

**LYNCHBURG CITY COUNCIL
PHYSICAL DEVELOPMENT COMMITTEE
MEETING HIGHLIGHTS
Tuesday, June 14, 2016
9:00 a.m.**

Members: Council Member Turner Perrow, Chair, Council Member Joan Foster, Mayor Michael Gillette, ex-officio

Staff Present: Kimball Payne, Bonnie Svrcek, Lee Newland, Gaynelle Hart, Kent White, Tom Martin, Rachel Frischeisen, Donna Witt, Courtney Blankenstein, and Angie Shepard,

Others Present: Cliff Harrison and Greg McCauley with Krise Redevelopment; Megan Lucas with Lynchburg Regional Business Alliance

Note: Mayor Gillette joined later in the meeting after a prior commitment.

Contract Awards: Liberty Mountain Drive, Phase 2: \$2 million contract awarded to Counts & Dobyns for the second phase. They are currently doing the first phase. This is a revenue sharing project. Hope to start in the next 30 days and is under budget.

Update on Priority Projects:

Mr. Newland updated PDC on priority projects:

- Timberlake/Logan's Lane Intersection- proceeding with Design.
- Midtown Connector- final inspections scheduled for June 28th.
- Greenview Drive Phase 2- construction is underway.
- Kemper Street Bridge/Interchange- lighting and paving is underway.
- One Way Pairs @ 501/221- This project is on hold for the HB2 submittal for the right-of-way vacation and rezoning.
- Memorial-Park-Lakeside Intersection- construction is underway over near the library.
- Odd Fellows Road- P3- is continuing with construction. The contractor is on board with both that and Greenview.
- Juvenile Services Group Home- is winding down. There is about another month to month and a half left on this.
- Downtown Streetscapes- is well underway.
- LU Intramural Field Road- Phase 1- underway. Liberty Mountain Drive is what it will be renamed.
- LU Intramural Field Road- Phase 2- update just given.

Council Member Perrow was interested in the Juvenile Services Group Home project. Ms. Hart expressed they will probably move in to the new building in August. Mr. Payne noted the delay currently is waiting for the state to conduct an inspection. Council Member Foster inquired as to when a ribbon cutting ceremony may be and Ms. Hart anticipates in August. She also sought confirmation on the One Way Pairs project and just the submittal being in August. Mr. Newland confirmed and stated the 2nd round submittal by September. Council Member Perrow confirmed with staff that the new study for the project will be done in that time. Mr. Newland conveyed that VDOT is working on the noise study and they are working on getting information for the NEPA document.

General Business:

1. ***Request to Waive Real Property Tax Penalty and Interest for the Krise Building*** — *Krise Redevelopment, LLC has requested a waiver of the Real Property Tax penalty and interest for the Krise Building at the corner of 9th Street and Main Street. The current owner, Krise Building Associates, LLC, has \$55,451.74 in delinquent property taxes, \$5,611.34 in penalty and \$23,393.70 in interest for a total of \$84,456.78. The total assessed value of the Krise Building is \$1,286,300. The Real Estate Taxes will need to be paid in full as part of the sale closing. The request is for a waiver of the penalty and interest of \$29,005.04.*

Donna Witt, Director of Financial Services, introduced Greg McCauley and Cliff Harrison on behalf of Krise Redevelopment as managing partners to state their request to PDC. Ms. Witt summarized that she received the request to waive the penalties and interest on the delinquent property. The Krise building at Ninth and Main Street was originally divided in to condos and each condo is a single parcel. There are currently thirteen parcels with delinquent taxes of \$55,451.74, penalties of \$5,611.34 and interest of \$23,393.70. The request is \$29,005.04 to be waived for the penalty and interest. Ms. Witt recommends denial of the request because the building will qualify for the tax abatement program and the city will not receive the additional taxes for fifteen (15) years.

Mr. Harrison stated a short history of how this project came to be with Greg McCauley and another partner, Wayne Martin. They were looking for another project that could be turned around fairly quick. Adaptive reuse projects have a myriad of hurdles, this one more than most. This building under Krise Building Associates has nothing to do with Krise Redevelopment. The note holders have been delinquent on real estate taxes for four or five years now. The note holders are private individuals out of Danville. Their contract is for the principal amount and the existing owners will basically go away. Krise Redevelopment is trying to get a system in place that will work. Lenders do not like the higher end project and want to shy away but they feel part of a healthy, revitalization for downtown is providing that diversification with an upper end market. The way they are doing this is with a HUD 220 low-interest loan (40 year amortized). They are currently in the compliance review process. They went back to the note holders and discussed how to make this viable. The noteholders agree that at the HUD closing, Krise Redevelopment will pay them half the purchase price. The noteholders will stay in the game until the project is stabilized. At that point, if there are still resources in the project, Krise Redevelopment will pay the noteholders what is left on the note. The building was in the condo registrations which receives a higher assessment. The assessment jumped to \$1.2 million. This project will be under an adaptive reuse, using tax credits. The condo registration has served no purpose. It has been taxed as condominiums but never used as condominiums. Mr. Harrison stated they are seeking some forgiveness on the penalties and interest to make this project work. They would square up the taxes as a part of the settlement statement.

Mr. McCauley remarked they are not sure why the current owners did not remove the condo categorization of the building. Krise Redevelopment is trying to hang on to pre-development costs to make this all work. He notes other projects that Mr. Harrison has brought to the city as Craddock Terry, Shoemakers, and Waterstone and the success of those. He feels this project will be too.

Council Member Foster expressed her love for the Krise building and its great possibilities. She stated her understanding is that the condo status upped the assessed values so owners could up the value and then nothing happened. The taxes were upped and it was a delinquent building and that Krise Redevelopment is seeking forgiveness of the penalty on the taxes and the interest. She asked for more information on how the forgiveness of this amount (\$29,005.04) will help them. Mr. McCauley and Mr. Harrison emphasized that the pre-development dollars are the concern. Mr. Harrison noted that in a

stewardship and legal capacity, he has to manage every dollar in and out. With the value they will be bringing back in to the city, this is one way in which the city can help place the project back on the market. Hopes this development will incentivize other development. On the predevelopment side, this is a substantive amount of dollars. HUD wants to see who is working together on this, who is invested in this. Mr. McCauley noted they are seeking to manage the money the best way possible.

Council Member Perrow clarified that the building was bought for \$1.2 million because of condo registration. Krise Redevelopment plans to take it out of condo status, have reassessed, lower the figure and then abated for a lower amount. The amount will be abated for fifteen (15) years. This would be the premier corner in downtown but it is not the city's job to finance a project. He is willing to waive the penalty of \$5,611.34 but not the interest amount. Council Member Foster noted she would be inclined to waive the entire amount. She would like to explore more and is somewhat skeptical because the previous owner came in with promises. Mr. Payne stated there will be a blended amount for 15 years because some of the building is commercial and some residential. Council Member Foster wants some investment from the city in this because the return value will be more. Mr. Payne commented he did not sense any desire to penalize the new owners and there may be a possibility of going down on the prevailing interest rate on the money owed.

Note: Council Member Perrow and Council Member Foster were present for the presentation of the request. Mayor Gillette joined PDC a little later. No decision was made at PDC. The item will be taken to council to discuss the waiver of the penalty and the prevailing interest rate over the life of the debt.

- 2. Vacating Property in Lakeside Drive, Old Forest Road & Whitehall Road Area*** —*The property was originally acquired by the Virginia Department of Transportation (VDOT) prior to the 1976 annexation for the construction of a grade separated interchange. In 2006 the City performed a study to evaluate options for the area and City Council adopted a concept for an at-grade improvement (one-way pair) instead of the interchange concept. Some of the reasons were available funding and the likelihood of constructing an interchange in the urban environment of the retail establishments in the area. In 2007 the City of Lynchburg joined the Urban Construction Initiative (UCI) of the Commonwealth of Virginia and took control of the VDOT construction program for the City. The City, as part of the UCI, requested to have any property or parcels within the City limits owned by VDOT transferred to the City in 2009.*

Tom Martin, City Planner, stated the One-Way Pairs has been mentioned several times at PDC for the vacation of the right-of-way/property. Mr. Martin noted this item is at PDC this morning for the vacation of any interest of right-of-way or property. Council Member Perrow disclosed his brother owns property in this location, but he has no interest in it. Council Member Perrow and Council Member Foster both agreed that the One-Way Pairs has been discussed before PDC several times and they recommend moving it to full council with PDC's recommendation.

- 3. Vacate a portion of Lucado Place and unnamed right-of-way-*** *The Lynchburg Regional Business Alliance, as contract purchaser on behalf of the current owner, First Properties, Inc., is petitioning to vacate a portion of the right-of-way at the end of Lucado Place. The area includes approximately one-hundred and ninety-six (196) feet of the street and a small parking lot that serves 301 5th Street (formerly known as the James River Conference Center). The petitioner is requesting the right-of-way vacation to bring the parking area and drive under private ownership, since it only serves the conference center. The total area of the proposed vacation is approximately twenty-seven hundredths (0.27) of an acre.*

Rachel Frischeisen, planner, introduced Megan Lucas with the Lynchburg Regional Business Alliance. The request is to vacate the right-of-way and planning division recommends the approval to get the parking area and drive under private ownership so they can maintain it since it really only serves the Conference Center. Ms. Lucas expressed her excitement about the purchase of the James River Conference Center and the vacation of the right-of-way and this is good for the community. They should be in the building by the end of the year.

Council Member Foster echoed the sentiments and is thrilled the Business Alliance will be staying downtown.

Ms. Frischeisen explained this would involve the sale of two properties at Lucado place and the vacation of the right-of-way. Mr. Martin noted the property sale comes before council for the first reading this evening and will come back to council the second meeting this month.

Council Member Perrow recommended moving the item forward with the recommendation of PDC.

- 4. Main Street Bridge Update-** *Main Street Bridge has been in the City's Capital Improvement Plan since 2012. The bridge has had multiple vehicle strikes over the years with the latest happening in 2015. Originally the project started as a maintenance project to fix the beam that had been damaged. After further review and evaluations, it was determined that the bridge should be raised 1.5' to get better clearance underneath. While discussing the Kemper Street Bridge with VDOT, the city realized that the current Main Street Bridge did not meet ASHTO standards and if the structure was going to be raised, other improvements were going to be required to meet the new standards.*

Lee Newland, City Engineer, and Gaynelle Hart, Director of Public Works, explained that Main Street bridge has had multiple vehicle strikes, with the most recent in 2015. Mr. Newland stated with the revenue sharing, they originally wanted to just make repairs to the bridge, but then realized it did not meet ASHTO standards. The cost of the project is \$9.8 million. This will allow for repair of the retaining walls and raising the clearance.

Wayne Schwartz & Associates was the winning RFP firm. They discussed how construction could be done in one stage or two stage. One stage closes the bridge, like what was done at Kemper or two stage would consist of building two separate bridges that meet in the middle, and keeps one lane of traffic on it. One stage construction takes less time with reduction from 20 months to 12 months and the cost is reduced by \$1.4 million.

Council Member Perrow asked about the width of the bridge and any changes and that it is an under-utilized bridge. Mr. Newland responded it would be four lanes of traffic and they are preparing for future growth, looking at wider sidewalks, but not reducing the width of the bridge. Trying to make it look better and reconfigure the traffic pattern. This would be scheduled after the downtown waterline project first phase and they are looking at detour options which are the 210 connector, Concord Turnpike or Grace Street. Council Member Perrow expressed that the current bridge seemed to just cut off that area of the city and with the new bridge an entry way in to the city needs to be created, make it more inviting. Discussion was had among committee members and staff about ASHTO standards, exceptions, ramps and possibilities for the new bridge. Mr. Payne emphasized the intent is to close the bridge down in order to do this work with confirmation from Mr. Newland. Ms. Hart noted the city is looking at ways on how to bridge that neighborhood in this project.

Roll Call:

Council Member Perrow conveyed his appreciation to Mr. Newland for working with a citizen on a concern he received about the project at Logan's Lane.

Next meeting: July 12, 2016