

June 17, 2013
Special Meeting of the City Council
Council Chambers – City Hall
10:00 a.m.

Present: Mayor Barbara G. Volk, Mayor Pro Tem Jeff Collis, and Council Members: Steve Caraker, Jerry Smith and Ron Stephens

Staff Present: City Manager John F. Connet, City Attorney Samuel H. Fritschner, City Clerk Tammie Drake, Planning Director Sue Anderson, Main Street Director Lew Holloway

The purpose of the special meeting is to hear four proposals/presentations for the redevelopment of the Grey Hosiery Mill building. Other topics may be discussed.

1. Call to Order: Mayor Volk called the meeting to order at 10:00 p.m. and welcomed those in attendance. A quorum was established with all five members in attendance.

Mayor Volk presented a token of appreciation from Hands-on! for the use of Berkeley Mills Park for the 2013 Mad Mountain Mud Run.

Update on Main Street: Mayor Volk asked for an update on the Main Street project. Mr. Connet reported City crews are installing waterlines and the 600 block may be completed this week.

Council Member Stephens asked if the other presenters should leave the room while the other proposals are being made. He expressed a concern that there may be an unfair advantage because presenters waiting will hear Council's questions, what they are interested in, etc. Council Member Collis disagreed stating there is nothing hidden. Mayor Volk commented the proposals have been done. Council Member Caraker agreed it may be some of an unfair advantage to the first proposals but stated this needs to be a public meeting so everyone can hear the discussion. Council Member Smith commented he does not know how groups can be excluded from a public meeting. Mayor Pro Tem Collis commented the previous process was closed and he heard a lot of criticism about it. He also heard one of the groups was unfairly treated so he would prefer that it is all done publicly so there is no question of what is discussed. Mayor Volk sated the Council is aware of the situation and it is up to the them to consider that on Thursday during the discussion.

10:00 a.m. Presentation: The Millworks by White Challis Redevelopment Company and Investors Realty Group: Mr. Chris Challis, partner of White Challis Redevelopment Company, introduced himself and his partner Jack White, Austin Fazio with HD Investors, [Jim Hall, Investors Realty Group, not in attendance], and Scott Johnston with Johnston Design Group who has experience in textile mill redevelopment. Mr. Challis reviewed their past and on-going projects. Mr. Fazio sated Hendersonville is a strong market and there is a strong desire and demand to be downtown.

Mr. White provided details of their plan including:

- urban streetscape on Fourth Avenue – more landscaping along the street with a greater connection to Main Street
- 55 parking spaces located within the site
- environmental remediation
- highlighting the brick façade of the historic mill, the large windows and old beams with modern industrial features i.e., exposed ductwork and open space

- a small courtyard in the middle: a common area which will be an amenity for residents
- interior units will be converted loft apartments will range in size from 500-1,300 square feet
- four town home sites were identified on the property; possibly more units in the future which allows flexibility.

Mr. Challis reported they met with Dr. McGee with Wingate University and relayed having residential units supports the university's mission by providing living options close to their classrooms. He stated they would like an opportunity to talk with Wingate about working together at some point. He stated 15,000-17,000 square feet of classroom space may be needed and it is possible this could be placed in the noncontributing portion of the mill. He stated they will explore working directly with Wingate but if not, the residential program stands on its own.

Partnership with City: Mr. Challis stated they will approach the project from a partnership with the City which will involve the City contributing the building to them and working together to resolve the environmental issues. Mr. Challis stated they would consider it a partnership if the City contributes the land and White Challis does everything else going forward. He stated he doesn't expect the City to convey ownership of the property on day one but expects the City to protect its interest. He stated the environmental issues are real and may be expensive but these are resolved every day and they know how to do that. He stated this project is not large enough to bear significant costs.

Other: Mr. Challis stated he understands the City has spent approximately \$100,000 going through the processes for the convention center idea, etc. He stated some of the feasibility study costs can be recouped by partnering together through a couple of avenues, one of which is through the tax credit program.

There was discussion of the projects of White Challis and the financial condition of IRG. Mayor Pro Tem Collis commented he would not want the Mill property to be at risk of foreclosure. Mr. Challis stated that is a legitimate concern but White Challis does not have any foreclosure properties.

Exit Strategy: Mr. Challis explained these would be loft rentals for at least five years and their exit strategy may include: 1) selling the units as loft condos at some point in the future, or 2) selling the project as a rental product such as an apartment building like Chadwick Square.

In discussion, Mayor Pro Tem Collis commented he is skeptical about residential use because of the future expansion of the jail and he has heard complaints about the bus stops. He asked if the jail expansion will affect the sale of the units. Mr. Challis stated they have not done a formal market study but are also concerned about the perception. He stated they know how to manage perceptions, and will work with the City so expectations are met.

Council Member Caraker asked about a link to the Historic Seventh Avenue District revitalization. Mr. Challis stated they spent time looking at Jackson Park, the greenway initiatives and stated both Seventh Avenue and Main Street will thrive when linkage is created between the two, particularly on the pedestrian scale. He stated this project is a big part of that.

Mayor Volk expressed appreciation for the presentation and proposal and stated Council will be in touch if there are more questions.

10:45 a.m. Presentation: Old Mill Place by Marie France N. Lachance, President, and John M. Kennedy, CEO. Ms. Lachance, a business owner on Main Street, presented a proposal to create a marketplace at the Mill with a venue to stimulate tourists and locals. She stated they have received many serious inquiries from vendors.

Ms. Lachance stated they want to create a marketplace with a premier shopping area with vendor booths, an event center, restaurant/bar/coffee shop, and will extend the footprint of downtown to that corridor and to the Historic

Seventh Avenue area. It will also help with parking. Their intentions are to stay local, will hire local artisans, and will be contributing locally. The scope of their project includes: restoring the building, removing hazardous materials, expand downtown Hendersonville, create an event venue for lease, auctions, and a social place. They will promote Hendersonville through advertising and a positive endorsement of downtown.

Mr. Kennedy reviewed photos of the condition of building and stated it will not be hard to repair it to get up to standards. He does not see any problem with resolving the hazardous materials issue. They want to return the building to its original condition under a timeline of eight to ten months. The floor plan includes: offices, vendors spaces in three sizes and/or configurations, a craftsman's area, a museum/historical tribute to the mill, an event venue in three flexible configurations or sizes, two atriums that benefit the event area and restaurant/café, an auction arena for scheduled events (as well as parking lot events). They want to add to the integrity of the Fourth Avenue corridor.

Partnership: Mr. Kennedy stated he doesn't know the plan for the transfer of the property but most Cites do not want to be landlords, but it is up to the City. Their budget is set; it makes it more viable if they do not pay for the property.

There was discussion of their past projects, experience in Brownfields abatement and financing plans. Mr. Kennedy offered to provide a performance bond for this project and provide a full set of architectural renderings. He stated they do not want to change the way the building looks and will keep everything possible original. He stated the investors will be identified when appropriate.

Mayor Volk expressed appreciation for their presentation and interest.

11:30 a.m. Presentation: The Landmark Group by Vann Joines and Rex Todd: Mr. Vann Joines introduced the development team: Brent Smiley with the Landmark Group, Patty Smyers with the Arts Council, and Robin Reins with Rowhouse Architects.

Mr. Todd explained the roles of the members of the development team. He reviewed their experience with historic adaptive reuse and new construction. He stated they will not be asking the City for a loan for the project but will let the sources of financing carry their own weight.

Mr. Todd explained their artist/live workspace theme.

Ms. Smyers reviewed the history of the Four Seasons Arts Council. She stated the Grey Mill Arts would provide a great home for the arts in Hendersonville to continue their unique performances and provide excellent gallery space. Ms. Carol Walters provided a personal view of her experience with the Arts Council of Henderson County. She asked the Council to nurture and continue to grow artists stating this building is a great opportunity to do that and asked for the Council's support.

Mr. Joines presented their revitalization goals including redeveloping the Historic Mill, creating economic development by giving individuals space for long-term wealth creation while promoting the arts and culture in line with the 2030 Comprehensive Plan.

Mr. Joines presented their concept for the Grey Mill Art Lofts: an adaptive reuse to one and two-bedroom apartments, multiple opportunities for gallery space, office space for the Arts Council, classroom space and additional new construction on undeveloped land. The proposal assumes: purchasing an adjacent lot on Fourth Avenue, partnering with the Arts Council and working with artists to curate gallery space, and provide live performance space.

Mr. Joines reported the financing sources including housing tax credits, federal and state historic tax credit, private debt, private equity. He reviewed the timeline for the project completing summer 2016. Mr. Todd

explained there will be income guidelines for the resident associated with the financing of the affordable housing. There is also a 30-year requirement for affordable housing.

Partnership: Mr. Todd stated they will seek an operating agreement for the property for site control and security to invest approximately \$35,000 into the preparation of the application would request endorsement of the application for CDBG funding, possibly rezoning the property for multi-family purposes. He stated they do not plan to ask for any funds from the City and if the funds are not received as anticipated, the City would get the property back.

Mr. Joines explained the City may maintain ownership of the land with a long-term ground lease or sell it to them conditional upon the tax credits. He stated financing may also approve scattered-site housing which may help provide linkage to the Historic Seventh Avenue District.

Mayor Pro Tem Collis asked if the future expansion of the jail may affect the grants. Mr. Joines stated it could have an effect on the scoring by the NC Housing Finance Agency for the extremely competitive process.

Discussion followed on the income guidelines for the residents, the success of this model in other places, the proposed site plan, the tax credits and parking for the project. Mr. Joines stated it may be August 2014 before they know if the tax credits are approved. He stated Landmark is not a non-profit so they do pay taxes according the net operating income approach as authorized by NCGS, not ad valorem.

Mayor Volk thanked the presenters for their proposal.

12:15 p.m. Presentation: CathFord Consulting, LLC by Bob Englander: Mr. Englander explained CathFord began as an adaptive reuse company in Richmond, VA and have completed 15 historic preservation projects in and around Richmond. They have a great deal of experience with old buildings, are sympathetic to neighborhoods and the original use of the properties. They are currently working on one-two projects per year for an economic development to benefit for the community and this project fits the model well.

Mr. Englander explained this is two-step project: 1) convince the Council and the community they are the company to complete the proposal, and 2) then go to Wingate to negotiate an agreement. He stated it has been discussed at length with parties there but it is subject to significant review.

Mr. Englander stated the building is in stable condition but needs a great deal of work. He stated their proposal will address those needs while addressing Wingate's needs as well. He stated Wingate University is outgrowing their space. Wingate's current leases run through July 2016 and he proposed meeting the timeline that will coordinate with the end of those leases.

Plan: Mr. Englander explained their plan is to come to an agreement with Wingate as soon as possible after approval from the City. They will brand that building as "Wingate University Hendersonville Campus". He stated this will bring economic development and help brand both Hendersonville and Wingate University in Western North Carolina. From an economic development standpoint, it provides great benefit to the community because it links the eastern side of the Main Street corridor into an additional precinct that can be grown, both from retail and commercial and will expand the wonderful Main Street corridor. He applauded the forethought for the downtown and Main Street corridor.

Mr. Englander stated they plan to renovate the entire mill in a two-year period to coincide with lease expiration. All of Wingate's programs would be housed in the Mill building. There is sufficient parking on-site. They will do a complete, sensitive renovation that will confirm with Park Service guidelines for historic structures. As Wingate grows, there is additional space available for a true campus setting. Parking would have to be found elsewhere. They plan to use the entire property as campus.

Mr. Englander proposed working with the architectural firm of Calloway, Johnson, Moore and West. He stated they work collaboratively and they understand historic architecture. He reviewed their experience.

Partnership: Mr. Englander explained he anticipates the property will be transferred to their ownership because they plan to use mill tax credits, and probably not federal tax credits because of the calculus involved in the first five years of ownership with leasing to non-profits. He anticipates using mill tax credit and new market tax credits that will help finance the project. He estimated they will provide \$25,000 in taxes annually and is a reason to keep ownership in the private sector. He stated they are not asking for City participation other than transferring property.

Mr. Englander explained because of the proximity to Main Street, the consideration of the 2030 Comprehensive Plan, and the Fourth Avenue corridor plan, there is a good deal of work to be done on the sidewalks and crosswalks, working with the power company for underground utilities, etc. which would be their responsibility, and will do those in concert with the city.

There was discussion on the mill tax credits, negotiating a long-term lease with Wingate prior to project approval, adequate parking if Wingate further expands, and if the project can be completed at the expiration of Wingate's current leases. Mr. Englander proposed giving him 90 days to negotiate an agreement with Wingate. He stated they could have a plan in place by the end of 2013 and begin construction in 2014. He stated the architect and general contractor is in NC. He stated they will use local vendors for supplies and local labor as much as possible. He stated he will be on the job several days per week.

Mayor Volk thanked Mr. Englander for his proposal. She announced the Council will meet Thursday to discuss all proposals. The Council deliberated whether the discussion will be done in closed session.

There was discussion of whether Council may discuss the merits of the proposals in closed session. At 1:21 p.m., **Council Member Caraker moved the Council to enter a closed session to consult with the attorney to preserve the attorney-client privilege between the attorney and the City Council. A unanimous vote of the Council followed. Motion carried.**

The Council conferred with the City Attorney on disposal of property with an economic development purpose.

At 1:28 p.m., **Council Member Smith moved Council to exit the closed session. A unanimous vote of the Council followed. Motion carried.**

Adjournment: Being no further business, the meeting adjourned at 1:28 p.m. upon unanimous consent of the Council.

Barbara G. Volk, Mayor, City of Hendersonville

Tammie K. Drake, MMC, City Clerk