

January 2, 2018

A Regular Work Session of the Danville City Council convened on January 2, 2018 at 7:21 p.m. in the Fourth Floor Conference Room of the Municipal Building. Council Members present were: James B. Buckner, Mayor John B. Gilstrap, Vice Mayor Alonzo L. Jones, Dr. Gary P. Miller, J. Lee Vogler, Jr., Sherman M. Saunders, Fred O. Shanks, III and Madison J.R. Whittle (8). L. G. "Larry" Campbell Jr., was absent. (1)

Staff Members present were: City Manager Ken Larking, City Attorney W. Clarke Whitfield Jr., and City Clerk Susan M. DeMasi. Deputy City Manager Earl B. Reynolds was absent.

Mayor Gilstrap presided.

Council Member Vogler **moved** to add a brief discussion on the Ruby Archie Library designation; the Motion was seconded by Council Member Miller and was unanimously added to the Agenda as Item B.

MINUTES

Upon **Motion** by Council Member Saunders and **second** by Council Member Buckner, Minutes of the Special Work Session held on December 5, 2017 and the Regular Work Session held on December 5, 2017 were approved as presented. Draft copies were distributed to Council Members prior to the Meeting.

WORK SESSION ITEMS

CONSIDERATION OF APPOINTMENTS TO BOARDS AND COMMISSIONS

Vice Mayor Jones noted the Committee on Appointments met earlier this evening and makes the following recommendations:

Fair Housing Board:	Reappoint:	Emmett Young and
	Appoint:	Tommy Bennett

Council had no objections to the recommendations and the Appointments will be put on the next Council agenda.

DISCUSSION OF NAMING OF LIBRARY AFTER RUBY B. ARCHIE

Council Member Vogler explained the Memorial Commission was appointed by the Mayor to review and discuss the possibility of adding Ruby Archie's name to the Danville Public Library. The Memorial Commission met on two different occasions, the signage and the cost estimate was presented by the City Manager; Mr. Larking noted the final cost estimate was \$2,500 to install the sign. The signage would be in line with what already exists, just adding Mrs. Archie's name on top of it. The Commission approved it, with the exception of one member, Mr. Garrison; his opposition was not with this case particularly, he is opposed to having any municipal buildings named after people. Dr. Miller questioned if they could change the sign if they don't like it and Mr. Whitfield noted they could. Mr. Vogler noted the name would be "The Ruby B. Archie Memorial Danville Public Library."

Mr. Saunders questioned if someone wanted to do something else in addition to the library being named after Mrs. Archie, can that be done if they are willing to pay for it. Mr. Vogler noted that came up in the Commission and it was his understanding that the Sorority and

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group who is spearheading this are working to have a plaque placed on the inside of the entrance to tell her life story. Beyond that, they will be working with the Community Foundation in hopes of setting up a scholarship in her name for students as well.

In response to Mayor Gilstrap, Mr. Whitfield explained this is the first time the City has had the River District Design Commission as a part of this; Council tonight is talking informally and will informally agree to what they want to do. After that, Council will pass a Resolution naming the building and approving the sign, or not. If they approve the name and the sign, Council would authorize the City Manager to apply to the River District Design Commission for a Certificate of Appropriateness; they would review it, and grant the Certificate. The City would collect the money, and the sign would be installed; it would not have to come back to Council. Mr. Whitfield explained in a situation like this the City wants to make sure that it follows all the rules that any other citizen would have to.

Mayor Gilstrap stated Council's only responsibility is naming the building. The people that are in charge of fundraising are not the Commission, that is a separate unit headed up by a sorority or individuals in that sorority. Mayor Gilstrap noted he has a problem with the name. To him, "The Ruby B. Archie Memorial Library of Danville, Virginia" is too long; why not simply say, "The Ruby B. Archie Library."

Mr. Larking noted with the raising of additional funds, what likely will happen is they will have additional funds, will want to donate to the City a plaque or something else and ask that it be displayed in the Library. At that point, Mr. Larking would suggest Council ask staff to evaluate the donation and determine the best place in the library for it to be located. Mr. Whitfield explained it would probably be better for Council to accept that through a Resolution; that would include Council giving staff the right to place it in the most appropriate place in the library.

Mr. Vogler requested an informal straw poll, to put on the agenda what the Memorial Commission's recommendation was. Vice Mayor Jones noted he was in support of this, but agreed with the Mayor, the name should be "The Ruby B. Archie Library."

Mr. Saunders noted he was not prepared to vote positively in a straw poll, there are more steps that Council needs to go through. Mr. Saunders stated the Committee for the signs has not met yet and the Mayor asked for a report at the second work session in January; Mr. Saunders stated he didn't know if the Committee can have that ready and Mayor Gilstrap noted if they don't that's fine, that was a just a goal. Mr. Shanks noted his agreement with Vice Mayor Jones, "The Ruby B. Archie Public Library" would make a lot more sense. Vice Mayor Jones noted what the Commission brought to Council did not receive a consensus from Council. Mr. Whitfield noted the Commission has brought forth their recommendation, it is up to Council to determine whether they wish to accept, reject or alter that recommendation.

Mayor Gilstrap asked for a straw poll for the name of the Library, for those that support the name being simplified to what Vice Mayor Jones recommended; Mr. Shanks asked if that included "Public" and Vice Mayor Jones noted "The Ruby B. Archie Public Library." Seven members noted their support. Mayor Gilstrap noted the next step is to get it on a Council agenda, asked that a Resolution be prepared and presented to Council for approval to name it, and submit it to the Planning Commission and River District. Mr. Whitfield noted they will need a new mockup of the sign, and Mr. Larking noted he would get that.

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Mr. Vogler thanked Council for their feedback and input, he was glad they had the discussion and everyone had a chance to weigh in.

ECONOMIC DEVELOPMENT UPDATES

Director of Economic Development Telly Tucker distributed a handout, *Tax Comparisons for Data Centers*, and explained at the request of the City Manager, he has put together information for Council of a comparison of tax rates specifically related to data centers in Virginia, comparing localities across the Commonwealth. Staff looked at numerous facets of that tax comparison; most importantly they looked at the cost of computer equipment as it is taxed at a local level. This often falls under the category of business personal property for a data center. The handout shows a hypothetical scenario for data centers across numerous localities in Virginia, used as a hypothetical example \$100,000,000 worth of computer equipment in a 1M square foot data center facility, and what those tax rates would be over a three year period in each of the localities.

Mr. Tucker noted there are numerous communities in Virginia that have recently created special tax rates specifically for data centers and computer equipment, as a way to attract interest from data center prospects. Staff put the information together so Council would have information on where Danville exists today, and at the bottom of the spreadsheet represents a hypothetical scenario if Danville chose to change its computer equipment tax rates to \$.40 per \$100 as opposed to the current \$3.50 per \$100, as business personal property. Mr. Vogler noted this past April, the Board of Supervisors in Henrico County cut their previous rate of \$3.50 per \$100, down to the \$.40 and they landed a billion dollar Facebook Data Center. Mr. Vogler hoped when Council had this discussion, if the lowest in the Commonwealth is \$.40 per \$100, he would like to go lower than that; he would like Danville to be the most competitive place in Virginia to open a data center.

Mayor Gilstrap asked for clarification, under Henrico and Virginia Beach, both are at \$.40, but there are different amounts that they generate, what is the difference in Year One between Henrico and Virginia Beach. Mr. Tucker explained each community's tax rate is on a percentage of market value. In Danville, Year One, it taxes 60% of the face value of the asset whereas Henrico County in Year One, taxes on 46%. Virginia Beach taxes on 40% of the original cost of the asset for the life of the asset. Each community is able to set its own depreciation schedule as it relates to that equipment. Mayor Gilstrap noted that if Danville went to \$.40, it would still be higher than Virginia Beach, in year two and three, would be higher than Henrico. Mr. Shanks noted it does not include the real estate tax; they have to pay the local real estate tax too, Danville has Henrico and Virginia Beach beat on that. Mr. Vogler explained Danville is not losing any revenue by doing this because right now, there are no data centers in Danville. Mr. Vogler noted data centers are expected to grow 12-14% each year over the next two to five years; it is a huge opportunity for Danville.

Mr. Tucker noted in the Code of Virginia there is a carve out for a definition of a data center, it has to do with the type of description of the entity, what the purpose is and how much power they use. Mr. Shanks noted it is just computer equipment with that and Mr. Tucker noted that was correct. In response to Mr. Saunders, Mr. Larking stated Danville does not have data centers currently, so reducing the rate on a business it doesn't have won't affect the City's revenue stream negatively. But if by being more competitive Danville is able to attract a new business, he would be in favor of that.

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Mr. Saunders asked if the City goes to less than forty, to thirty or thirty five, does that make Danville more attractive and Mr. Tucker noted it does make the City more attractive and believed it was part of the reason why Henrico was able to attract Facebook, but it was not the only reason or the largest reason they attracted Facebook. In conversations with data centers, they spoke with many of them, the largest driver for a data center is power cost, per kilowatt hour. Mr. Larking stated the other thing Council would want to think of, in the City and County there is a certain amount of developable land for industry. If Council wants this to be in Danville, lowers the tax to make it more attractive, there is an opportunity cost, because then the available land and property is not available for some other type of business.

Mr. Tucker noted if Council chooses to follow other communities like Virginia Beach and Henrico, they would have to use a certain amount of power to justify this rate classification. The impetus for this change was very large data centers are paying millions of dollars in taxes, power and equipment, simply to host data. Mr. Shanks noted he supported creating a carve out, his concern is he wants to be fair to other computer users in the community. In terms of a data center tax rate, he supports that, and Mayor Gilstrap's suggestion of \$.35. Mr. Shanks noted he thinks it is wrong if Council doesn't figure in the total cost which includes the real estate tax. Mr. Tucker explained there are assumptions on this spreadsheet that will not happen; a million square foot building in Virginia Beach will not be assessed at the same value as a million square feet will be in Danville. A million square feet is going to pay more than \$300,000 in real estate taxes in three years in Virginia Beach. In Danville they won't. Mr. Tucker stated he wanted to illustrate for Council using some similar numbers so they could compare.

Mr. Shanks questioned, would Mr. Tucker say Danville already had the most competitive proposal here and Mr. Tucker stated of the counties that are presented, if they were looking a million square feet, he believes the \$.40 would put Danville at an advantage to every other community on the list based on the fact that assessed value of real estate is less in Danville than it would be other localities. Dr. Miller questioned if the average data center was a million square feet and Mr. Tucker noted the City is looking at all sizes. Dr. Miller questioned where the City had space that could host a data center that size and Mr. Tucker stated they could do it at the Coleman site. Dr. Miller noted his agreement with Mr. Vogler, the City is not losing any money and stated his support of the \$.35.

Mr. Saunders stated he is hearing a lot of variables and would like staff to look at this and bring back a recommendation to Council. Mr. Buckner requested a straw poll on the \$.35 recommendation for data centers and five council members noted their support. Mr. Saunders stated he stands by his request for staff to study this and bring back a recommendation to Council. Mr. Vogler noted his understanding was if a majority of Council signs off on a straw poll, that moves it forward. Five out of nine agreed to \$.35, Council doesn't need six and Mayor Gilstrap noted they needed six in a regular Council meeting to approve it; there is one Council member absent. Mayor Gilstrap questioned if it was a consensus that Council agree they want to be the most competitive in the State; can Council agree that staff bring Council a recommendation to make Danville the most competitive and Mr. Tucker noted staff would have it by the first meeting in February.

Ms. Teague Bobe explained on the 22nd of December the new Tax Reform policies were officially approved; New Market Tax Credits are safe, and the City still has an application in to the Treasury for another round of funding. The Historic Tax Credit Program at the Federal level was saved, however it did change. Instead of a developer getting full benefit after construction within that first year, it is spread out over a five year period. There is a negative

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side to spreading out the benefit over a five year period, which reduces the value of the actual tax credit regardless of whether they use it themselves or sell it through a syndicator. Staff has been made aware of a way to grandfather some of the IDA and Housing Authority's properties so that the City can keep the original benefit, all the benefit come within the first year. There will be real estate transactions between the Housing Authority and IDA transferring certain properties, Five Forks, 549 High Street, White Mill, Schoolfield, Commonwealth Machine Building and 200-208 North Union Street into LLCs. The LLCs are still owned by either the IDA or the Housing Authority; transferring them into the LLCs will help recruit private development to take over the LLCs and keep them grandfathered into the original program. There is a stipulation in place where they have two years to complete the redevelopment process to be grandfathered in or if it is a phased project such as the White Mill they have five years.

In response to Dr. Miller, Ms. Teague Bobe noted the Delishi Yoghurt Shop should be open in April of this year.

CLOSED MEETING

At 8:25 p.m., Vice Mayor Jones **moved** that this meeting of the City Council of Danville, Virginia be recessed and that Council immediately reconvene in a Closed Meeting for the following purposes: discussion or consideration of prospective candidates for employment, assignment, appointment, promotion, performance, salaries, discipline of a specific public employee or appointees as permitted by Subsection (A)(1) of Section 2.2-3711 of the Code of Virginia, 1950, as amended, and more specifically to consider discussion of specific prospective candidate for employment; and discussion or consideration of the acquisition and/or disposition of real property for a public purpose where discussion in an open meeting would adversely impact the bargaining position of the City as permitted by Subsection (A)(3) of Section 2.2-3711 of the Code of Virginia, 1950, as amended; and to consider an Economic Development discussion and update concerning prospective business or industry where no previous announcement has been made and/or the expansion of an existing business or industry where no previous announcement has been made as permitted by Subsection (A)(5) of Section 2.2-3711 of the Code of Virginia, 1950 as amended, and more specifically to consider the location of a prospective new business or industry to the area.

The Motion was **seconded** by Council Member Buckner and carried by the following vote:

VOTE:	8-0-1
AYE:	Buckner, Gilstrap, Jones, Miller, Saunders, Shanks, Vogler and Whittle (8)
NAY:	None
ABSENT:	Campbell (1)

Upon unanimous vote at 10:07 p.m., Council reconvened in open session and Vice Mayor Jones **moved** adoption of the following Resolution:

CERTIFICATE OF CLOSED MEETING

WHEREAS, the Council convened in Closed Meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Freedom of Information Act; and

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WHEREAS, Section 2.1-344.1 of the Code of Virginia, 1950, as amended, requires a Certification by the Council that such Closed Meeting was conducted in conformity with Virginia Law;

NOW, THEREFORE, BE IT RESOLVED that the Council hereby certifies that, to the best of each Member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements of Virginia Law under Section 2.2-3711 were heard, discussed or considered, and (ii) only such public business matters as were identified in the Motion by which the Closed Meeting was convened were heard, discussed or considered by the Committee.

The Motion was **seconded** by Council Member Shanks and carried by the following vote:

VOTE: 8-0-1
AYE: Buckner, Gilstrap, Jones, Miller,
Saunders, Shanks, Vogler and Whittle (8)
NAY: None
ABSENT: Campbell (1)

MEETING ADJOURNED AT 10:08 P.M.

APPROVED:

MAYOR

ATTEST:

CITY CLERK