

**MINUTES OF A TOWN COUNCIL WORK SESSION  
TOWN OF LURAY, VIRGINIA  
Tuesday, January 24, 2017**

The Luray Town Council met in a work session on Tuesday, January 24, 2017 at 5:30 p.m. in the Luray Town Council Chambers located at 45 East Main Street, Luray, Virginia at which time there were present the following:

Presiding: Mayor Barry Presgraves

Council Present: Ron Vickers  
Jerry Dofflemyer  
Jerry Schiro  
Leroy Lancaster  
Joey Sours

Council Absent: Leah Pence

Also Present:

Charlie Hoke, Town Manager  
Bryan Chrisman, Assistant Town Manager  
Jason Botkins, Town Attorney  
Danielle Babb, Deputy Clerk Treasurer  
Chris Slater, Page News and Courier  
Meredith Dees, Luray Downtown Initiative  
Sara Levinson, Luray Downtown Initiative  
Bryan Ailey, People Inc.  
Pat Racey, Racey Engineering

Mayor Presgraves led members in the United States Pledge of Allegiance. The roll was called with one member absent.

**UPDATES AND DISCUSSION ITEMS**

**Brown's Building Review- Sara Levinson**

Ms. Levinson updated Council Members on the Brown's Building. She stated that the cosmetic repairs are now complete. Those repairs included replacing flashing, painting, removing plywood, covering windows, replacing broken windows, and removing lattice. She noted that the windows were also decorated for the Christmas window contest, which added in making the building more attractive. Ms. Levinson explained that the cosmetic repairs were funded by a \$15,000 grant. Those funds covered the

repair cost, Frazier Associates renovation estimate, and research and report costs paid to the Small Business Development Center.

Ms. Levinson discussed the various organizations that she has contacted regarding funding options for renovations of the building. The first option is the Industrial Revitalization Fund which provides for funding of construction projects related to local and regional economic development. Ms. Levinson addressed an important concern regarding the use of grant funding and the subsequent sale of the property. Typically there is a repayment of the grant if the property is sold within a 10 year period. The IRF has been funded on and off since 2000, \$2million in funding is allocated for fiscal year 2017. Ms. Levinson clarified that after 10 years there is no repayment obligation if the property is sold.

The next option involves USDA Grants and those include Rural Business Enterprise Grants and the Community Facilities Grant Program<sup>101</sup>. Ms. Levinson discussed the Vibrant Community Initiative which combines multiple funding sources to support local community based projects. Funding comes from CDBG, HOME, Virginia Housing Trust Fund and VHDA. This option does involve a 25% match for hard costs and utilizes a two phase application process. The Vibrant Community Initiative funding does require a housing component as a part of the overall project and must meet affordable housing standards. Councilman Schiro inquired about a required percentage of affordable housing within the project. Mr. Schiro said that while he advocates affordable housing he is not certain the building is an appropriate location.

The Virginia Tourism Growth Fund is for eligible projects including new or expanded facilities promoting tourism. Matching funds are required for this option from VTC.

Councilman Sours inquired about the timeline for these funds. Ms. Levinson said that most deadlines are in October annually but do vary by grant. Councilman Schiro said that determining the Town's funding options may be entirely dependent on the outcome of the bridge construction. He emphasized that currently staff is unaware of what impact the construction will have on the building itself. Ms. Levinson said that there are two options; to wait until the bridge is complete or to proceed with funding applications. She noted that if it should be determined to wait until construction is over, there could likely be another year or two delay in obtaining funding and beginning renovations. Ms. Levinson said that it would be best to have plans in place so that once construction is complete the rehab could begin. Mr. Hoke said that with the grant deadlines being in October staff would have a little bit of time to work on the pre-application process. Ms. Levinson said that during the pre-application process we will have a better idea of knowing if the project is going to be competitive. Councilman Sours expressed concerns about mitigating damages to the building during bridge work.

Ms. Levinson discussed federal and state tax credits for qualifying expenses related to certified historic rehabilitations. Ms. Levinson said that most everything relating to this renovation would be considered qualifying, the non-qualifying items would be site work and additions. One option is a cooperative funding model. Two such models are the Northeast Investment Cooperative and the NY Real Estate Investment Cooperative. Ms. Levinson explained that the process will determine if the Town should sell the property before applying for any grants, or if the Town will gain the benefit of the grant program and before pursuing the sale of the building.

Ms. Levinson said that the reporting process has been to bring council the funding information and the next steps are at the discretion of the Town.

Ms. Levinson explained that the process of a feasibility study would allow Town officials to determine which avenue is best. Mayor Presgraves asked about the cost of the study. Ms. Levinson said she would estimate no more than a three month time frame and that her fees would not exceed \$4,000. Mr. Hoke said that he feels it would be beneficial to proceed with a feasibility study and this would be a small investment in order to make this determination. He continued that the Town is at a point where it is in Council's best interest to see what could be available for the grants that Ms. Levinson has uncovered. Ms. Levinson said that if the Council wants to proceed with the feasibility study she would immediately get to work and the first step would be to schedule a site visit to Montgomery County to view a similar project. Councilman Lancaster questioned why the Town would conduct a feasibility study when one has already been completed by Frazier Associates. Mr. Hoke explained that the Frazier study was in regards to the building and this study would focus on grant options. Ms. Levinson explained that she would like to see the Council and Staff get this decision vetted as soon as possible and would do so for a reasonable fee. Councilman Schiro discussed the possibility of a public –private partnership. He expressed that the Town may never be in this position again to pursue such a rehabilitation project. Mr. Schiro feels this building is cornerstone of the downtown and he would like to see a private investor approach the Town. Pat Racey, Racey Engineering, commented that when staff is going through this process, he would definitely keep in mind the possibility for investors.

Mayor Presgraves said that when the building was initially purchased it was with the bridge project in mind. Councilman Schiro continued that the Town should pursue the options for rehabilitation funding. Mr. Hoke said that he feels there is excellent opportunity for the Town to see what potential exists for the building. Mayor Presgraves inquired about the Town's interest only loan on the building. Mr. Chrisman explained that this is a five year interest only note and that some time does still exist on the loan. Councilman Lancaster said that the Frazier study indicates that an investment of \$1.5 million would still only yield a sale price of \$875,000. Mr. Lancaster said that he did not want to see the Town spend any more money on the building.

Councilman Schiro recognized these concerns but felt that the overall benefit to downtown would be very beneficial to the Town in terms of tax revenue and may also spur further downtown revitalization. Ms. Levinson said that the determination of if and when to sell the property does not need to be made prior to beginning the feasibility study. She emphasized that these factors will be determined through that process. Ms. Levinson said that the time frame for the study would be to complete it as quickly as possible but would likely take two months and would determine the best uses for the building.

**Motion:** Councilman Vickers motioned to proceed with the feasibility study as discussed; Councilman Sours seconded the motion with the following members voting YEA: Council Members Vickers, Dofflemyer, Schiro, Lancaster, Sours. **Approved 5-0**

## **People's Inc. Low to Medium Income Housing Project**

Mr. Bryan Ailey, People Incorporated- Abingdon, presented information updates on the proposed 52-unit Low to Moderate income Housing project known as Luray Meadows. Mr. Ailey said that the Council approved the zoning change for the site in February 2016 from a PND to R-5 zoning. However, the rezoning was not met in time for the 2016 application process. Therefore, the project is up for application credits in 2017. Mr. Ailey said that he is present this evening to make a few requests. The first request is for a tax exemption, not only for his project, but other similar projects. The second request is to designate the proposed development as a revitalization area which would provide this project with additional scoring. The last request is for the co-signature of the Town on a CDBG grant for the project.

Members discussed the tax abatement request and if the tax credit would be for the project or the property. Mr. Ailey said that the tax abatement he is requesting is for the construction period only. He also said that he is looking at a spot designation for the tax abatement. Councilman Schiro questioned if the tax abatement should be more comprehensive rather than site-by-site.

Town Attorney, Jason Botkins, stated that there are several different concepts that are being discussed. He said that the first issue is a tax deferral versus a tax abatement. Mr. Botkins said that a tax deferral is an ordinance that can be put into place to apply Town wide and would be available upon application by the property owner for a qualifying property. This would be for the deferral of increased real estate taxes that accrue beyond a certain point due to improvements. The second concept is the tax abatement or exemption, which would exempt those taxes for a period of time and the Town would never recover those revenues. The code requirements for implementing that type of exemption for the Town would first be to create a local housing rehabilitation zone. Mr. Botkins explained that the term "revitalization zone" is a little different in that the statute provides that a locality make written application to the Virginia DHCD that is then acted on by the Governor. A local housing rehabilitation zone would necessitate that a broad criteria be established and the Town could establish one rehabilitation zone, being this particular project. Councilman Schiro expressed concern about moving ahead on this specific parcel and what precedence it might set for the next incoming project. Mr. Schiro felt it was important to establish some baseline criteria for creating these incentives. Mr. Schiro said that he is in favor of creating these incentives and of affordable housing; however, he does not want to establish this specific to one project. Mr. Hoke said that he does feel this is an excellent opportunity for the Town.

Councilman Schiro asked about the ownership status of the property. Mr. Ailey said that last year People Inc. was working with the owners of the property based on a letter of intent. It became clear that the March 2017 application deadline would not be met. Therefore, Mr. Ailey said that there was no need to tie up the property for an extended period of time. Mr. Ailey said that an option has been drafted with the owners and that he would not ask for the resolution without site control and would not ask in a work session. Councilman Schiro expressed concerns about the sale of the property falling through and the designation of the revitalization zone. Councilman Schiro asked if the property owner would then have entitlement to the same tax abatement. Town Attorney, Jason Botkins, stated that indeed a tax abatement would apply to the property itself. However, a deferral would be based upon the applicant.

Members discussed the time frame in order to meet the application deadline. Mr. Ailey said that the application for tax credits is due is March 3<sup>rd</sup> 2017.

Town Attorney, Jason Botkins, said that if the Town would like to move forward with the rehabilitation zone, it is not expressly referred to as a zoning ordinance. But, some of the flexibility and benefits that you give to a zone of this type include special zoning, permitting etc. Mr. Botkins said that it sounds enough like a regular zoning ordinance that he would recommend advertising for a public hearing and obtaining recommendations from the Planning Commission. He said that while there is no expressed request for a public hearing but generally when you are exempting property that will be owned by a non-profit organization a hearing would be appropriate. Mayor Presgraves said it seems that time is of the essence.

Mr. Ailey explained that two projects were funded last year, one in Essex County and one in Lee County. He went on to discuss the CDBG Grant portion of the request. He explained that the CDBG awards differ from the tax credit awards. The CDBG awards are project appointed and funds would not be drawn down until the entire project package is put together. This portion of funding would be administered by NSVRC and Mr. Ailey sees very little risk with these funds. Councilman Schiro recalled the last project falling through and noted that he serves on the NSVRC board and found it extremely embarrassing. Mr. Schiro said that the commission was forced to reallocate over \$600,000 in funding. Council members said they were not opposed to looking into the revitalization zone further but would like to follow through the process. Members acknowledged that the timeline is extremely tight. Councilman Lancaster cautioned against rushing through this. Mayor Presgraves suggested that the Council have Mr. Hoke confer with legal counsel. He suggested that the Planning Commission review this, but does not think the Town can meet Mr. Ailey's deadline. Members determined that regardless of the deadline, the Planning Commission should take a look at the zone designation concept. Mr. Hoke said that he recognizes there is not a lot of time to meet the deadline of March but will start with the Planning Commission.

### **Private Sign Installed on the Greenway**

Town Manager, Charlie Hoke, presented information on a private sign installed on the Greenway. In the council packet are two photos relating to a private sign that was installed on the Greenway. The sign is advertised as a private sign designed by the owner and has been placed on Town property. Mr. Hoke said the sign was not reviewed by the Council prior to installation. Mr. Hoke has outlined a few options for Council to consider regarding the removal of the sign. The off premises portion of the sign must be removed as it is an advertising relating to Pioneer Bank. Mr. Hoke clarified that the sign was not approved by the governing body. Councilman Dofflemyer said he understood that the sign was approved by the Parks and Recreation director. Councilman Sours said that the signage was included in departmental weekly reports for two consecutive weeks. Mr. Hoke said that council may consider asking the private citizen to donate the signage to the Town and complete the maintenance agreement form. Mr. Hoke also suggested asking the citizen to relocate the sign on private property. Councilman Dofflemyer questioned if this was due to a citizen complaint. Mr. Hoke said that he personally observed the sign and recognized that the off premises advertisement portion is not permitted. Councilman Sours agreed that the private sign is not permitted despite that it is overall an attractive sign. Mayor Presgraves

said that permitting the sign would allow an unfair precedent. Councilman Schiro asked what position the Town is in to ask for the removal since some authority of the Town permitted the signage. Councilman Sours said that he understands that the sign is half on Town property and half off, he is uncertain if that is correct. Councilman Schiro recalled the dates that this was included in the departmental staff report, therefore he is not sure what position the Town is in to make this request. Mayor Presgraves suggested that Council talk with Mr. O'Brien, Director of Parks and Recreation, and find out more information about this. Members agreed that the advertising portion must be removed. Councilman Sours said that it makes more sense that the sign be on private property. Councilman Dofflemeyer said that he feels this is a good compromise and suggested the Town offer to move it. Mayor Presgraves suggested a written narrative from the department.

### **Virginia Department of Transportation Update**

Assistant Town Manager, Bryan Chrisman, presented a funding update report regarding the Virginia Department of Transportation as it relates to the Main Street Bridge Project. Mr. Chrisman said that he takes full responsibility for the delays and the several requests for an extended schedule. While these have been consensus decisions of the project management team, he is the person who must report to Council on the project. And as the Town's "responsible person" for the project he is by Federal Statute responsible for the successes and failures. Mr. Chrisman said that fourteen months ago he requested that Council not move forward on the project schedule but wait for "no match" funds from VDOT through a new funding source. While this was a difficult recommendation, it meant effectively killing the project momentum at that point. Nine months ago, Mr. Chrisman said that he advised members that their back-up application for Revenue Sharing funds was indeed approved by VDOT. However, as we know those are 50-50 matching funds.

Mr. Chrisman said that today he still does not have a definitive answer to the Town's funding needs. VDOT was not able to completely score and prioritize the State of Good Repair applications in time for the Draft list to be placed on the December agenda of the Commonwealth Transportation Board. Thus, the Draft list was reviewed by the CTB at their January meeting. The list will be voted on at their February 16, 2017 meeting in Richmond.

Mr. Chrisman said that he was able to obtain information regarding the Draft listing that concerns the Town. As previously mentioned to you, the project team believed that the West Main Street Bridge Project met four criteria. Those four criteria being; 1) an eligible project for State of Good Repair funds in the Staunton District, 2) would be one of the top three local bridge projects eligible for these funds, 3) would likely be the number two ranked local bridge project, 4) would be eligible for a share of available State of Good Repair Funds as allocated to the Staunton District. Mr. Chrisman said that at the January 2017 meeting a power point presentation was provided by VDOT's Chief Engineer. Mr. Chrisman explained that appended to that presentation was the draft listing of statewide SGR projects selected for funding. The draft listing indicated that the Staunton district is slated to receive \$3.1 million for FY 2017-FY 2022 in funding for locally owned bridges. According to this information all three local bridges would be considered "fully" funded. The number one project is a bridge in Harrisonburg over Black's Run, the number two project is Luray's West Main Bridge, and number three is a bridge in Broadway over the North Fork of the Shenandoah River. Mr. Chrisman explained that Luray's request was for

\$1,953,030 which represents the funding gap the Town was faced with at the time. Mr. Chrisman said that based on this draft listing and if approved with no changes by the CTB at their February meeting, the Town is slated to receive the full amount requested. This would translate in direct savings to the Town of nearly \$1,000,000.

Mr. Chrisman explained that since the time of the original estimate for construction, the estimate increased less than \$200,000. Mr. Chrisman reminded that the final decision on the funding will not take place until the CTB's February 2017 meeting in Richmond. If the list is adopted without alteration, the team has many people to thank. Mr. Chrisman said that Mr. Randy Kiser, Staunton District Administrator, made the decision to support the Town's project and nominate it for full funding. Mr. Kiser based his efforts on his knowledge of the project and the recommendation of the Town's VDOT Project Coordinator, Mr. Michael Fulcher. Mr. Chrisman also thanked Pat Racey, PE and Project Manager, and Tyler Austin, PE. Of note, Mr. Austin requested the final funding of \$1.9 million based on his in-depth analysis in order to put the Town in a position to request maximum funding with zero risk. Mr. Chrisman said that the team is very appreciative of Council and the community's patience while the project team has worked diligently to obtain lower cost funding for this project. Mr. Chrisman said it appears we may be very near that goal. He said that while it is never a good idea to delay construction projects, we may soon have very good reason to have done so. Mr. Chrisman said he hopes to attend the February 16, 2017 meeting in Richmond.

Lastly, Mr. Chrisman said that the good news is actually a two-for-one in terms of funding. By hopefully not having to use Revenue Sharing Funds for the bridge project; the revenue sharing monies can be used toward the Northcott Drive and Memorial Drive improvements and would fully fund both of those projects. If the funding is approved for the bridge project the RFP will need to be approved by VDOT in 23 days. The goal is to put the project out to bid in March 2017, construction in 2018, and project closeout in 2019.

### **Adjourn**

With no further business, Mayor Presgraves adjourned the work session of the Luray Town Council at approximately 7:50 p.m.

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Mayor, Barry Presgraves

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Deputy Clerk, Danielle Babb