

**MOUNT AIRY, NORTH CAROLINA**  
**CLOSED SESSION**  
**February 22, 2021**

**MEMBERS PRESENT:** Mayor Pro Tempore Ron Niland, Commissioners Jon Cawley, Tom Koch, Marie Wood, and Steve Yokeley

**OTHERS PRESENT:** Pam Stone, Mitch Williams, Bryan Grote, Gene Rees, and Lizzie Morrison

**APPROVAL OF AGENDA:**

On motion by Commissioner Wood and passed unanimously, the agenda was approved.

**CLOSED SESSION:**

**Pursuant to NCGS 143-318.11(a)(4) Economic Development**

Lizzie Morrison reviewed the developer's proposal and also outline/highlights of the draft option agreement and details on site development responsibilities.

The estimated tax value of the boutique hotel is between \$9 million and \$10 million. The developer proposes to redevelop the Dye House into a market center containing mini convention space, meeting rooms and certain amenities available to both hotel guests and public with an estimated tax value of \$1 million. The option is \$10,000 non-refundable fee and the option period commences on the execution date. The option term may be extended by the developer as specifically set forth for a period not to exceed beyond March 2022. The purchase price for the subject property is \$350,000; however, the developer shall receive a credit toward the purchase price in the amount of the option fee.

**Outline of Draft Option Agreement:**

**Default by developer; remedies of city:** In the event the developer defaults hereunder or after exercise of the option, fails to proceed with the closing of the purchase, the city may retain the option fee as liquidated damages and shall have no further recourse against purchaser. In no event will the city be entitled to consequential, punitive, or incidental expenses.

**Default by city; remedies of developer:** In the event the city fails to close the sale or otherwise breach the terms and conditions of the agreement, the developer shall have the right to sue for specific performance to enforce the terms of the agreement and recover the option fee.

**Inspection and property improvement rights:** During the option term and prior to closing, the developer shall have complete right to access the property to conduct such tests and investigations. The developer shall also have complete right to access the property to make certain improvements, provided that such improvements are determined to be consistent with applicable NPS guidelines and approved by the City Construction Manager before making any improvements. The developer agrees to release and indemnify the city, its elected officials, agents, and employees from and against liability for injury to the person of the developer, its officers, directors, agents, contractors, and employees resulting from any cause whatsoever except only such personal injury or property damage caused by the negligence or intentional acts of the city or its agents, contractors, or employees.

**Insurance coverage:** within 10 days of the execution date, the city and developer shall agree upon the appropriate insurance coverages to protect both parties during the option period

and subsequently during construction period. City and developer shall determine the following:

Demolition coverage limits; builders risk and general liability coverage; required Workers' Compensation coverage; other (tbd)

Details on Site Development Responsibilities:

~City will complete planned Willow Street improvements and is responsible for all infrastructure elements required to support hotel/market center project associated with parcels a and b.

~City is responsible for grading entire site (parcels a/b and lower plaza)

~City is responsible for Willow Street pocket park-including installation of the buttressing stairway(s) leading down to lower plaza.

~City and developer agree to revisit the cost responsibility and technical feasibility of installing a water feature in the pocket park and/or the lower plaza prior to financial close. The water feature is in there in case the city gets a lot of grant money and the city decides to do a water feature...but, the water feature isn't mandatory.

~Developer must obtain wall rights on the back of the dye house.

~City will install consistent decorative lighting throughout the hotel-controlled property in parcels a/b and lower plaza.

~Developer will engage a single conceptual designer for entire site; city will utilize conceptual plans produced by site designer in developing the pocket park plus parcels a/b. All plans for the property will be generally consistent with the initial site plan submitted by developer with development proposal on Oct. 13, 2020.

Future development of the cube and cube annex must be consistent with the list of approved uses and approved by the Board of Adjustment with a special use permit consistent with the approved uses. This is a rough draft of uses that Lizzie and others developed.

~Arts: artist studios/galleries, makers space, performance space

~Assembly: education, entertainment, instruction

~Institutional: health care, education

~Food and beverage: brewery, beer hall/tap room, catering, cocktail lounge, distillery, food trucks, full-service restaurant, limited service restaurant, wine bar/tasting room, winery

~Office

~Parking: indoor parking is appropriate for the lower level of the cube

~Recreation: spas, swimming pools, tennis courts, playground equipment, exercise, entertainment, athletic facilities, dance studios, fitness centers

~Residential: market rate condos or apartments, live/work space

~Retail: department stores, grocery stores, specialty stores

~Travel and Tourism: visitor center, museum

Commissioner Koch mentioned that the city would need a copy of the certificates of insurance for all who do any work on the property while the city owns it. Hugh Campbell stated those COI's would need to be provided before any access to the property is allowed

Lizzie mentioned that the developer won't be able to get to financial close until they get part 2 of the Park Service approval. One of the reasons it may take a little longer to review is because of the demolition of some of the buildings on the property.

Barbara Jones mentioned the Golden Leaf monies are tied to the barrel building. Pam Stone stated the grant will require that project to be finalized. Barbara Jones said the barrel building project has to be completed before Golden Leaf will reimburse. They can go ahead and do the water and sewer but, if something were to happen and the project not occur, then it will just be city money-the granting agency will not reimburse. The hotel will also be paying the MSD Tax.

Commissioner Cawley asked about hotel brands being associated to this hotel. Lizzie stated they are still working with Marriott-they are waiting for the agreement with the city.

Commissioner Koch is concerned about the city being on the hook for \$3 million. He does feel that there will be commitments from Surry County and grants to help offset that cost to the city. If the county commits, he is good with moving forward with the agreement.

Consensus: Hugh Campbell to draft an option agreement for the next board meeting to be discussed.

**OPEN SESSION:**

**On motion by Commissioner Wood and passed unanimously, the board entered back into open session.**

**These minutes are sealed until the transaction consummates or terminates.**

Approved and adopted this the 3<sup>rd</sup> day of February, 2022.

CLOSED SESSION