

MOUNT AIRY, NORTH CAROLINA
CLOSED SESSION MINUTES
March 15, 2018

MEMBERS PRESENT: Mayor David L. Rowe, Commissioners Jim Armbrister, Shirley Brinkley, Dean Brown, Jon Cawley, and Steve Yokeley

CLOSED SESSION:

On motion by Commissioner Armbrister, seconded by Commissioner Brinkley and passed unanimously, the board entered into closed session pursuant to:

a) NCGS 143-318.11(a)(4) to Discuss Matters Relating to Economic Development

(Gene Clark-Property Located at 452 and 455 Franklin Street)

Gene Clark: We have an option, which we plan to exercise, on 455 Franklin Street. We also own 452 Franklin Street and the tenant's lease was up in February; however, we worked out a new lease and in discussion, the tenant had the right of first refusal if the other side settled and we have not signed that yet. I am asking if the city would be interested and consider purchasing of this property. I felt in fairness to you and us, I wanted to tell you because I would hate to commit to him and the city come back and wish to purchase.

We are also in the process of renovating part of 455 Franklin Street. We have a commitment with a company out of California-a warehouse here in Mount Airy and we are wanting to use that building to do that. In the long term, it would develop between four to six jobs. That's one opportunity we have. The second opportunity is, we are talking to a company that makes mattresses in a box with the foam being produced at NC Foam. The company is looking for a place. We think we could add six to nine jobs. If we could work out something with the property at 452 Franklin, we are going to improve the appearance of 455 Franklin Street. I have three options/offers.

Consensus: Staff to inform Gene Clark that the city is not interested in any offers/options for 452 Franklin Street and/or 455 Franklin Street.

(Pilot Mountain Water Update)

Barbara Jones explained that Pilot Mountain (Pilot) is in the process of getting some grants and evaluating if it makes sense to purchase their water or to upgrade their current system. Pilot needs an answer from Mount Airy about their proposals or if Mount Airy would be in support of working with them on any of the proposals.

The city prepared a governmental rate structure and presented it to Carroll County and there is a finalized agreement with them. Mount Airy is still working with Pilot and has also given that information to Dobson.

Jeff Boyles: Pilot is faced with pretty significant upgrades required at the water plant or they need to figure out some other way to provide water to their community. They feel certain they can get help from the State in the form of a 50% grant. They were looking at two options-either upgrading their plant for \$2.73 million or extending waterlines from Mount Airy to Pilot, which would be around six miles. The cost to upgrade their plant is \$2.73 million and they would have an annual debt service (all this is after the 50% grant) of \$680,250 per year. For this portion alone, they would have an up to 11% increase over a two-

year period. They met with the city and county looking for help with more participation and came up with the water line extension estimated at \$3.9 million. The debt service after half of that in grant would be \$97,500 (which would be \$325,000 each of Pilot, Mount Airy, and Surry County). They are proposing to purchase around 250,000 gallons per day. The city would receive approximately \$254,000 annually if they use 250,000 gallons per day. Pilot's Board will be meeting Monday and discussing this.

Consensus: Inform Pilot Mountain City Manager that Mount Airy's Board is in favor of the water line extension. Discuss further with Pilot Mountain after their meeting on Monday.

OPEN SESSION:

On motion by Commissioner Brinkley, seconded by Commissioner Armbrister and passed unanimously, the board entered back into open session with the following:

Local Government Commission:

Barbara Jones stated the Local Government Commission (LGC) has informed staff that before the city executes an agreement with a financial advisor, the LGC will need to give approval. The LGC is also requesting the city meet with them to go over the theater project (staff will send copies of the development agreements, Barter agreement, financial information, and anything else they need) within a week. They request that those attending be Mayor Rowe, Barbara Jones, Pam Stone, and a board member who voted no on the project. The availability dates that city staff is available are: Wednesday, March 21st or Thursday, March 22nd.

Commissioner Brown made a motion for Commissioner Armbrister to attend the meeting with the LGC, Commissioner Yokeley seconded it and it was approved unanimously.

Request for Qualifications Discussion:

Mayor Rowe stated when he told the architect (who did the preliminary design) that the city will have to send out request for qualifications (RFQ) for the hiring of an architect, he was under the impression that he was already hired.

Barbara Jones stated the city hasn't hired him.

Mayor Rowe stated in a design-build, which is faster, they would put out a request for proposals for a contractor and the contractor would hire an architect. The other way around, the construction manager at risk, the owner, and the contractor all work together to come up with a fixed price that they won't exceed.

Barbara Jones stated that is another thing, the city isn't the owner and as this is bid out, who is bidding it? Where is the money coming from because when looking at the cash flow charts, it can't be coming from the city-the LLC will have to be paying as the owner.

Hugh Campbell stated the LGC would be able to tell the city how that works.

Barbara Jones stated if they are going to bid it, the architect doesn't need to do anything until the RFQ's have been put out and an architect is hired.

Commissioner Yokeley asked if the LLC owns it, will they still have to go by the bidding statutes?

Barbara Jones stated that question was asked in the beginning and Mac stated yes.

Hugh Campbell stated they do need to move quickly on this project.

Barbara Jones stated they may need to move quickly, but they also need to follow the rules.

Barbara Jones stated they must to do the right thing, the statutes state they have to put out request for qualifications to hire an architect in regards to the bidding process.

Hugh Campbell stated he will discuss with the City Manager and figure things out.

These minutes are sealed until the transaction consummates or terminates.

Approved this the 6th day of September, 2018.

CLOSED SESSION

Verbatim Discussion

CLOSED SESSION:

On motion by Commissioner Armbrister, seconded by Commissioner Brinkley and passed unanimously, the board entered into closed session pursuant to:

- a) **NCCGS 143-318.11(a)(4) to Discuss Matters Relating to Economic Development**
(Gene Clark-Property Located at 452 and 455 Franklin Street)

Gene Clark: This is just for the city's benefit-I have no preference one way or the other. I know that with the approval of the Barter plan, moving forward with that project, eventually the city may want or may entertain a desire to obtain some of that property below there. We own that place on the corner-452 Franklin Street. As an aside, we also have an option, which we plan to exercise on 455 Franklin Street. Our tenants lease was up the first of February on the 452 Franklin Street property. We worked out a new lease and in discussion, he asked for the right of first refusal if we ever decided to sell it. We haven't signed that yet and I felt in fairness to the city and us, to tell you what we would be asking for it because I would hate to commit to him and you come back and say you want it because if he buys it, he is probably going to want more than we are going to want. From a standpoint of the cost, it wouldn't be as much. He has also asked for a long-term lease. Moving across the street at 455 Franklin Street, we are in the process of starting to renovate part of that building. The front portion on South Street needs to come down-eventually, it is going to fall down if you don't take it down. There are some bones to that building-the last section that was built, it is three stories with 10,000 sf on each floor and it is all concrete and steel. That is what we want to renovate, plus the office section in the front. It is all good- neither one of those areas leak-we would like to bring the sprinkler systems back up to par in both of them and rewire them. Other than that, it is basically cosmetic. We have a commitment we just completed last week with a company out of California for a warehouse in Mount Airy. They are putting an east coast distribution center. Their plan is to do at least 40 containers a month out of their east coast warehouse and we want to use that building to do that. We think in the long term, it would probably develop four to six full-time jobs because we are in a good area for that type of logistics and distribution. That is one opportunity we have.

The second opportunity is we are talking with a company that makes mattresses in a box. They sell these latex mattresses that ship directly to you-the foam is produced at NC Foam. This company out of Florida buys the fabric that goes on the mattress and they ship it to NC Foam to put foam in the mattress and sends it back to the warehouse in Florida. We started talking with the guy and he is looking for a place not to have to move it so far to/from Florida. We have a sales rep that works with this company that told them they should put it in Mount Airy. We are talking to them right now also.

Here are the benefits of what we are suggesting. We think we can add six to nine jobs. It will give ideal access to a development. We are going to approve the appearance of the property at 455 Franklin Street. If we can work out something, it will give the city input on what the appearance is so everyone wins on that. It is going to create more activity on that side of

town. If we tear down the front section of that building, it will improve the site line for traffic.

I have three options (handout).

Option 1-Property at 452 Franklin Street and surrounding property: \$250,000

Option 2-Property at 452 Franklin Street with surrounding property and 455 Franklin Street: \$500,000

Option 3-Provide economic support for partial demolition of South Street side of 455 Franklin Street. We will commit to developing 5-7 jobs within 36 months of completed renovations. We will donate property located at 452 Franklin Street and surrounding property to the city: \$350,000 (\$250,000 unrestricted; \$100,000 restricted)

Option one if you are interested in just buying the property at the corner of Franklin and South-452 Franklin-that is what my partners and I would price that at. Option two is for both properties, if you were to buy them both and the reason I gave you that is if that is your plans or thought process, we don't want to spend the money to develop it and then come back later on and the price would be higher for everyone. Option three, which I like the best, is provide economic support for the demolition of the front of that building and you see I have the cost at \$350,000. \$250,000 owner and \$100,000 restricted but the \$100,000 would be for the cost of demolition. We would facilitate the donate of the property across the street to the city for that, if that makes sense. If there is an issue, and I am talking about the politics of the situation, of spending any more money for the Spencer's Mill development, if the city would be willing to put up the \$100,000 and help us with the demolition cost, of the \$250,000, we would phrase it as economic development, then we would facilitate the donation of the property across the street to the city. I didn't put that in there because I feel like it makes sense for you to have that property on the corner. That is in option two-we would take anything we could get help with. The property at 452 Franklin Street is on the corner of Franklin and South and 455 Franklin Street is on the corner of South and Pine. The city currently owns some property coming down Franklin. The part we will tear down is in yellow and the piece in orange is a possible tearing that out too. This shows an idea of if the front of the building is gone, about how far back it would go on the street. This shows a similar thing with the middle section out and this shows if you took out all the way through there and you had access from behind the building. This whole property was built in at least three phases. Based on what I can tell, the front part was built first and apparently the office was added and that back building was built later.

All I am throwing out is where we are and our situation. I understand I probably came at the worst time. We will do what we need to do but I think if we could figure out some way to work together on the 455 Franklin property and get these jobs in here, the area, as far as Mount Airy, is well suited for distribution and logistics. It has access to the interstates and we are centrally located between Maine and Florida so an east coast distribution center would be perfect for Mount Airy.

Commissioner Brinkley: Where did you get your price-the \$250,000?

Gene Clark: That includes all of it.

Commissioner Brinkley: You have an option one for 452 Franklin and a cost of \$250,000.

Gene Clark: When Mount Airy Saw and Mower sold the property to Cracker Barrel, they went down to the other corner, which is two blocks down the street from this property. They paid \$242,000 for that corner. I think that is a comparable corner in the city in what you guys are going to do up here. To be honest, I think it is very reasonable.

Commissioner Brinkley: Putting a price on it and what the value of it is are two different things. How do you arrive at that because of the two blocks down the road, they got a good deal?

Gene Clark: If they got a good deal, I have it priced too low.

Commissioner Brinkley: Normally, you go by square footage or whatever.

Gene Clark: I don't know-I think it depends on where it is located. I think the location depends on where you get your price from. For example, the law office that Hugh used to be in, it sold for \$250,000.

Commissioner Brinkley: What had to be done to it when it was sold?

Gene Clark: But it is a lot less property. The value of the house, I think when we bought it was at \$125,000 and that doesn't include the lot around it.

Commissioner Brinkley: Will you explain option three.

Gene Clark: What I am saying is this, if the city is willing to find some way for us to generate \$350,000, you can say it is for economic development or whatever, \$100,000 of it would be towards the demo of that front part (and I haven't had that priced). This isn't going to be like you-I can't come back after the fact and say I need \$50,000 more. The demo costs from what I have seen, I am going to guess it is \$2-\$3/foot. When you start looking at these buildings as far as rehab on the back building, they are separate buildings. When you take down this front building, all you have to do is take it down. You won't have to go back and build back doors and walls or patch anything-it just needs to come down.

Commissioner Brinkley: If you need a big truck to come in picking up mattresses, how would they come in?

Gene Clark: They would come in on Franklin-there is a dock there now. And there is a dock at the lower level as well.

What we are saying is and option three is about political considerations as far as the situation and everything that is going on around here now. Really, we are looking for \$100,000 because out of that \$350,000, you would pick up this property over here that would complete everything that you have over here. For \$350,000, you would get the property at 452 Franklin. I am going to have to pay these guys over here for it, I am going to have to pay them \$250,000, that is why I said \$250,000 unrestricted and \$100,000 restricted. If you do come back and say we will work with you on this or whatever and we are ok with nothing. I am just thinking down the road, if we enter into this option with this guy, this property is going to get a lot more expensive. This is business-this has nothing to do with the

redevelopment or anything. You don't have to do it. What we will do is sell it to someone for \$250,000 and then when you decide you want it, you are going to have to pay \$450,000 for it. That is kind of where you will be. Someone will come in and pay that for it, I believe...I could be wrong but when you get all that developed, this is going to be a whole lot more valuable. I feel sure that once this goes up, the property value is going to go up anyway. It will have to, to pay for this. Wes, myself, and another guy own that part and Wes owns this part. Collectively, we have agreed on what we want. That is where we are and what we are talking about.

Mayor Rowe: Tell me how the demo over here affects the price over here.

Gene Clark: It really doesn't affect the price. You can say we are doing \$100,000 over here and paying \$250,000 for this. I think publically, from an economic development standpoint, this may be easier digestible from a standpoint of the way it is perceived. I feel like this is the important part to you guys and I might be wrong.

Commissioner Armbrister: The control issue of us being able to select what actually went in there adjacent to our other properties to either enhance the value or not affect it much-in other words, you would keep it and put in the warehouse.

Gene Clark: I will tell you this, when all this stuff was going on, we flirted with the idea of just giving it to a church. We feel like we just wanted to make you aware of it. If you have a better way to tweak it to make it work, we are all ears.

Commissioner Brinkley: Do you remember how much we might could have bought 455 Franklin for once upon a time?

Gene Clark: \$125,000 and I will tell you we bought it for less.

Gene Clark: If you say you will buy both properties, we will have to go and find somewhere else to put this business. I have put this guy off for a little while about the right of first refusal but I don't think the price is out of line. I think that based on where it's at, comparatively speaking, the bank lot beside the city's lot, they paid \$75,000 for that-that is what it sold for a year ago. \$250,000 for the Lowe's office. The Davis Pool Hall down here sold for \$265,000 and the building next to it sold for \$140,000. Mount Airy Saw bought that property before anything was built on it for \$242,000.

Commissioner Armbrister: I think your price is good and I think all of this is really good. I just think the timing is just not appropriate.

Gene Clark: You know, as Jon suggested earlier, we just throw it into the closing...

Gene Clark: You talk about it and seriously, if you aren't interested, that is ok too. We will get that building going and humming again. I don't know if you want a distribution center down there, if you didn't, you probably should have bought it earlier. I think we will make it look good-that is a great opportunity for us. We might could work the trucks coming in on a different side if that was an issue for Franklin Street. We are open to any suggestions or opportunities.

Commissioner Armbrister: Thank you for coming here first.

Gene Clark: That is why I came here first.

(Gene Clark is excused from the meeting)

Commissioner Brinkley: Commissioner Yokeley, you are in real estate, is his price within reason?

Commissioner Yokeley: I don't think you want to know what I think about any of this. I wish him the best. I think he would be very successful.

Commissioner Brinkley: I was just wondering if what he put the price at was within reason. My thoughts when I saw it was it was out of reason.

Mayor Rowe: Do you want to make any kind of counter offer or just let it go?

Commissioner Yokeley: I wish him the best.

Commissioner Brown: I would say let it go.

Commissioner Armbrister: That is all we need-to own another building.

Consensus: Staff to inform Gene Clark that the city is not interested in any offers/options for 452 Franklin Street and/or 455 Franklin Street.

CLOSED SESSION