

**MOUNT AIRY, NORTH CAROLINA
CLOSED SESSION
October 18, 2018**

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

APPROVAL OF AGENDA:

On motion by Commissioner Brinkley, seconded by Commissioner Yokeley and passed unanimously, the agenda was approved.

APPROVAL OF CLOSED SESSION MINUTES:

On motion by Commissioner Brinkley, seconded by Commissioner Yokeley and passed unanimously, the following Closed Session Minutes were approved:

- April 4, 2018
- May 3, 2018
- May 17, 2018
- June 7, 2018

CLOSED SESSION:

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

(Spencer's Economic Development Project-Apartment Complex)

Mayor Rowe: The items for discussion are the apartment complex and the Spencer's project. We had a telephone call with the developers and they are very excited about going ahead with the project.

Hugh Campbell: We asked about the October 31st deadline, and just to refresh you, that deadline is they are supposed to have started construction by October 31st-serious construction. They have done some to get under the June 30th requirement. They said that they are within their tax credit-they are okay about that. They say they will not have closed on their construction loan financing until the end of November. They have a primary term sheet from First Carolina Bank dated October 11th. They have had several negotiations back and forth with First Carolina Bank and they say by tomorrow morning that they will have a signed term sheet to move ahead with their loan. What that means is, with the signed term sheet and with the amount of paperwork to go through for a real estate closing, appraisal, etc., they still say closing at the end of November will allow them to really crank things up.

Barbara Jones: I understood him to say mid-November. I thought he said they would have their tax partners committed tomorrow. Then, I understood him to say that they would have everything else done by November 14th or 15th, because I asked if it was fair to tell the Board that he would be ready to start construction by November the 15th, and he said yes. I asked why he couldn't do it any quicker and he said with the mounds of paperwork and everything, it would take until the 14th or the 15th. After that, I did have Jeff to try and communicate with Jerry Coram about extending his bid from November 1st to the 15th, but I don't know the answer to that yet. The last time, Jerry said he would have to get with his subs because he is subbing most of it out.

Hugh Campbell: I think that is right. I think it was extending a little bit because I was thinking about the Thanksgiving holiday being in there. In their minds, they have presented all the financial information that they are required to provide and they are asking for yet another extension to start construction-a 30-day extension, which would put the City in a hard spot accepting the bid with Jerry Coram. Jerry said November 1st was his drop dead date to accept the bid or not. The conversation is what would it cost the City to accept the bid, but to tell Jerry to stop on November 15th or the 30th or hold the bid open until November 15th. Hold it an extra two-weeks to see if everything gels in the next 30 days. It is a hard decision for the Board. I don't know if it's a policy decision whether you trust these guys to continue going on. The good thing was they said, regardless of the Barter and regardless of the hotel, we are good on this project and we think it is going to go. We don't want these other buildings to go dark, but we've got time, architects, and engineering and we are willing to stay in this project. We have our financing so we don't care about who's in the neighborhood. We'll do our construction.

Commissioner Brinkley: If Jerry's contract has to be rebid, that is going to take time I know, but assuming November 1st, when would he be starting?

Hugh Campbell: I don't know when he willing to start but I would say it would take some time to deploy.

Martin Collins: I'm guessing they are going to have several weeks...

Commissioner Brinkley: Knowing that, why could we not say we know it is going to take you a couple of weeks to get lined up-can we let this bid go until you're ready?

Barbara Jones: The last time we asked him to extend the bid, it was for either 90 or 120 days-big difference. I don't know how he will respond or his subs will respond to extending it for two more weeks. If he does that and we get everything we need from the developers, then we would make plans. We would have to have everything in hand on the 14th and know that they are starting construction. You could award the bid at the November 15th Board Meeting to Jerry at that point if it works that way. You would need everything in hand before you award a contract, because when you award a contract, it's out there and you're obligated to it.

Commissioner Cawley: When we left the other day and you all were going to have that conversation, did it come up if they didn't start by the end of October that they were going to pay the difference?

Hugh Campbell: It did and they had no appetite for that.

Commissioner Cawley: They had no appetite for the \$600,000 parking lot either did they, there is our out if we want one.

Hugh Campbell: Agreed. We asked them about that more than once. I asked them about the unwind agreement and whether they would fight us on that. Ken got quiet and said I really don't want to talk about that because we want to talk about going forward, we are going to do the project. It occurred to me that we do have certain expenses for those Qualified

Rehabilitation Expenses (QRE's) that the City has put out for particular development fees- for things if that project goes forward and the tax credits advancement comes in, we could look to get some of our money back on that. I don't know what will ultimately be the QRE expenses.

Commissioner Cawley: The parking lot won't be it will it?

Hugh Campbell: Those are expenses that have already been spent. I don't know what the dollar amount will be because that would have been allocated to the theater and some allocated to the hotel. If this project goes forward, there will be some proration that should come back on that.

Commissioner Cawley: We spend \$600,000 to get \$200,000 back.

Hugh Campbell: It will be \$380,000 back.

Commissioner Cawley: I have not given the apartments a whole lot of thought, but I had a conversation with Gene Rees one day and he said that is the worst deal the City has got going on in all of this. That is what he told me.

Hugh Campbell: Because of the high developer fees that Ken is charging as opposed to...

Commissioner Cawley: And the parking lot that we don't own.

Hugh Campbell: Right. Ken said unlike a theater or the hotel, an apartment has to have dedicated parking and his financing is all keyed on that. That is a nonnegotiable item for him as well, because he has to have dedicated parking for all his residents.

Commissioner Armbrister: We can't lease him the parking lot?

Hugh Campbell: We can't lease him the parking lot. It has to be owned by him and part of the financing because if there is a foreclosure, the bank has to be able to grab the building and the parking lot.

Commissioner Armbrister: How much revenue is that parking lot going to produce for us?

Hugh Campbell: In private hands, not enough to pay for it but at least we don't have to stripe it and maintain it.

Commissioner Brinkley: So because he needs that parking lot to be able to get his loan, do we have any other options? You have already talked to him about those other options and what Gene told Jon certainly doesn't sound sweet. How far in a hole are we going to end up with that?

Hugh Campbell: I don't know.

Commissioner Cawley: He had no appetite for absorbing the difference in the utility costs?

Mayor Rowe: At the time, he didn't. No is the quick and short answer.

Commissioner Cawley: The way I see this is we put this on Jerry Coram. That doesn't seem right to me because if he doesn't extend his deal for two or so more weeks, then he kills the deal.

Commissioner Brinkley: If we have to rebid, it's going to really cost us.

Commissioner Cawley: Yes, that is the assumption but we don't have to rebid it. We can start back at ground zero on all of the property.

Commissioner Yokeley: I'm in favor of giving them two more weeks to November 15th for the contract.

Commissioner Cawley: What if Jerry Coram says no?

Commissioner Yokeley: We will have to reconsider.

Commissioner Brinkley: We will have to rebid.

Commissioner Armbrister: At least we will give them that opportunity.

Commissioner Yokeley: We are too close on this to let it go now.

Commissioner Brinkley: Is this general practice for people to ask to extend the contract a little bit longer?

Mayor Rowe: I think you are very fortunate for Jerry to be willing to extend it as long as he has. Companies usually don't do that-when you turn the bid in that's the bid and that's the date.

Commissioner Brinkley: We need to be prepared if he says no and we need to make a decision tonight if that's what he says. We need to make a decision tonight so we won't have to come back two weeks from now and rethink this.

Mayor Rowe: I believe he will hold it open. That is just my gut feeling about it. He very well may not and I'm certainly not instructing him on anything.

Commissioner Brinkley: Are we going to give him two more weeks and then are we are going to say Plan B if we don't get the two more weeks?

Barbara Jones: That is for you as a board to decide. I think he'll agree. Our phone conversation was good and their intent seemed good. Jeff will be talking to Jerry but he's not had enough time to do that. I know Jerry told him the last time that he was subbing out most all of it, so the last time Jerry said he had to get with his subs and see what they will be willing to do. It is up to you if you want to extend it until the 15th and see if it works. It appears that they are continuing to work and felt good about their commitments tomorrow.

That being the case, I guess it's the paperwork that comes along with closing a loan, getting the money, and getting started.

Hugh Campbell: I'm not trying to sell anybody on anything but I promised I would bring this up, Ken said he would be available tonight if anybody wanted to speak with him. I don't know that anybody wants to hear from him based on what you just said. We are not trying to advocate for or against.

Barbara Jones: Correct. Sometimes you can get the sense yourself when talking to the person. We did ask if he would be available in case you had questions. As Hugh said, we are just stating what we learned at the meeting. It is your decision if you want to proceed or not.

Commissioner Brown: We are just sitting here rehashing the same old things.

Commissioner Brinkley: Is he aware of this bid that may end up having to be rebid?

Barbara Jones: He is because Hugh asked if he would participate on that and as Hugh said, he had no appetite for it. Do you need to talk to him?

Commissioner Armbrister: I am all right with what has already been said.

Mayor Rowe: What got me about the conversation was how excited they were thinking how they were going to get this done, which is so different from some of the stuff we've been through.

Commissioner Brinkley: I say give Ken another two weeks.

Commissioner Yokeley: Two weeks.

Commissioner Brown: Two weeks.

Commissioner Cawley: I say no to giving him another two weeks.

Commissioner Armbrister: Give him two weeks.

Barbara Jones: We have prepared some information for you so I'll hand it out. I got this together when Commissioner Cawley was asking about the QREs, the unwind agreement, and how all that potentially could come into play. What would come back to the City or would we get money back on certain things? We have updated you all on the predevelopment costs as we have gone along, but what I wanted to give you here is the final cost on the predevelopment-what the monies were spent for, your budget amendments, your unwind agreement, and your amendment to the unwind agreement. Commissioner Armbrister, it has some of the dates in here that you were referencing earlier as far as what is in the predevelopment agreements. We will reissue those to you because I know it has been a while since we gave it to you before. As part of this, Pam has done a great job, as always, summarizing the invoices that were paid and she has prepared a final tally sheet for you. We have also made you copies of all of the invoices, that way nobody can question or wonder

what has been paid. Going back to the question of what is QRE eligible and what is not-as that started from the very beginning, that has been a moving target that no one knows the answer to. If the apartment development does move on, some should be QRE eligible, but I don't know that even Ken could tell you right now exactly what would be approved for that or the amount. As you know, you will not get all of the money back because that was clear on the front end because every item would not be QRE eligible. When we first looked at it, it looked pretty good as what it could be, but as you went along, even those numbers continued to change. I don't have an answer on that and Ken probably won't either.

Commissioner Brinkley: Now this is closed session material that is being handed out?

Barbara Jones: Yes ma'am it is closed session, but these materials you are looking at here have all been adopted publicly with the exception of copies of your invoices and they are not secret. The reason I have them in closed session is I didn't know if we were going to get into the unwind agreement and Commissioner Cawley asked some questions on email about this very thing. I wanted to make sure if the conversation came up you had it. Also, let me make one other thing clear to you. Pam has just told me this might not be the final number because we are still spending some, but it is not far off. We also need to get signatures on those.

Martin Collins: One invoice came in and I sent it up to Carolyn last week.

Pam Stone: I included that one. What about the advertising?

Martin Collins: I haven't checked to see if we've got their final invoice.

Barbara Jones: So my word final isn't final on here, Pam says there is a little more.

Pam Stone: It is getting close to final.

Consensus: Give Ken Reiter another two weeks (November 14th) to get the financing in order for the apartments.

Commissioner Brinkley asked about any economic development prospects in Mount Airy.

Barbara Jones stated Todd Tucker and his team are always working to try to get business. The latest deal he brought to us was the property sold in the PTW Industrial Park, which was around \$300,000 that helped the city close out the budget.

These minutes are sealed until the transaction consummates or terminates.

OPEN SESSION:

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

Approved and adopted this the 15th day of August, 2019.