

**MOUNT AIRY, NORTH CAROLINA
CLOSED SESSION MINUTES
May 17, 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 Brinkley, seconded by Commissioner Yokeley and passed unanimously, the board entered into closed session.

APPROVAL OF AGENDA: On motion by Commissioner Brinkley, seconded by Commissioner Armbrister and passed unanimously, the agenda was approved.

APPROVAL OF MINUTES: On motion by Commissioner Armbrister, seconded by Commissioner Brown and passed unanimously, the October 19, 2017 and November 16, 2017 Closed Session Minutes were approved.

CLOSED SESSION:

- a) NCGS 143-318.11(a)(4) to Discuss Matters Relating to Economic Development
(Barter Theatre Update)**

Hugh Campbell: If anyone wants to talk to Bob Jessup, we will call him and get an update from him. He will tell us what we talked about in the one meeting that we had. I have had some phone conversations with him and the Mayor has too. There are still a lot of obstacles about the Barter. We knew there would be a lot and we have identified even more, but I think we have a new opportunity. The decision has been made. The best way to go will be for Dana to do the hotel and the theater and the city will lease the theater from her. We have a lot of work to do with negotiations. She has to get all of her financial data together too. She will be eligible for all the tax credits. She would hire the contractor, hire the architect and she would be the one who worries about the tax credits. We will still have to get an agreement with her about the lease. We will need an agreement with the Barter, which will be similar to the one we had before but will have to be changed. We still have to raise the \$2 million. We agreed to \$100,000 on the agreement with the Barter, which they didn't sign. Right now, we need at least \$25,000...maybe even up to \$35,000...to do a fundraiser feasibility study by Whitney Jones, and they will tell us whether it's feasible or not.

Commissioner Brinkley: When will they get started?

Hugh Campbell: As soon as we can sign a contract. The study will take 90 days for them to do it so we need to get moving with it as quickly as we can. Dana has to get started by June 18 and she still says she will put some more money into it...I think that is what I have heard, to make sure she has started on time and to make sure she gets all the tax credits. We need to be moving forward and know whether or not we can move forward. The study is going to be 90 days before we have a full understanding whether or not the \$2 million can be raised to help fund the theater.

Commissioner Brinkley: What about the infrastructure?

Hugh Campbell: Dana's good with it if we approve the contract for the infrastructure on June 7.

Barbara Jones: Let's talk a little bit about that. Pam, Martin, and I have a pre-application telephone conference with the LGC staff one day this week. Basically, in order for us to meet a June deadline what we are going to have to do is front the money. Fronting the money means when we award the contract, we would do a budget amendment to pay for that. Then we would go through the process and get the financing. Now we did say if we do it this way, use the financing to pay ourselves back. The main issue that they had with that was the parking lot-that is going to be problematic for us. They said that is for private use, not public use. So, we will end up paying for that ourselves. It is estimated to cost \$600,000. The rest of the financing he would not give us the green light on it but he said those are all public purpose those are things municipality does anyhow so they did not see a problem with the commission giving approval to that. They did want us to know that if they don't, we're on our own and have to pay for it. What the three of us took away is we can start to process, he would put us on his June 10 calendar, that's the reason we amended the agenda and put the information on there to a public hearing. That is to start meeting the deadlines that the LGC wants and requires us to meet. I feel good about everything except the parking lot. More than likely for the parking lot, we are going to be taking cash... if it is your pleasure...out of the bank to do that; or doing a second borrowing for that amount of money that would not go to the LGC because they felt very confident that it would not be approved. As far as the infrastructure, I've said it over and over-we are not behind...we haven't held anybody up...the infrastructure does not constitute the begin construction for them. What constitutes the beginning for them has to be determined by them, which sounds like they are, but the need for us to go ahead and do the infrastructure before it goes to the LGC is, according to a email that Matt sent for the apartments, is their investment for us to feel good that the infrastructure is going in the ground. It is going to be a bit of a risk for us to do it that way. I think we will be okay doing it that way, but I can't guarantee it. The \$600,000 would probably be a need to take out of your fund balance period. More than likely, that would not come back into play. We'll bring phase I of the infrastructure to you for approval on June 7 only for infrastructure...not for Dana's piece or the Barter piece, that will come later. The parking lot is questionable because it is a lot dedicated for the apartments.

Commissioner Brinkley: So, we are building his parking lot for him?

Barbara Jones: Yes ma'am. Right now if that was not part of his deed but it is in the agreement. We will deed it and dedicate it to him at a later date after we build it.

Mayor Rowe: What do you suppose the tax value of it will be?

Hugh Campbell: I believe it is 1.9 acres.

Barbara Jones: It is already in your agreement-you've already agreed to do it, that is why it was in the preliminary cost that we are looking at. I gave Jeff the green light to extend the bidding time with the contractors a few more days in the hope that will keep some competition and keep the pricing a little more competitive.

Commissioner Cawley: Are you at all concerned that we went to the LGC when they called and told us to come and now we are going back to them? Is it going to bother them that Dana is now going to build the theater and we are going to lease it?

Barbara Jones: I can't answer that. I think it is city money whether you lease it or build it, so that's a question for your attorney. It's my understanding that if it is city money, they'll have to give approval in some form. Now, they have not had a problem with the infrastructure. I did ask for an email confirming that it would get approval. He sent something nice about it without rubber stamping it letting me know that if you do it this way, I think you will be okay. He went ahead and put us on the calendar, but it is my understanding that if Dana builds it and when you are talking about leasing it back, what kind of money are you talking about and what purpose-if it is city money I would think, and I may be wrong (that is a question for Mr. Jessup), but I would think that the LGC would need some say in that.

Mayor Rowe: The lease is five years-they have to approve that.

Hugh Campbell: It's going to be equal to our debt service insurance and taxes. I'm guessing about \$300,000 /year.

Commissioner Cawley: But then we buy it. She doesn't want to own it so the city, once she gets past the tax credits, she would sell it back to the city.

Barbara Jones: We pay the debt and then we buy it back. Are we going to be paying for the Barter as well...I mean if we are going to be leasing?

Mayor Rowe: The subsidy, yes.

Hugh Campbell: What she described to me, the difference is as a private Barter, she can get better than the city could so the amount of money being paid in this scenario is less than what the city would be paying...

Commissioner Armbrister: It would be that plus the subsidies.

Hugh Campbell: Correct. The subsidies would stay the same.

Mayor Rowe: The subsidies are all set to some degree with the ticket facility fee that offsets part of the subsidy.

Hugh Campbell: The big part of it- if they would sell what they said they would sell us.

Commissioner Brinkley: If we go with this fundraising feasibility study, will this be separate from the Barter coming up with their own fundraising or are they going to be doing a fundraiser?

Hugh Campbell: The City, Dana, and Barter would be doing it together. Whitney Jones and her company actually does the fundraiser. Dana, the City, and Barter would all have to work on it.

Commissioner Armbrister: Does the Barter already have that in place for their fundraiser?

Commissioner Brinkley: I thought the Barter was going to do the fundraising themselves and hire somebody they had? Okay, so that's separate now.

Hugh Campbell: Yes, they are going to hire somebody to do it. Whitney Jones is who they want to hire.

Brinkley: So we are paying for the study, what do they pay?

Hugh Campbell: The problem is the money has to be used for a public purpose. If the City pays for it (as it stands now we don't have a contract with the Barter), we can't get and hold ourselves out for the fundraiser feasibility study because there is no contract with the Barter. This has to be the City's own expenditure funds.

Commissioner Armbrister: Was this feasibility study or a fundraiser?

Hugh Campbell: It's like a pre-fundraiser, they identify the donors and they're almost certain they can get... all fundraisers of this magnitude are done this way.

Commissioner Cawley: Doesn't it make a little bit of sense to have a contract with the Barter before you go paying anything for fundraising?

Commissioner Brinkley: Has anybody talked to the Barter, do they want to come?

Hugh Campbell: This actually is the next step we need to be working on. We need to be working on these other contracts-with Dana on the lease and the agreement with the Barter.

Commissioner Brinkley: I think we need to go ahead and do it. We have held up and held up and it seems like we had almost lost everything.

Commissioner Armbrister: This is not something we would decide on in closed session, surely.

Commissioner Yokeley: The only way I know how to do it is a budget amendment for \$35,000 and I hope it is not going to cost that much.

Barbara Jones: Correct. If you elect to do that tonight, you will go back into open session and vote to approve a budget amendment in authorization to sign the contract.

Mayor Rowe: Suppose the feasibility comes back with your board is divided...your city is divided...we don't think it is feasible, what then?

Commissioner Yokeley: Do you think that would make a stop?

Commissioner Cawley: What the Mayor is saying is what happens if they come back and say the fundraiser is not going to work, then what are we going to do with the Barter.

Commissioner Brinkley: We have got to have an agreeing board.

Commissioner Armbrister: I know it is uncomfortable but with something like this, I don't think it is appropriate to walk out of here after a close session when nobody is going to be here and vote to spend more money. I see the necessity of it, but I don't understand some of the strategy. I'll leave that up to you.

Commissioner Cawley: I don't know what it would take to make you guys understand that the only investment the Barter has got in this is their gas mileage down here. That's it. Because they were going to do the fundraising, now they are not doing the fundraising. I think the contract said something they would share their hit list with the City of Mount Airy. We are talking about doing a lease after the tax credits payoff or buying it for the cost with no guarantee there will be anybody in there. Show me five people in the city limits of Mount Airy who would buy into this kind of deal. I just can't imagine finding five.

Commissioner Brinkley: I think we are trying to make something happen to help our city grow financially. We can say no to a lot of these things and we are going to be responsible if nothing happens if we say no. It's like anybody going into business, it's a gamble. I see your point this is not just my money, this is everybody's money. If we don't stick our necks out on this situation, we have nothing. If we spend \$25,000-\$30,000 for this study, we will probably get it back. I have that assurance of believing it will come back to us. I don't like the way that the Barter is not having to do it now. We have been put into this situation. We have no guides here. We are having to go out on faith. I'm going to be gone one of these days... I hope what I leave behind will be something that will continue to help this city grow and be productive. It's going to cost money to make that decision. I don't like that, but what's the

other option? Do nothing? The time now is running out for the tax credits for the people going into this. We've got to consider them now. This has been going on for a year.

Commissioner Cawley: I think the LGC said it pretty clearly, no more money than they have into that property over there, they don't need tax credits. They bought that building for \$30,000.

Commissioner Yokeley: It's not going to happen without the tax credits.

Commissioner Cawley: Two years ago, you sat there and said who would ever invest in it with a certain business sitting there. Now you are talking about putting a homeless shelter behind it. I'm telling you that times change and you can say what you want to say tonight but we don't know what the future holds. I've been supportive of your decisions. I've not said one critical word but I'm fed up. I'm looking all of you in the eye telling you that I can't trust your judgment on this anymore. It's embarrassing. You don't have any care for what the public is talking about.

Commissioner Brinkley: I'm listening. They don't always have the right answers either. Not one of them that have voiced a negative opinion has ever done what we are trying to do. They are speculating. Most of those who are complaining are not businessmen. Most of them who are complaining have not contributed anything to our city other than paying their taxes every year. Point out somebody to me that knows what they are talking about out there that's being condemning.

Commissioner Armbrister: I would say a lot of what the public says is pretty much in agreement with what LGC staff said. Without knowing where we are going to be with the LGC, this continued investment I couldn't go with.

Commissioner Yokeley: If we spend this money and time and found out that we can't find too many numbers, you will have your way. We won't have anything. We won't have a hotel... You will have empty buildings and you can deal with it then.

Commissioner Armbrister: There are a lot of other options. Whether you market it, demo it, or grass it, you let people buy partials and develop commercial stuff...it's going to happen. Regardless of whether this happens or not, that's going to happen.

Commissioner Yokeley: Going to happen unless this happen right now. We've done that for quite a while.

Commissioner Cawley: How long is quite a while? In February, Dana said she was building it whether we did the Barter or not.

Commissioner Yokeley: You weren't listening to her closely; she said she would not do it unless she had the main generator. She has said that for the last couple of years. Initially, she said yes, but three years ago she said that and she thought she could do it, but times are different. She thought she was going to spend \$10 million-\$11 million to do the hotel. Now it is going to be up to \$20 million because of the cost of construction and everything else. Times are a lot different now...plus the hotel nights percentages have gone down.

Commissioner Cawley: Well, you guys got a blank check...now you just have to figure out how to pay for it.

Commissioner Yokeley: Raising \$2 million will help.

Commissioner Cawley: Getting a contract would help.

Commissioner Yokeley: That's what we need to be working on. We have 90 days to be working on it now if we do this.

Commissioner Armbrister: If we build something suitable for LGC approval, the opportunity for that is going to make it or break it. If we build the opportunity for LGC approval, ultimately, we've got to have that to make that happen, right?

Commissioner Yokeley: That's what we are working towards.

Commissioner Armbrister: We can't build this thing and then look for approval.

Commissioner Yokeley: We are trying to do things to get approval.

Commissioner Cawley: One of the LGC's concerns was the contract with the Barter.

Commissioner Yokeley: We are going to work on the contract. We have 90 days to work on it and the Barter knows that. We need to go talk to them. They know it needs to be changed.

Commissioner Cawley: All I am asking is doesn't that make sense to talk to them before you spend \$35,000?

Commissioner Yokeley: No, we need to spend it to know whether we are going to raise \$2 million. None of this makes any difference if we can't raise two million dollars.

Commissioner Cawley: None of this make any difference if you don't have a contract with the Barter that will pass the LGC.

Commissioner Yokeley: We are going to be working on it. We have run out of time.

Mayor Rowe: This is a defining moment in a long and winding road if we do the feasibility study and it comes back and says you can do it.

Commissioner Cawley: We will chase any vine that is growing. We are proving that. If it don't work, it is going to take someone else to say we are going to protect you from yourself.

Mayor Rowe: We need to decide to do this or not to do this. I guess the way we are going to have to do this is go into open session and have a motion and a vote. Now, Jim is concerned about it not being made a public deal, but I don't know how long we can wait. It needs to be done right now.

Commissioner Brinkley: If the barter was not willing to make any concessions prior to us thinking we couldn't do this, are they even going to be willing to change their mind now?

Commissioner Yokeley: They know that they need to. They are waiting for us to get them proposals.

Commissioner Brinkley: How quickly will it be to get some information to us?

Commissioner Yokeley: Hopefully within a week or two. I talked to their financial guy the day before yesterday.

Commissioner Cawley: All I've got to operate on is what the Mayor told me, so we are not dealing with equal decks here.

Barbara Jones: Let me say something on that if I may. I don't want any board member to think that staff is withholding any information because we are not involved with that either. For the record, I want it to be clear that we are not withholding any information.

Brinkley: What I was mentioning was because Jon asked. Steve, I'm assuming, has been going to get answers because he is doing it on his own. We have to have meetings. He's having to do it on his own. It's nothing to do with you all, it's trying to get this job done. Somebody has got to take the initiative. From what I am hearing, he and David have been taking the initiative. Nothing to do with y'all. I think that's what this is.

Commissioner Yokeley: We thought that was the direction we were giving in the meeting here-that the Mayor and I may work on it. We have been trying to make it happen. We have made a lot of progress with us not owning the theater.

Mayor Rowe: Steve is working on it and another group has looked at this with a pretty critical eyes.

Commissioner Brown: What do we need to do now? Vote on it?

Commissioner Yokeley: We will need to vote for a budget amendment for \$35,000 and approve a contract with Whitney Jones.

b) NCGS 143-318.11(a)(6) Personnel

This item remains sealed.

These minutes are sealed until the transaction consummates or terminates.

OPEN SESSION:

On motion by Commissioner Brinkley, seconded by Commissioner Yokeley and passed with a four to one vote, the board entered back into open session.

Vote Aye: Commissioners Brinkley, Yokeley, Brown, and Armbrister

Vote Nay: Commissioner Cawley

Feasibility Study for Fundraising for a theater:

Commissioner Cawley: I think it is irresponsible we are doing this without a contract with the Barter Theatre.

Commissioner Brinkley: I believe that we will have a contract before 30 days is up. I think there is going to be something quickly. This was the beginning of telling them, ok, we are fixing to do something...now what are you going to do?

Commissioner Yokeley: We are going to have to go see them as soon as possible. With what the Mayor says, we have some suggested changes that some other people brought to us.

Commissioner Brinkley: Can we have this ready by let's say the next meeting? That gives us about three weeks.

Commissioner Yokeley: Maybe.

Commissioner Brinkley: That way we will have something going with what we just voted on.

Commissioner How long do you suppose it will take their board to vote on it? Last year they couldn't meet but every three months.

Mayor Rowe: I guess it will depend on what we will have to say. We need some action.

Commissioner Brinkley: They will just have to come together. So we should have some answers by our next meeting?

Commissioner Yokeley: I would think so. We have to get started on the fundraiser. That is critical-it is going to take 90 days to do that.

Commissioner Armbrister: What happens if we vote to spend that money tonight and the Barter doesn't come close on the agreement?

Commissioner Cawley: We lose it or if the LGC goes on approving it.

Commissioner Yokeley: Or if the hotel owner changes her mind and doesn't do anything.

Commissioner Brinkley: Then we won't have to worry about this anymore. It is like tearing down the gray house...get it over with.

Mayor Rowe: All right, is there any further discussion?

Commissioner Cawley: And we won't get paid back for this?

Commissioner Yokeley: Yes, this \$35,000 will be part of the fundraising expenses that the city will receive back. They will have some fundraising expenses later if they can get the pre-pledges and they know they can raise the money.

Commissioner Cawley: And this fits with public purpose?

Hugh Campbell: The purpose of this is for the city to decide will it make sense to move forward with construction and bring the Barter.

Commissioner Cawley: And it doesn't matter that there isn't a contract. I can see it being double purpose if there was a contract.

Hugh Campbell: That is a question for the board. That is a fact that is before you all-that there isn't a contract.

Commissioner Cawley: So now we decide what is public purpose? Do you see what I am asking?

Hugh Campbell: I do. By doing the feasibility study, I don't think the Barter is the question-the question of the feasibility study is they will have to go out and ask would you support the city working on trying to bring a theater company to town to be the operator of the theater. We can't represent that we are bringing the Barter because there is no contract.

Commissioner Cawley: So the Barter isn't going to be mentioned in this?

Hugh Campbell: That seems to me to be the way you will go because you don't have a contract with the Barter so you can't do a feasibility study to say would you give \$2 million to have the Barter here because we don't have a contract.

Commissioner Cawley: When these minutes are typed up, I would like this discussion to be verbatim please because there is nothing else anybody can say. I just want whenever these things are released, I want the public to know.

Commissioner Armbrister: Ditto.

Mayor Rowe: Any further discussion?

Commissioner Yokeley made a motion to approve Ordinance 2018-039 to provide funding for a feasibility study for fundraising for a theater as well as approve a contract with Whitney Jones. Commissioner Brown seconded it and it was passed by a three to two vote:
 Vote Aye: Commissioners Yokeley, Brown, and Brinkley
 Vote Nay: Commissioners Cawley and Armbrister

**ORDINANCE NUMBER 2018-039
 BUDGET ORDINANCE AMENDMENT**

WHEREAS, the City of Mount Airy adopted the 2017-18 budget on June 9, 2017;
 and

WHEREAS, it is necessary to amend that budget ordinance in order to provide funding for feasibility study for fundraising for a theater; and

WHEREAS, General Statute 159-15 of the North Carolina Government Fiscal Control Act provides authority to amend a current municipal budget.:

NOW, THEREFORE, be it ordained that authorization is hereby given to make the following adjustments:

	Increase (Decrease)
Section 1. <u>General Fund Appropriations</u>	
Legislative	35,000
	35,000
Section 2. <u>General Fund Revenue Estimates</u>	
Appropriation of Fund Balance	35,000
	35,000

Commissioner Cawley: Can I bring up a motion for economic development that we do a budget amendment for \$100,000 to go buy lottery tickets?

Commissioner Armbrister: Second.

Commissioner Cawley: That would be a better chance than this.

RECESS:

On motion by Commissioner Brinkley, seconded by Commissioner Brown and passed unanimously, the meeting was recessed to June 7, 2018 at 7 pm.

Approved this the 18th day of October, 2018.