined efforts of public and private participation. Additionally, the City designated Development Incentive Grant Zones (DIG Zones) within areas of the city that were determined to be key economic growth areas by the Mission 2030 Plan. The objective is to encourage unique projects within these zones.

The development of a downtown hotel on the 400 block in Downtown Morganton has been found to meet the requirements set out under the DIG program and the hotel site is located within the Morganton Downtown DIG Zone. Without public participation this development would not occur. The high cost of construction, shortage of labor and increased cost to develop in the Central Business District combine to make the return on investment less than desirable for hotel development. Based on demand, and with certain incentives, this much needed hotel can be built and become sustainable within a reasonable amount of time, making the private and public investment attractive.

The hotel development falls into the Large Projects over $5 million category and shall be eligible for 5 annual post completion DIG grants up to 85 cents per 100 dollars of increase land and building value. Base value will be determined at time of application using the current land and building tax valuation. Post construction value shall be based on the lesser of new tax value or the appraised value for land and completed buildings. This value will be established within one year of completion of the project. The value may be adjusted from time to time. The post construction value may change during the granting period through revaluation or through value adjustment procedures initiated by the property owner or County Tax Appraiser. Current property tax value is $372,438. It is roughly estimated that the new tax value will be just over $8 million upon completion of the hotel.

Furthermore, it should be stated that a hotel's impact to the local community is often more than just job creation and additional tax revenue. One hotel in a district puts 25,000 people on the street per year. It is conservatively estimated that the hotel will have a direct annual economic impact of $2,500,000 on the local economy.
The Mayor asked how many rooms were planned in this hotel. The City Manager stated they plan on about 85 rooms, 4 stories with select services and amenities.

Upon motion by Councilman Simmons, seconded by Councilman Fleming, and carried unanimously, the Council called for a Public Hearing for a Development Incentive Grant (DIG) for the Downtown Hotel at 400 North Green Street.

3. Consideration of Approval of a Main Street Solutions Fund Grant Agreement for a Downtown Hotel and Approval of a Sub-recipient Agreement with Morganton Lodging Associates, LP

The City Manager stated that the City applied for and was awarded a grant in the amount of $200,000 from the North Carolina Department of Commerce (DOC) under the North Carolina Main Street Solutions Fund Grant Program. Under the grant guidelines each town can apply for up to $200,000 in each grant cycle. The full grant amount was awarded for the construction of a new downtown hotel.

The Grant Agreement needs the City Council’s formal acceptance and approval. Additionally in compliance with the grant agreement, a sub-recipient grant agreement has been prepared which will be sent with the signed application.

Upon motion by Councilwoman Cato, seconded by Councilman Fleming, and carried unanimously, the Council approved the North Carolina Main Street Solutions Fund Grant Agreement, and authorized the Mayor and/or City Manager to execute and issue the Grant Agreement on behalf of the City.

Upon motion by Councilwoman Cato, seconded by Councilman Fleming, and carried unanimously, the Council approved the Morganton Main Street Small Business Grant Agreement (the sub-recipient grant agreement) as identified in the attached memorandum, and authorized the Mayor and/or the City Manager to execute and issue the agreement on behalf of the City.

4. Consideration of Assignment of Lease for 112 West Union Street aka Yianni’s Restaurant Building

The City Attorney stated that at its August 6, 2018 meeting, City Council approved an Amended and Restated Lease Agreement with Dimarhos, Inc. for most of the City-owned building at 112 West Union Street. It was then noted that John (Yianni) Dimarhos, owner of the corporate tenant, was negotiating for sale or transfer of his business. Under the terms of the Lease, any assignment of the lease, or any sale of an interest in the business, would require the City to approve and consent in writing.

Since the 2017 return of John Dimarhos to the operation of Yianni’s restaurant, it has always been the City’s understanding that due to his age and health, he did not wish to continue indefinitely in the hands-on operation of this restaurant. Therefore, we have
always anticipated that if a new operator appeared, and could work out a satisfactory arrangement with Yianni, that the City would consider assigning the Lease, including a potential option to purchase the building.

Mr. Manolis Manalakos of Virginia Beach, Virginia, has entered into a Memorandum of Agreement with Dimarhos, Inc., under which he would purchase the entire business of that corporation. Dimarhos, Inc. has now submitted a written request to the City for assignment of the lease to Mr. Manalakos. While the proposed Assignment is to Mr. Manalakos individually, he is forming a new corporate entity, to be called Xristou Meneton, LLC, and the City would agree that the lease could be transferred to such entity if it is actually owned or controlled by Manalakos.

“Manny” Manalakos is an experienced restaurateur currently operating a large family restaurant in Virginia Beach. He is interested in moving with his family to Morganton and undertaking a continuation of the Yianni’s restaurant, presumably making gradual adjustments to fit with his own style and plans. Since early August, he has been in the restaurant every week, observing, working in the kitchen and in the front, and has actually been paying the rent and utility bills.

Please note that the current lease provides that the initial term runs through December 31, 2022, with the tenant given the option and right to extend that by five (5) years, through December 31, 2027. Rent for the remainder of 2018 is $2,250 per month, increasing to $2,300 in 2019, $2,400 in 2020, $2,500 in 2021 and $2,600 in 2022. In the renewal term, the monthly rent will increase by $100 each year. The lease would continue to require the operation on the premises of a family restaurant, with the tenant responsible for all taxes and utilities. The tenant has a right of first refusal to acquire the building, subject to the prior existing right of first refusal to Eddie McGimpsey, Jr. The lease covers only the portion of the building actually used by the restaurant, and not the City’s Main Street Office on the upper floor.

Upon motion by Councilwoman Cato, seconded by Councilman Fleming, and carried unanimously, the Council approved and accepted Assignment to Manolis Manolakas, or corporate entity controlled by him, of that Amended and Restated Lease Agreement with DiMarhos, Inc. for most of the building at 112 West Union Street, and to authorize the Mayor and/or City Manager to execute necessary documents.

5. Consideration of Ordinance Amendment / Animals in Parks

The City Attorney stated that the City’s Parks and Recreation Department is responsible for operation and upkeep of many parks, recreation centers, and greenways, totaling more than 300 acres, visited by hundreds of people every day. There have long been certain rules and ordinances concerning pets or other animals on or in such facilities. Staff has noted a number of issues related to presence of animals, and after review by the Recreation Director and the City Attorney, we now request amendments to the Animal Control Ordinance, Section 8-10011, concerning animals in parks.
Specifically, the proposed amendments would:

1) extend the facilities on which animals other than service animals are banned, to include Martin Luther King Jr. Park, all playgrounds, and all athletic fields;

2) clarify that the requirement for dogs to be under direct control does not apply within any fenced “dog park”; and

3) add an express requirement that pet owners/custodians clean up after their animals when on Parks and Recreation property.

Upon motion by Councilman Fleming, seconded by Councilwoman Cato, and carried unanimously, the Council adopted Ordinance #18-50 to amend Section 8-10011 of the Code of Ordinances to provide for improved control of animals in City parks and recreational facilities.

6. Consideration of a Sidewalk Encroachment with Belton Phifer, LLC at 111 East Union Street

The City Attorney stated that the “The Natural Olive” located at 111 E Union St, has requested an encroachment for outdoor seating. Property owner Belton Phifer, LLC is in agreement with the expansion.

The City Manager stated that this area is really a continuation of the existing outdoor spaces for Homers, and Brown Mountain Bottle Works. These areas have proven to be extremely popular, and to bring a great deal of life to the outside, which is a proven magnet to folks passing by.

Upon motion by Councilwoman Cato, seconded by Councilman Fleming, and carried unanimously, the Council approved an encroachment by Belton Phifer, LLC on the sidewalk in front of 111 East Union Street for the purpose of seating and the consumption of wine for customers of The Natural Olive.

XIII. Other Items from City Manager and City Council Not on Agenda – Consideration of Appointment of the Tax Collector and Approving a Resolution Adopting an Order Directing the Tax Collector to Collect Taxes

North Carolina General Statutes require that a report on past year tax collections and a report on the current year levy be given to the Council annually. Attached you will find the required reports. The City’s collection rate for 2017-2018 was 98.61%.

North Carolina General Statutes 105-349 requires the City Council to appoint a Tax Collector. Also attached is a Resolution Adopting an Order Directing the Tax Collector to Collect Taxes.
Upon motion by Councilman Simmons, seconded by Councilman Fleming, and carried unanimously, the Council reappointed Jennie McNeil as Tax Collector for a period of September 1, 2018 through August 31, 2019.

Upon motion by Councilman Simmons, seconded by Councilwoman Cato, and carried unanimously, the Council approved Resolution #18-28 adopting an Order Directing the Tax Collector to Collect Taxes.

• Councilman Simmons stated he has been a regular attendee at the Historic Morganton Festival for the last 14 years. He stated he believes this year had more attendance than previous years; it was the biggest crowd he has ever seen. He wanted to know if anyone had a guess as to how many people were in town. No one could confirm a number.

• The City Manager stated that the City was successful in receiving a grant for Phase III expansion of the soccer complex from the State Parks and Recreation Trust Fund. Design work and contracts will begin in the spring. She stated the good thing about this project is the public/private partnership involved. She stated there are three partners that helped make this grant application score well in the state process. Those partners are Carolinas Health Care System – Blue Ridge, Case Farms, and Eddie and Linda Wall - Wall Lumber Company. The City scored in the top 5 in the state out of 50 applications.

XIV. Reports – Reports were distributed to Council.

XV. Adjournment – The Mayor adjourned the meeting at 7:27 p.m.

Preparation of Minutes. These minutes were prepared by Mikela D. Russell, Assistant City Clerk. 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.

____________________________________  ______________________________
Mayor                                           Assistant City Clerk