

**CITY OF CHARLOTTESVILLE, VIRGINIA
CITY COUNCIL AGENDA**



Agenda Date:	March 18, 2024
Action Required:	Approval of the BEACON Shared-Use Commercial Kitchen Infrastructure Enhancements Project, an economic development initiative of the New Hill Development Corporation, an naming New Hill Development Corporation as the designated awardee for CDBG funds previously approved by Council for public facilities & infrastructure projects as part of the current HUD-approved Annual Action Plan for Program Year 2023-24
Presenter:	Anthony Warn, Grants Analyst
Staff Contacts:	Anthony Warn, Grants Analyst Taylor Harvey-Ryan, Grants Program Manager
Title:	Public hearing and resolution to approve the New Hill Development Corporation's BEACON Commercial Kitchen Infrastructure Enhancements Project as a Minor Amendment to the CDBG Action Plan for Program Year 2023-24, in the Amount of \$89,896.51

Background

The City of Charlottesville is an Entitlement Community as designated by the U.S. Department of Housing & Urban Development (HUD) and, as such, is the recipient of annual allocations of federal funds through HUD's Community Development Block Grants (CDBG) program. The city has used CDBG funds over the years to support many beneficial community development programs, including many focused on supporting economic development within the Charlottesville community.

At a public meeting on September 19, 2022, City Council approved a set of priorities for the city's CDBG program (#R-22-115), among which was that at least \$89,896.51 be dedicated to funding Public Facilities & Infrastructure activities. At a public meeting on June 5, 2023, Council approved the city's Annual Action Plan, and as no public facilities/infrastructure applications had been received in the initial Notice of Funding Availability (NOFA) round, an item was included in the action plan for a suitable program to be named later.

Discussion

Development of the BEACON Shared-Use Commercial Kitchen Initiative

In April of 2021, the New Hill Development Corporation (NHDC) presented to City Council the Starr Hill Vision Plan, which Council endorsed (#R-21-041). Out of this Vision Plan grew a proposal to renovate an large unoccupied but historic property within Kathy's Shopping Center in the Belmont neighborhood into a shared-use commercial kitchen and small business incubator. As has been noted elsewhere, there is currently only one shared-use commercial kitchen currently in operation

between Richmond and Roanoke. Trinity Episcopal Church, located in Charlottesville, currently operates a small commercial kitchen that due to its small size (approximately 500 square feet) often has to turn away requests by local entrepreneurs to use its facility.

Upon completion, the BEACON Shared-Use Commercial Kitchen will offer to local entrepreneurs in the food and beverage a wide range of services including, but not limited to: a number of leasable workspaces within a newly renovated 11,500+ square foot workspace in which they can prepare their food/beverage products for sale, including two specially designed workspaces for products that require strict preparation environments (e.g., vegan, kosher and halal products); space for storage of user-owned equipment; a large commercial freezer and large commercial cooler unit; a space dedicated to allowing users to package their products for resale; and an onsite retail spot in which users can feature the products developed on site.

Additionally, NHDC recognizes the need for small business entrepreneurs to develop strength in the culinary arts as well as the knowledge necessary to launch and grow a small business, and as such has partnered with the Community Investment Collaborative (CIC) to enable participants in the BEACON's 'Food Business Bootcamp' training program to also participate in CIC's long-running "Entrepreneur Workshop" 16-week training course.

Construction is currently underway.

Historic Property

The site currently under development, located at 221 Carlton Road within the city's historic Belmont neighborhood, is the former home to several minority-owned enterprises, notably Lewis Produce, later renamed Kathy's Produce. Originally founded as a produce-oriented enterprise in the mid-1970s, Lewis Produce was long an anchor tenant for what grew into the current Kathy's Shopping Center, home to many successful enterprises, including the very successful Catering Outfit.

Building on the legacy of local entrepreneurs Charles and Kathy Lewis and their long-standing commercial enterprise, the BEACON Shared-Use Commercial Kitchen initiative seeks to maintain sustain this space as "a vibrant community hub where food entrepreneurs can connect, share ideas, celebrate each other's successes, and draw inspiration from one another's culinary talents."

Public Endorsements & Financial Supports

The BEACON Commercial Kitchen initiative received numerous public endorsements and financial supports, including:

- A \$50,000 grant from the Virginia Agriculture and Forestry Industries Development program
- A \$189,000 grant from Virginia Department of Housing and Community Development (DHCD) as part of their Growing Opportunities Fund
- \$500,000 from City Council as part of the America Rescue Plan (ARP) Strategic Investment Account

Anticipated Economic Benefits

As has been noted elsewhere, the anticipated economic benefits of the BEACON Shared-Use Commercial Kitchen initiative are many. For example, the Weldon Cooper Center for Public Service at the University of Virginia (UVA) conducted a recent study that indicates the project will deliver positive economic impacts through, among others: direct construction and renovation activities; increased tax revenues for the city and payments to the city for utilities services; direct payroll benefits for multiple on-site staff needed to implement the proposed services; and increased local economic activity for local entrepreneurs who utilize the services to be provided.

In addition to the benefits that will become available to area small business owners and entrepreneurs, the BEACON Commercial Kitchen is anticipated to create a number of employment opportunities within the food and beverage industry for area residents that are projected to be well above the current Low-Median Household Income for Black city residents.

Finally, the direct infrastructure enhancements to be funded through this proposal will provide the completed BEACON Commercial Kitchen with greater capacity than originally planned for in the form of larger sewer, water and electrical connections to public utilities.

Successful Proof of Concept

In addition to the many public recognitions of the potential of this initiative, NHDC has been operating since 2022 a demonstration Pilot Kitchen at 204 East Market Street on the downtown mall that serves as a successful 'proof of concept' for the larger proposal. In this small space, for example, NHDC has successfully completed two cohorts of trainees and conducted numerous 1:1 consultations with individuals. In addition, from this space the BEACON Kitchen has been providing under contract meals for several local entities, including the MACAA and Barrett Early Learning Center, Meals on Wheels and the Boys & Girls Clubs, thereby providing a strong foundation on which the new enterprise can build.

Unanticipated Construction Delays

As often happens with construction projects of this scale, especially those focused on renovating older properties for new uses and to meet new code requirements, progress on the ongoing renovations of the site has encountered several unanticipated obstacles. Specifically, in developing their construction budget, NHDC based their calculations for site work, or those costs associated with infrastructure work needed to prepare a site for the proposed physical structure, on preliminary guidance from the city based on the site plan in development at that time. Specifically, increases in line size from 5/8" to 1.5".

Upon final approval of the site plan, Public Utilities identified several areas in which connections to city utilities (e.g., sewer, water, electrical) needed to be larger than initially anticipated, thereby incurring significant unanticipated costs for NHDC. These unanticipated infrastructure enhancements have slowed the current site work, thereby pushing back the timeline by which NHDC can enact the interior renovations and installation of the numerous commercial-grade items needed for the final program, many of which have already been ordered.

Applicability as a HUD-approved CDBG Activity

As part of the development of this proposal, staff consulted with HUD to ensure that the proposal met

the requirements for funding as a HUD eligible activity. HUD staff has provided preliminary written confirmation that this proposal does meet HUD requirements to be established as a CDBG-funded eligible activity in that it meets HUD's Low/Moderate Area Benefit (LMA) national objective and can be structured either as a 'Water/Sewer Improvements' activity (03J) and/or as a 'Commercial/Industrial: Building Acquisition, Construction, Rehabilitation' activity (17C), among others.

Alignment with City Council's Vision and Strategic Plan

The proposal now before Council is closely aligned to the 2023 City Council Strategic Plan Framework/Strategic Outcome Areas and vision of the City of Charlottesville as a city in which everyone can thrive. Specifically, the underlying BEACON Commercial Kitchen initiative has been developed with the goal of supporting the **Economic Prosperity** of the region's food and beverage industry by offering important supports to local entrepreneurs and important educational opportunities to those interested in entering this burgeoning career field.

Additionally, the project is planned to offer important Educational benefits through career training opportunities and to build on and strengthen important Partnerships among area entities engaged in the food and beverage industry, as outlined in the Impact analysis for PLANning (IMPLAN) study recently conducted by the Weldon Cooper Center for Public Service at the University of Virginia (UVA).

Community Engagement

The BEACON Commercial Kitchen project benefits from a long record of community engagement dating back to 2017. The current year's CDBG Annual Action Plan similarly benefits from considerable community engagement, including a public Notice of Funding Availability and applications process, review by the volunteer CDBG/HOME Taskforce, and multiple public hearings before the city's Planning Commission and City Council.

Budgetary Impact

The funds to be awarded in support of this proposal are entirely from federal sources and have been allocated to the City by HUD for use during the current program year. In addition, the appropriation of these funds to be used to support Public Facilities & Infrastructure activities was previously approved by City Council on June 5, 2023 as part of the current year Annual Action Plan for the CDBG program. (This Annual Action Plan was subsequently approved by HUD and is currently in effect). As such, no adverse impacts on the City budget are anticipated.

To the contrary, the proposal before Council here today is anticipated to contribute positively to the local economy through the significant construction/renovations activities currently underway and the planned business incubator component, as well as facilitating approximately \$40,000 in payments from NHDC to the city's Department of Public Utilities to enact new connections to municipal sewer and water lines.

Recommendation

Staff recommends Council vote in approval of the BEACON Commercial Kitchen Infrastructure Enhancements Program, an economic development initiative of the New Hill Development Corporation, and to name the New Hill Development Corporation as the designated subrecipient of

previously appropriated CDBG funds, to be enacted as a Minor Amendment to the CDBG Annual Action Plan currently underway for Program Year 2023-24.

Alternatives

As the project proposed here today before Council has been identified by numerous sources as one of strong merit and likely to contribute positively to the local economy, and as the funds to be awarded here have been allocated to the City by HUD for use during the current program year, no alternatives are presented. Council could, of course, choose not to approve the proposed program, at which point staff will have to begin anew the search for eligible public facilities/infrastructure projects to be considered.

Attachments

1. CDBG PY23 BEACON Commercial Kitchen Infrastructure (\$89,896) Approval & Award Resolution
2. Council (2023-05-01) CDBG PY23 Action Plan - Approval (#R-23-084)
3. Economic Impact IMPLAN Report on Anticipated Economic Benefits of the BEACON Commercial Kitchen Initiative, by the UVA Weldon Cooper Center (2024)
4. Governor Northam Announces More Than \$4.4 Million to Revitalize Communities Across Virginia _ DHCD
5. Press Release (2023) Virginia Agriculture and Forestry Industries Development Fund Infrastructure Grants award of \$50,000 (page 3)