

A work session of Beaufort City Council was held on April 9, 2019 at 5:00 p.m. in the Beaufort Municipal Complex, 1901 Boundary Street. In attendance were Mayor Billy Keyserling, Councilwoman Nan Sutton, Councilmen Mike McFee, Stephen Murray, and Phil Cromer, and Bill Prokop, city manager.

In accordance with the South Carolina Code of Laws, 1976, Section 30-4-80(d) as amended, all local media were duly notified of the time, date, place, and agenda of this meeting.

### **CALL TO ORDER**

Mayor Keyserling called the work session to order at 5:01 p.m. [SEP]

### **UPDATE ON ECONOMIC DEVELOPMENT**

**John O'Toole**, Beaufort County Economic Development Corporation (EDC) executive director, [SEP] spoke about the various people and organizations that contribute to the EDC's success.

The most important "spoke" on the economic development "wheel," Mr. O'Toole said, is the environment; a strong educational system is also important to site selectors and companies considering coming to Beaufort. Other spokes are housing and transportation, which he said the county and municipalities "pay attention to."

Mr. O'Toole said the economic development partners in the city and county are great, and he provided an example of a company that recently looked at locating in Beaufort.

Mr. O'Toole described some of the things the EDC is working on, such as "market attraction," site development, and business retention and expansion, and successes the EDC has had in retaining some businesses. He went on to detail the organization's goals and where it stands with them (e.g., The job creation goal was 200, and it's currently at 313; retention is at 104% of the goal.).

In the Beaufort Commerce Park, Samet Corporation won the bid to build a 50,000 square foot spec building, Mr. O'Toole said, and an individual is looking to build another spec building "on his own dime." He described the plan for the spec building. If it isn't leased after a designated period, the county would pick up the interest costs. County council is supportive of this, and Mr. O'Toole explained why. The projects that are being slotted in "aren't disturbing to the county" or its residents, he said.

Mr. O'Toole said he is frustrated that the Commerce Park project is not farther along. The deal is with the developer's attorney, he said, and then it will go to the county and city attorneys. This is "a new model we're trying," he said, but he's proud of what they are doing, even with the delays, and of the approach that they are taking with the project. He explained how the dollars from Commerce would work.

Mr. O'Toole provided an update on incentives and the amount of site development grants that have been acquired year-to-date, as well as the amount of "compensation tied to the projects." The goal on leads was 75, he said, and they have 79 year-to-date. "Senior leadership" has been a great source of leads, Mr. O'Toole added.

Mr. O'Toole described their targeted industries, including aerospace, defense back office, bio/life sciences (e.g., A group is blood-letting horseshoe crabs in the former Dust Solutions building.), headquarters, healthcare, hospitality/tourism (e.g., distilleries in Beaufort County), and insurance, among others.

Mr. O'Toole discussed the EDC's positive relationship with Commerce.

Mr. O'Toole said when prospects are brought in, they ask them to look at underserved populations and to "slot a few people in those jobs." An aerospace company, for example, would work with TCL on hiring, he said, to help make 8 of the 35 people they're hiring "successful in their positions."

"The military needs product," Mr. O'Toole said; the City of Beaufort and Beaufort County have invested \$580,000 in the last year, and Mr. O'Toole described the ways that has already paid off.

Mr. O'Toole described the EDC's future plans. For example, they are working with city and county planners to get box hangars at the Beaufort County airport. He said **David Prichard** has been "very valuable in regard to the AICUZ zone." The EDC is also working with the Beaufort Regional Chamber of Commerce on a program to help exiting military to be able to stay in this area.

The EDC is looking at hiring a firm to help "tell [the EDC's] story better, Mr. O'Toole said. The organization has a presence on social media, and they are targeting the right people there, he said. They will be featured in "SCBIZ" magazine in May.

Councilman Cromer asked Mr. O'Toole about local "opportunity zones": what types of prospects or projects he's envisioning. Mr. O'Toole said he is "not that focused on that one." It could be retail, housing, or commercial, he said; what will happen there will fit in with the hopes for USCB's campus and for affordable workforce housing. Mr. O'Toole thinks the Commerce Park is where they will "make some hay." Councilman Murray said Mr. O'Toole "has been trying to disseminate accurate information about the opportunity zones."

Mayor Keyserling asked about interest in healthcare here; he read there is a huge demand for it (e.g., home healthcare, assisted living). Mr. O'Toole said he hasn't given enough attention to that "sector." The EDC has healthcare "as a target," but they are focusing resources on light industrial, aerospace, backroom, and headquarters. Mayor Keyserling said he was talking about "helping [healthcare] with workforce," not about

attracting those types of businesses. Mr. O'Toole said they meet regularly with Dr. **Al Panu**, USCB's chancellor, and USCB asked the EDC to help determine what the needs are. "We probably need to bring that community together," he said.

Mayor Keyserling asked if the lack of affordable housing has been something Mr. O'Toole has felt is an issue in his recruiting. Mr. O'Toole said he's been asked to look into the need for workforce housing. He feels "somebody needs to do something dramatic." His experience has been that they need to "bring someone in" to "find out what the barriers are to entry." There needs to be more thought put in and more work done on workforce housing, Mr. O'Toole said.

Councilman Murray said there are "a pile of studies out there about this," and "a lot of folks [are] talking about it," but governmental bodies "need to take action." They need to look at the UDO and at the regulations across the county to see what is standing in the way of building affordable housing, he said.

Mayor Keyserling asked if there is any feedback about housing being a reason people don't move their businesses here, and Mr. O'Toole said he doesn't hear that as much about the City of Beaufort as he does about other parts of the county. Councilman Cromer said it would be a problem here in the future. Councilman Murray said there are job opportunities in Jasper and Colleton Counties, and that will "create more pressure on Beaufort County."

Councilman Murray said 75% of the leads the EDC has received come from people within Beaufort County, so he wants everyone to be aware of opportunities to connect people with Mr. O'Toole, who could then help to bring their projects and businesses here.

**Jonathan Sullivan** said hospitality and tourism is the #1 economic driver in Beaufort; #2 is trade and retail, and #3 is health and human services. There's a shortage of employees across all of these areas, he said, and he described the problems that result. He said developers need to be brought to the table on affordable and workforce housing. The county has incentive plans, Mr. Sullivan said, and he agrees with Councilman Murray that they don't need more bureaucracy (e.g., creating a housing trust) when "everyone's suffering to get employees." There are "a large number coming from Hampton County now" to Beaufort County, Mr. Sullivan said, and as that area develops, those people will stop commuting from Hampton County; they will stay there to work, he feels, and when that happens, "Beaufort and Beaufort County won't have any employees."

Mayor Keyserling said, "It's got to be a partnership," and employers should "be more sensitive to the needs of their employees" (e.g., about transportation and how much they're paid). The costs of land and construction won't change, he said, nor will the largest impact fee, which is for water and sewer. Mayor Keyserling asked if it is

government's role or the private sector's to meet and determine what can be done about this (e.g., private and public dollars and the administration of a loan program that is "no more complicated than" Habitat for Humanity's). If no one is putting money into a housing trust, he said, and all the costs are going up, nothing can happen. Mayor Keyserling feels "the only successful model" would be a partnership of various entities.

Mayor Keyserling said he knows hospitality has a problem with short-term rentals, but those are private businesses, and they "shouldn't [be picked on] more than any other business." He feels they "need to quit talking" about these needs and should "work together" on solutions.

**Deborah Johnson** said a group of local developers and builders were brought together to "talk about their barriers." They might do that again, she said. Mr. Sullivan said he's saying that at last week's Chamber of Commerce meeting, which the city wasn't invited to, no developers were present, so he is suggesting that the city should be involved, and that developers need to be "involved" in the solution beyond "just get[ting] their input."

**ORDINANCE AMENDING PART 5 CHAPTER 2 ARTICLE C SECTION 5-2028 PERTAINING TO ANNEXATION INCENTIVES** <sup>(1)(1)</sup> (SEP)

Mr. Prokop said annexation will be "a large part of our growth and planning," as the city continues to seek to fill donut holes. The city is "working on 5 to 8 large annexations where people have come to us," he said, and he described the incentives, saying that there is "no administrative process with incentives" as there was in the past. This streamlines the process, Mr. Prokop said, and makes it easier for the city and the applicant.

Councilman Cromer asked if the incentive is "attractive enough to invite people to want to annex." Mr. Prokop said the people who come to the city are not coming for the incentive but because they want to annex. In the past, the incentive "was only given if you asked for it," but now it is given to anyone who annexes into the city.

Mayor Keyserling asked if the city needs to have the incentives. Mr. Prokop said staff feels they are needed because "in some areas, the difference in taxes is significant."

Councilman Murray said there is a difference in the tax burden, depending on where county residents are in relation to fire services (e.g., Burton versus Lady's Island). Property owners have to petition to come into the city, and he thinks the incentives provide a reason to do that, which allows the city to close up donut holes.

Mr. Prokop said there is a misconception that the county "loses all its taxes when something is annexed" into the city. The only change is in the fire district fee, he said; the school and the county get all the same fees that they were getting before the annexation. The benefit to the City of Beaufort is only in "streamlining, not in making more money," Mr. Prokop said.

## **TIF II FUND BALANCE**

**Kathy Todd** said Boundary Street is “pretty much finalized,” and the amendment to the budget for the Greenlawn Drive project is done, so they have “a better final number of \$3.8 million” in TIF II funds. Therefore, it’s “time to prioritize projects,” so she is presenting five for council to offer direction on: property acquisition on Polk Street, the “municipal complex security retrofit,” land acquisition, the Public Works building upfit, and the median in front of City Hall/the Spanish Moss Trail connection.

Councilman Cromer asked if there are any timelines on expending the funds. Ms. Todd said there’s no deadline, but they can’t be held indefinitely without a plan. They held on to them to ensure they would have enough money for Boundary Street, and TIF II was the backup for that.

Councilman Cromer asked if an ordinance would need to be amended for these projects, and Mr. Prokop said no.

Mr. Prokop said the estimate for the parallel road is between \$12 and \$15 million. Engineering suggests that they “should think about this down the road.” They are looking at an alternative design, and that probably will be even more expensive, he said. The breakdown is \$4.5 million in easement costs, \$3 million in engineering, permitting, etc. and \$5 to \$6 million in construction costs. They are planning to retain \$2 million for a possible grant match, Mr. Prokop said.

There are “things that need to be fixed,” Mr. Prokop said, in City Hall and the municipal complex. The current number doesn’t include an upfit for a potential county rental of the space because the discussions about that are still ongoing, and the upfit would cost \$1 million. “Land acquisition” is to complete “what we have on Boundary Street,” he said.

The Public Works building upfit is to fix things there that have been put off and need repair, Mr. Prokop said. The final item is to connect the Spanish Moss Trail along Highway 170 and to fix “the median out here” in front of City Hall. He said those costs “might be a little high.” Staff recommends these as the priorities for the remaining TIF II funds, along with a reserve, Mr. Prokop said. He added that money is being put aside for land acquisition on Boundary Street.

Councilman Murray asked about the \$750,000 “security retrofit.” Mr. Prokop said it’s for security in the City Hall offices; air handlers in the police department; work on sensors and “automatic lights off”; additional office space for the planning department, and door replacement at City Hall and the municipal buildings. Councilman Murray asked if TIF II funds need to be used for this, and if the doors couldn't be refurbished. The price they got was \$4,000 – \$5,000 per door set, Mr. Prokop said. They would be replaced with a composite, **Matt St. Clair** said.

Councilman Murray asked for a presentation about the parallel road, which will get more difficult to put in over time. The private sector is being asked to put in businesses there with the expectation that a parallel road will be put in, he said. Mr. Prokop said they want to look at “the third alternative,” and then they would make a presentation. Property owners have said they won’t give up their land and the use of it because it’s more valuable to them to keep it rather than selling, he said. Councilman Murray said he knows some property owners would be unhappy to have their properties divided.

Mayor Keyserling said he uses Polk Street “all the time” to avoid Boundary Street traffic. Councilman Murray asked if they have looked at capacity on Boundary Street in 10 to 20 years, because it will “become unsustainable at some point.” He knows the city has these needs that staff has presented, and that “another funding stream will be needed” to meet those needs, but the TIF II funds are “a valuable pot of money” that is meant for improvements to Boundary Street.

Mayor Keyserling suggested the funds could be leveraged against a federal grant.

Mayor Keyserling said he doesn’t think the parallel road should be abandoned because it was an integral part of the Boundary Street plan; he thinks not doing the parallel road first was the right thing to do to in order to “generate public confidence” in the project.

Councilman Murray said the Taylor Motors site is for sale, as is an adjacent site, and all that property is in the opportunity zone; the city could create a package with incentives for affordable workforce housing, “in addition to the opportunity zone.” A developer could then take those sites and build workforce housing, Councilman Murray said, but s/he would have to be told that s/he has to site the buildings on one side or the other of a road that might be built in the future. Mr. Prokop said developers complain about having to build “up at the street,” per the Beaufort Code.

Mayor Keyserling said property that goes back to the marsh has been on the market for some time. Ms. Todd said this is why they want to have funds in reserve; they don’t want to sit on the \$3.8 million indefinitely. They need to make decisions and then set some money aside for consideration for the parallel road.

Councilman Murray said the city could go to the school district and its county partners and ask them to forgo some revenue in order to make an investment in spaces that would help to spur private investment. Councilman McFee said the TIF district created the growth, which “created a higher tax base for them.”

Ms. Todd said TIF II was created to help fund the City Hall and municipal buildings. Boundary Street was supposed to be funded by the federal government and impact fees, but there was a shortage from the county in sales tax dollars. TIF II dollars were generated to create a bond for the municipal buildings, she said. The school district and

the county “didn’t lose anything,” Ms. Todd said. “Before Boundary Street, the increment went up”; the value was \$3.8 million, and there was “growth [that] generated an increment.”

Ms. Todd said the TIF II increment dollars paid for the TIF debt, not the general fund debt mil. Mayor Keyserling said there was a referendum on the general obligation bond for City Hall. Ms. Todd said TIF II supplemented that.

Councilman Murray said the city still has debt obligation on City Hall; instead of using the TIF funds to “accelerate payment on the buildings,” it was rolled into the Boundary Street project. Ms. Todd said she doesn’t know the legality of using TIF II dollars to pay off the debt on City Hall. Councilman Murray said the funds were spent on Boundary Street, so it doesn't matter.

Councilman Murray said if they completed the parallel road, it might spur development along the corridor. He feels they might need to have a conversation about this, and they might determine there would not be a parallel road, but they need to decide if it’s a priority before they commit “a very valuable pot of funds” to it.

Mr. Prokop said they need to determine if they want to do the land acquisition on Boundary Street, fix the Public Works building, and work on the City Hall median and the Spanish Moss Trail connection; they need to decide if they want to spend the money or not spend anything. Mayor Keyserling said the city is obligated on the land acquisition. Ms. Todd said there is money “in the land fund.”

Mayor Keyserling asked what the decision-making process is and what the time frame for it is. Councilman Murray said he doesn't feel he has enough information to make a decision about spending the funds, and he’d like to see a presentation on the parallel road and “a breakdown” on the municipal complex security retrofit and the Public Works building.

Mr. Prokop said this would be only along the edge of the road; it would connect the wider sidewalk to the trail. Ms. Todd said this would move it to the Capital Improvements Fund, to be considered in the budget process.

Councilman Murray said they didn’t look at the city’s Capital Improvement Plan at the retreat. Ms. Todd said it was in the presentation, but they didn’t spend time on it.

Councilman Murray said the area in front of City Hall and the Spanish Moss Trail connection are on Boundary Street, so he feels they are “legitimate expenses.” Mr. Prokop said the rest – except for the parallel road – will be part of staff’s budget presentation.

## **ORDINANCE ESTABLISHING THE STANDARDS FOR THE PLACEMENT OF SMALL**

**WIRELESS FACILITIES IN COVERED AREAS OF THE CITY OF BEAUFORT AND FOR OTHER PURPOSES** [L] [SEP]

Mr. Prokop said there is a model ordinance in council’s packets from the Municipal Association of South Carolina; he wanted them to be aware that it will be brought forward with the city’s ordinance when it’s finalized. He has a letter from **Dick Stewart**, which Mr. Prokop will send to council, in which Mr. Stewart expresses his concern about this matter.

There was a general discussion about what is happening with this in the state legislature.

**STRATEGIC PLAN 2019-2021** [L] [SEP]

Mr. Prokop said he had given council the plan, and he wants the public to know the 7 goals; there are dates and metrics for all of them. He said this plan incorporates things discussed in the Beaufort 2030 meetings.

**EXECUTIVE SESSION**

Pursuant to Title 30, Chapter 4, and Section 70 (a) (2) of the South Carolina Code of Law, **Councilman Murray made a motion, seconded by Councilman McFee, to enter into Executive Session for discussion of contractual agreements. The motion passed unanimously.**

There being no further business to come before council, the work session was adjourned at 6:42 p.m.