

MOUNT AIRY, NORTH CAROLINA
CLOSED SESSION
January 28, 2021

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

OTHERS PRESENT: City Manager Barbara Jones, Finance Director Pam Stone, Deputy Clerk Carolyn Hegler, Public Works Director Mitch Williams, Bryan Grote, Gene Rees, Lizzie Morrison, Charlie Vaughn, and Jeff Boyles

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

Spencer's Redevelopment Project:

Commissioner Yokeley answered some questions that other Board Members had. He stated that Marriot has committed to the hotel but aren't sure what type of property they will put there and can't fully commit to it until they have assurance that the property is in control of the developers. He feels the construction estimates are pretty close. As far as turning over the parking lots, it has been discussed them leasing the property from the City once completed but that needs to be in the agreement that Hugh will develop with them. They have to have control of the parking lot for it to work. This is still in negotiations. Where the money will come from to pay for it, they have had discussions with legislators. They had a zoom meeting with the legislators discussing the issues and the interesting one was a pitch for \$1.5 million grant monies for this project. Bryan Holloway's opinion afterwards was the City had a good chance of that. In discussions with Surry County, he feels certain they will give additional money for this project. There are some exciting possibilities about other potential developments for the rest of the Cube building as well. Senator Berger also said he would see that the \$722,000 grant would also come back to the City. This is all still in negotiations but if it happens, this will be great for Mount Airy.

Mayor Pro Tempore Niland stated the city received an email from Golden Leaf Foundation because Martin asked them for an extension of the \$722,000 grant due to working with a new developer. We are hoping for the extension.

Commissioner Yokeley thanked Barbara, city staff, and others for all the hard work they have put into this.

Jeff Boyles with Moore & Associates has been retained to represent the hotel developer. The proposal is to purchase the Sparger Building, old Dye House, and the land around it and the courtyard area for the hotel. It is a total of 2.7 acres and the plan is to develop the Sparger Building into a hotel and the old Dye House into a market center. They are paying \$350,000 for the property. The payback and timeframe is mentioned in the handout he reviewed. The original request was for the city to pay for everything in red (not including Willow Street)

and give it back to the developers plus a return on some of the taxes. The developer has already backed off the return of the taxes.

Mayor Pro Tempore Niland asked what comes next should the City say no to this. Bryan Grote stated that only one other entity has expressed a strong interest in the Sparger building to take on a historic tax credit renovation-market rate housing. There is not another potential hotel project lined up. The existing deadline for tax credits is January 1, 2023. After that, it drops from 40% to 25%.

Gene Rees said there are some other developments behind the hotel that aren't 100% in, but more than 50% in. If the market enter becomes the convention facility and the Sparger building becomes a hotel, the culinary school will be moved in the Barrel building-the culinary/hospitality school will be built if the hotel comes. They have had many meetings with the TDA and Chamber, and if the hotel comes, the TDA will go in the Annex building. The hotel developers will want control of the parking lots.

Commissioner Koch stated the city is the one who will spending the \$3 million. The city has to look at if it is affordable. We need help paying for this. Commissioner Cawley stated when this goes to the public, they need to know where the money is coming from and how much will be coming from the city.

Lizzie Morrison has spoken with Jessica Roberts about having the Visitors Center located in the Annex building. She believes the TDA is willing to invest a significant amount into this project to support it. She hasn't talked to Jessica about using TDA funds to offset the city's cost. Mayor Pro Tempore Niland stated someone mentioned that the Annex building would be a great place to house the Chamber, TDA, and the Surry County EDP with the city owning the building. Commissioner Koch stated he doesn't want to be a landlord and doesn't believe spending taxpayers dollars to develop property to be a landlord. He feels they need to talk to the County and State to see what they can offer. Commissioner Wood stated the hotel needs to move forward and they have a pretty good idea they will get the money from somewhere. They are pretty sure about the Goldenleaf money and they are talking with the County for help with funding. How will they assure the citizens that the money will be in place for the \$2.9 million? They are going to just have to believe the city is being fiscally responsible in doing this project. Commissioner Yokeley stated the city is going to spend about \$1.3 million for water/sewer/storm drainage upgrades to this area in the next year or so anyway, which will be taken off that \$2.9 million. Mayor Pro Tempore Niland stated they all would like to know a little bit more and the next step is they feel this is a good project and want it to work and they would enter into some option to purchase the property. Bryan Grote thinks the problem here is the overall schedule and tax credit deadline. Financial close probably won't occur until summer and once that happens, construction begins right away. If they can't get an option and start on the interior, they are going to have to spend a lot of money to get their applications for SHPO and park service.

Gene Rees mentioned there has been discussion with the TDA on who will own the annex building. The entire construction of that building could be paid for by the TDA and Chamber-the rent they paid will hit that debt fully within nine years and those two agencies would pay for all construction. Either one of them could own the building and the City have

nothing to do with it. The second project is the Barrel Building that Gene owns, which is privately funded-will not be the City. Both of these projects won't occur without the hotel project. If the Board needs time, they could draft an option with the developers contingent on some level of participation from "someone" so the developers can begin some preliminary work.

Commissioner Cawley asked about the GoldenLeaf money. Barbara informed them that Senator Berger spoke positive about giving the extension for the GoldenLeaf money if it is used for infrastructure. They probably would not allow it to be used for parking lots but they have agreed to using it for water/sewer once so maybe they would agree to that again. They may agree to it being used to up-fit a building. She is hopeful that once they get an extension, maybe speak to Senator Berger to loosen the use of the money.

Bryan Grote feel they can wait until the next GoldenLeaf Board Meeting to make a decision for the Developers.

Mayor Pro Tempore Niland stated that there needs to be something in this document to say that if the City doesn't get at least something out of the County, they can back out. Commissioner Koch stated if they could get a commitment from the County, he would be good with this document. He would rather lease the parking lot (if the city pays for it) rather than give it away. The City would own the parking lot and the developer would be leasing it.

Gene Rees mentioned some things that could cause the developer to walk away or not be able to do the project.

Mayor Pro Tempore Niland said they don't need to do anything right now, but they could do something in February. The intention is to sign some kind of option to purchase in February.

Barbara Jones mentioned that the Board set a public hearing on this at the next meeting. Commissioner Koch suggested postponing the public hearing until the 18th so they would be able to hear from the County. Barbara stated they can go ahead with the public hearing and inform everyone that they are continuing negotiations.

Barbara Jones stated that if the Board is ready to talk about what they want to do, they need to determine, during the public hearing, what detail they want in that agreement. They also need to think about if working with different groups to negotiate money, that needs to be left open if negotiations aren't completely worked out. Hugh Campbell stated the big question is participation, which involves several different organizations. Commissioner Koch doesn't want to include a number-he wants to speak with the County to see just how much they would be willing to participate. He suggested leaving it open ended-include wording that says something to the effect of "if the City gets local participation". Commissioner Wood and Yokeley agree with Commissioner Koch. Hugh Campbell stated that if it is left open ended, that allows for negotiations with the County or anyone else to take place.
Consensus: leave it open-ended.

Hugh Campbell asked about the option fee. **Consensus: Option fee of \$10,000 is fine.**

Barbara Jones thinks \$10,000 is fair for the option fee. She also mentioned the developer needs to know if they don't develop, there is a certain percentage or "x" amount the city will retain. Commissioner Koch suggested it be applied to the purchase price or otherwise, it is non-refundable and the developer has until July 1st to obtain financing, etc.

Commissioner Cawley stated the County doesn't know the amount the City is asking for. They need to get to a number to take to the County. Barbara Jones suggested asking for a fair share-ask the County for half. Commissioner Koch agrees with asking the County for half and any other money the City obtains for the project, the City will reduce the County's share by half of any other money the City obtains.

OPEN SESSION:

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

Barbara Jones mentioned that currently, written comments are allowed to be sent to be read during the open forums, which was implemented during the pandemic. Staff recommends to change it back to only oral comments during the forum.

Consensus: Return to oral comments only.

These minutes are sealed until the transaction consummates or terminates.

Approved and adopted this the 7th day of October, 2021.

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