

MINUTES
CHATHAM COUNTY BOARD OF COMMISSIONERS
SPECIAL MEETING
APRIL 12, 2012

The Board of Commissioners (“the Board”) of the County of Chatham, North Carolina, met in the Siler City Courtroom at City Hall, 311 North Second Avenue, Siler City, North Carolina, 2:00 PM on April 12, 2012.

Present: Brian Bock, Chairman; Walter Petty, Vice Chair; Commissioners Mike Cross, Sally Kost, and Pamela Stewart

Present: Siler City Town Board: Mayor Charles Johnson; Mayor Pro-Tem, John Grimes; Commissioners Larry Cheek, Thomas K. Price, III, and Mike Constantino

Absent: Commissioners Tony Siler, Sam Adams, Cindy Bray

Chatham
County

Staff Present: Charlie Horne, County Manager; Renee Paschal, Assistant County Manager; Vicki McConnell, Finance Officer, Sandra B. Sublett, Clerk to the Board; and Lindsay Ray, Deputy Clerk to the Board

Siler City

Staff Present: Joel Brower, Town Manager; Karen Alman, Clerk

CALL TO ORDER

Mayor Charles Johnson welcomed those in attendance, and called the meeting to order at 2:00 PM.

Agenda

Arts Incubator

Commissioner Kost expressed concern about the negative impact that Siler City would incur if the Arts Incubator was to close. She stated that she believed the Arts Incubator should be self-sustaining; however, she did not support long-term funding stating that the Incubator needs to be restructured to stand on its own. She pointed out that the Siler City Town Board does not want to see the closing of the Arts Incubator which was the reason for the meeting to determine how the Town and County can work together for transitional funding while the Incubator works on the restructuring of their business plan.

Mayor Johnson asked Ann Bass and Richard Church to give an update on the current financial status of the Arts Incubator.

Ann Bass, Arts Incubator Director, stated that there is a mortgage on the community college building with a higher interest rate because it is a business loan. She pointed out that there are monies owed on the main building at 223 North Chatham Avenue close to \$500,000. She stated that they had met with their bankers who are not interested in owning the community college building; that she has been working on finding ways to generate revenue from that building for the long-term noting there are incredible and amazing ideas from people who are coming forward for programs in both buildings; that there are private

investors who are willing to invest a substantial amount of money in downtown; that if the Arts go away, so will the investors' funding; and that they figured that fourteen storefronts would be empty. Ms. Bass noted that she believes there has been approximately \$1,750,000 in straight-out investments made in downtown properties. There are people moving to Siler City and others visiting because of the Arts Incubator. Artists are moving to Siler City and investing in the community. She stated that they deal with property management, business incubation, art programming, downtown revitalization, and the actual running and health of the organization.

Richard Church, Arts Incubator Board Member, stated that the Incubator has worked so hard to be so many things for so many people that it probably has not, at every point, cared for its own interests and thought about those long-term strategic plans from a financial perspective as well as it could have. It is also caught up in the global economic set of changes with regard to the real estate market. They are working quickly with the Incubator to adopt new bylaws and new legal structure that will update and mature the organization. The next step is to look hard at the financial picture. He stated that his background was in representing not-for-profits that work to sustain themselves and fund-raise to do capital projects and special projects. They see their task in the next twelve to eighteen months is to build an organizational structure that will enable them to survive operationally on their own and then to use fund-raising and grant projects to handle some of the larger projects.

Mr. Church stated that the Arts Incubator needs time to achieve a "soft landing" as they make that transition since the partnership with Central Carolina Community College (CCCC) is coming to an end. When the Incubator began, the partnership with CCCC was very foundational with the thinking it would go on for a long time. He noted that it has been a good ten years, but that they do understand they are moving into a different phase.

Mayor ProTem Grimes asked if there had been an audit prepared by an outside audit firm. Mayor Johnson replied that one had been prepared by Ward & Foust and was available for review.

Commissioner Petty asked how the storefronts tie together with the Incubator.

Ms. Bass stated that the anchor businesses in the Incubator include the coffee shop, guitar maker, and artists that spun off from the Incubator and hatched businesses of their own.

Commissioner Petty asked why the other storefronts would need the Incubator to operate an independent business. Ms. Bass stated that the Incubator is the anchor and the driver of activity. It is what attracts people from other places. She also noted that the other businesses rely on the Incubator to send people to their businesses. She explained that there is a difference between businesses that are making a living for themselves as opposed to an organization, such as the Incubator, which is helping with downtown revitalization, investing in many buildings and incubation of new businesses which, in turn, create other businesses.

Commissioner Bock stated that the difference in an anchor store is that they would not be coming to the County or Town Board asking for money to keep them open. He pointed out that the County has invested over a half million dollars in the Arts Incubator and it has not been successful. He clarified that the Incubator is not a financial success if government has to keep putting money into it. He asked if it would not be better to have a business downtown that was paying full property taxes.

Ms. Bass asked if incubation was not the best vehicle, why was the Economic Development Commission (EDC) interested in developing a new incubator.

Commissioner Bock explained that the County funds a certain amount of money to the EDC and their board chooses the best use of the funds.

Ms. Bass explained that the Incubator's mission is much broader stating that they have the revitalization of downtown as well as the start of the businesses.

Mayor Johnson advised that the Incubator brings in tourism, but that this discussion is not just about the CCCC building, but the recourse of the bank to take the other buildings of the Arts Incubator which is a big concern. Losing all the businesses at one time would devastate downtown Siler City.

Commissioner Kost stated that she didn't feel that they needed to be doing this long-term; however, the County has been paying rent on the building for several years and does not want to agree to another long-term commitment. Because the Arts Incubator was not aware the County would not continue to fund them, they have not had time to come up with a sustainable plan. She suggested that the Board of Commissioners help them through July 2013 to allow them time to come up with a plan to survive.

She asked that they be helped with a "soft landing" through July 2013, so that they can get a plan in place to survive. She stated that the County has been supporting their endeavor and they should have seen it coming, but they didn't. It would have an enormous impact on Siler City when things are finally starting to look up. She stated that this would be an investment in helping downtown Siler City to get on their feet.

Commissioner Stewart asked how long the original investment was to last.

Jeffrey Starkweather, citizen and member of the Economic Development Commission, stated that there was no agreement with a specific ending date.

Dr. Bud Marchant, Central Carolina Community College President, stated that the best they could determine, there were two five-year leases which were signed and executed by the then president of the college and the executive director of the Arts Incubator. The current five year contract will expire in September, 2012. The money has always come as a pass-through from the County. For the last two years during budget deliberations, the question was asked if it was a pass-through. The answer was yes. The college stands ready to do whatever the Commissioners ask them to do in terms of a facility or whatever in Siler City. They will be glad to do it. The college cannot, because of the low enrollment in the program, continue to operate a "credit program". The North Carolina Community College System will not allow them to do it as enrollment has remained below what is expected of the credit program.

Commissioner Grimes asked what program the college was committed to.

Dr. Marchant explained that they did not commit to a certain type of program. The agreement was for the rental of the building.

Commissioner Grimes asked if the building is being purchased by the Arts Incubator. Ms. Bass said that it was being purchased by the Arts Incubator.

Mr. Church stated that it was rehabilitated and built out for a particular use.

Commissioner Grimes asked for clarification in that CCCC is renting the building that the Arts Incubator is purchasing. Mr. Church stated yes, subject to paying the bill.

Commissioner Stewart asked if the \$500,000+ was for the purchase of the building. Ms. Bass explained that they only owe \$4,000 for the purchase of the building.

Mr. Church explained that the business loan was used to update the building for CCCC with the building used as collateral.

Chairman Bock stated that it sounds like a bank problem, not a County problem as the bank wrote a twenty-year loan on a lease that ends in five years.

Mr. Church stated that they will be working with the bank to restructure the loan.

Ms. Bass reiterated that they were asking for time and assistance as she is only part-time and they need funds for a staff person to work to develop a program.

Chairman Bock asked when the college gave notification, when they intended to renew the lease. Ms. Bass stated sometime in February.

Chairman Bock stated that they would be paying the rent through September, so he felt that seven months was enough time. Ms. Bass asked if he could start a new program in six months with no staff, no equipment, and no funds.

Chairman Bock replied that they had known for five years and were given seven months notice, with is pretty good for someone leasing a space.

Mary Helen Moody, 188 Fairway Drive, Siler City, NC, stated that she had asked Dr. Karen Allen if they were going to lose the pottery program and was told no. She stated that she loved the pottery program and did not want to be dumped on. She stated that she found out from a student that the school was closing, which she feels was improper. She stated that they didn't pay a lot for the building but paid a lot to refurbish it and to meet the specifications that Leon Tongret, who was not only their director, but was employed by CCCC. There was a lot of money to outfit a pottery school. The director at the pottery school is not interested in turning pottery but in hand sculpture pointing out this area is a "clay area" which has a deep history of turned pottery. Ms. Moody invited all present to a "Third Friday Artwalk" to see the activity. She stated that she is very disappointed the Arts Incubator has not received the support from Dr. Marchant and the community college.

Donna Sivulka, 3942 Rives Chapel Road, Siler City, NC, stated that she has been working with the NC STEP Program in Siler City for the past fifteen months with a retirement group and is also charged, as chairman of the group, to establish a nature trail on the Rocky River. During these committee meetings, she stated that there were always four things that came up in discussion on how to revitalize Siler City as follows: 1) The natural beauty of western Chatham County; 2) The fact that there is a hospital; 3) That a community college is located in Siler City; 4) The fact that there is an Arts Incubator. The committee who is trying to establish Siler City as a "retirement community" feels that the Arts Incubator is a critical component in attracting people with disposable income who will spend their time and money in Siler City. She asked the Board to consider extending the Arts Incubator the lifeline of time.

Ben Pistole, 102 Green Meadow Court, Pittsboro, NC, stated that he is Vice President of Chatham Professional Partners, a small business incubator that offers affordable office space, use of office equipment, conference rooms, etc. who developed their own business plan. Their goal is to offer an office environment that allows people who do not have office space to come and use their facilities. Funding came from individuals and banks pointing out that they did not take any public money. This business effort will either succeed or fail on its own merit. He asked the two Boards to use taxpayers' money wisely in their budget decisions.

Susan Baker, 230 South Third Avenue, Siler City, NC, stated that she is a business person working for Regions Bank in special assets dealing with bad loans, real estate, etc. She stated that she is also an artist who has been a tenant at the Arts Incubator for about two years and pointed out that she is one of many who has moved to Siler City from other places because of the Arts Incubator. She advised that she has a fairly high income and lived in and purchased from businesses in Siler City. She stated that if you could quantify the number of people and the dollar value of additional cash flow that has come into Siler City in this indirect way, you would start to see a reversal of the appearance that the Arts Incubator is not working or failing. The restructuring of loans has happened to many well-run companies. She stated that she also feels there are persons running the Incubator now that have skills in looking at the whole picture. She asked the Boards to do what is necessary to give enough time to turn things around stating that it cannot be accomplished in four or five months.

Jeffrey Starkweather, 590 Old Goldston Road, Pittsboro, NC, a member of the Chatham County Economic Development Commission stated that he had worked with the

Arts Incubator. He stated that it is vital to have time for transition pointing out how important the arts are to economic development. To those who think the Arts Incubator has not been successful, he stated that he would disagree because the purpose of the Incubator is to incubate businesses. There have been fourteen businesses that have evolved from the Arts Incubator. He stated that the country has, in the last three years, been in the greatest recession since the Great Depression. The Arts Incubator plays a role in attracting tourism and downtown revitalization. He stated that he feels the Arts Incubator in Siler City is a vital institution and he would like to see the County give them a transition period. He also pointed out that, in a way, the construction loan is a government loan because the Arts Incubator was borrowing money to put in a building so a community college could use it.

Vida Beth Bensen, stated that she lives in Northern Chatham County and that she probably would not have come to Siler City if it wasn't for the Arts Incubator. She stated that she feels the Arts Incubator is a vital part of downtown Siler City.

Jim Duncan, 662 Royal Sunset Drive, Durham, NC, asked the Board to make a decision based on numbers. He stated that the idea of keeping something alive for a year for it to fail in a year does not make sense; however, a lot of things can be sold to the citizens of the community and he doesn't seem like it is getting sold. We have our backs to the wall and we are coming back to government to save something that Siler City and Chatham County needs. The Boards will have to decide how to best serve the citizens of Siler City and Chatham County. He stated that he believes the best investment is one that will give a return. There is a lot of emotion and passion, but there has to be a common sense application to this issue and the reality of the numbers is not positive. He stated that he hopes the Arts Incubator is successful, but asked that they make the case and get rid of the emotion.

Commissioner Stewart stated that from an emotional standpoint, she hears what the Arts Incubator supporters are saying, but asked if the Arts Incubator can be self-sustaining. She asked what they would do now that they hadn't done in the last eight years. She stated that seeing the hard numbers would make it helpful and much easier to make a decision if the Arts Incubator can be self-sustaining in a year.

Mr. Church stated that he understands the concerns and believes that, as an institution, they have not been mature enough to have that kind of discipline. He stated that they need to fully understand exactly where they are on an outlay basis; that he thinks they will have to restructure the loan and the payment will change; that is also potential to sell portions of certain buildings that are not utilized and pay down part of the loan as well as make the payment rate a more sustainable number on a long-term basis; and that the Arts Incubator needs a more systematic approach to fund raising and working with more private donors on a regular basis. He stated that they have heard from CCCC that a lot of their struggle in that space has been degree-based students are not inclined to be in that program; that you're either a good ceramics maker or not; that people do not care what degree you have behind your name; that the Arts Incubator now has the advantage in operating to get into a revenue based program where there is teaching and people are paying for the courses. Mr. Church pointed out that this will take some time stating that they have spoken with Capital Bank and believe they will work with the Arts Incubator.

Commissioner Stewart asked if they had been able to document the number of persons who visit the Arts Incubator each week and how much the sales are per month.

Ms. Bass responded that there was documentation from the gallery; however, each storefront will now begin tracking this information.

Commissioner Petty stated that he had visited downtown Siler City since this issue has arisen and he has found that the storefronts are not open much of the time.

Ms. Bass advised that the Incubator building is open but not the other storefronts and sales are recorded out of the Incubator.

Commissioner Petty pointed out that Ms. Bass stated that the other businesses will fail if the Incubator closes.

Commissioner Bock noted that if these businesses are open with random business hours and the hours are not posted, they will fail on their own and not because of the Incubator. He also reiterated that because the Incubator does not have hard, fast numbers, it makes for a hard decision because the County does not have an unlimited amount of money. He stated that the \$68,000 will come from property tax paid by Chatham County Citizens. He also noted that other businesses brought up in the discussion (Block Buster, etc.) are not using taxpayer dollars but private money. He stated that he and the Board of Commissioners have the responsibility of spending tax dollars in the best way possible. He stated that he felt the case has been made very strongly that economic development is the core function; that the Board of Commissioners fund tourism, economic development, part of the Community College, and to add this on top of it makes it hard to justify.

Mr. Church stated that the numbers and budget given to the County in their proposal are the numbers they believe they need to get through to a place where the program is operational. Mr. Church reiterated that the Arts Incubator is a not-for-profit that has taken on a largely governmental function in terms of the revitalization and economic development stating that every dollar that this organization makes will not personally benefit the person.

Mayor ProTem Grimes asked the length of time and how much further the Arts Incubator has to go in their discussions with Capital Bank.

Mr. Church stated that about two weeks. He stated that the bank clearly understands that they have a lot of money in the building; that it is probably more than the building is worth; and that the building appraised for \$422,000 when the loan was made which is puzzling to him.

Ms. Bass mentioned the challenge to the Arts Incubator to put together a program with some income generating activity to go in the building being vacated by the Community College. Mr. Church stated that also of importance is the development of an operational revenue stream which currently is only from rental of space and that will not sustain the Arts Incubator.

Commissioner Stewart asked if there were any assets.

Ms. Bass stated that they own 229, 231, and 233 North Chatham Avenue outright. They also hold the mortgage on 223 North Chatham Avenue which included the retail gallery, exhibition gallery, courtyard, and coffee shop.

Mayor ProTem Grimes stated that he feels it is important for the Boards to be able to see an outside audit.

Mr. Church volunteered to send the documents and audits to the Board members.

Mayor ProTem Grimes asked how much rent they were generating, if anyone was behind on the rent, and how far they were behind.

Ms. Bass replied, yes, and stated that it depended on the artist and there was one who was four months behind on the rent.

Commissioner Price asked for an explanation of a plan to gain sustainability.

Ms. Bass advised that there is a new board starting on April 18, 2012 which will require training to understand the work of the Arts Incubator. One of the items is to begin to put together a strategic plan. She reiterated that they are begging for time with regard to so much change all at one time. She gave the following plea for assistance:

- An additional nine months of assistance on the building
- Maintain the CCCC rental support of \$4,750 per month totaling \$42,750 per year or pay building expenses, mortgage loan and utilities totaling \$37,188 per year

- In order to sustain the Arts Incubator, it is necessary to hire a part-time dedicated staff person to perform a marketing analysis to find out niches the Arts Incubator could fill. This figure is \$37,363 per year.

Chairman Bock asked if the County was to give the Arts Incubator the money, what type of “claw back” provision would be provided in order to get their money back if the Arts Incubator fails. He also asked if the Arts Incubator was in the arts business or the real estate business stating that all the other things have drug them down.

Ms. Bass stated that do own some assets and they could talk about it. She stated that they have a incredibly complex organization; that that will be something at which they will be looking; that property management takes so much of their time; and that an old building can eat money. She stated that there are also issues with regard to being a non-profit does not qualify for a historic tax credit or energy credits. She stated that they would have to have a for-profit partner in order to be able to do that.

Commissioner Petty asked Ms. Bass to show them how making an investment in the business is secure and asked if it was possible to wait until arrangement are made with the bank stating that if all they are doing is just keeping it alive to see it die in six months or a year from now, then that is a different issue. He pointed out that it would be easier to reach a decision if they knew what the definite next step will be. He asked them to take their passion exhibited at this meeting and go to the private sector to ask them to invest in the community.

Ms. Bass and Mr. Church agreed.

Commissioner Petty stated that he had had an opportunity to travel and talk with people. He stated it seems to him that the topics like this were the result of successful businesses that had a passion for the arts.

Chairman Bock asked if there was money to make the floors usable. Ms. Bass stated that it was just one-half of one building.

Dr. Marchant stated that there is a business model for training; that the reason the degree program has not been successful is because that is not something that people necessarily want to pursue a degree in; that they are interested in a particular form of art, pottery, etc.; that there are models where people do operate a business that provides artistic training that may not lead to a degree; and that if that is the way the Board is looking at developing, it could work with the right marketing, instructor, etc.

Commissioner Stewart suggested that they look in other towns where the arts are successful.

Ms. Bass stated that there were some towns that invested in recruitment; that they started with public investment; and that their organization has not matured as quickly as they had wished in the past ten years.

Commissioner Petty asked if they have taken the opportunity go to Seagrove and asked them how they are successful. Ms. Bass stated that they are struggling a bit now; that they have talked about things that do and do not work.

The County Manager asked what they needed for next nine months stating that he heard \$37,188 was needed for expenses and \$37,363 for a staff person.

Commissioner Cross stated that the County has been helping the Arts Incubator for ten years and he feels a moral obligation to give some additional time to them; that with the Community College continuing to pay the rent on the building through September, he would like to see the County pick up the remaining nine months; that it will then be necessary to see what type of business plan and refinancing the Arts Incubator has lined up; that if the County pulls out now, the help in the last ten years will have been wasted and it will hurt Siler City; that he cares about how the taxpayers’ money is used; and that he believes they have a moral obligation to help the soft landing occur.

Chairman Bock asked for clarification on some numbers.

Mr. Church advised that the most crucial funding will be sustaining the building and adding a part-time staff in order to become an operational program that generates its own revenue.

After further discussion, Commissioner Kost asked if the County was to fund a portion of the request, if the Town of Siler City would help the County.

Mayor Johnson stated that the Town of Siler City contributed approximately \$12,500. Town Manager Brower responded that this request would be decided during the budget process.

Commissioner Kost stated that the County could help with the building expenses as a one-time item so that Fund Balance could be used. She stated that the staff position could then go through the County's non-profit process. She also said that she would like to see the County and Town partner together since this request is for downtown Siler City in order to make a stronger case.

Renee Paschal, Assistant County Manager, explained that they had requested several things through the non-profit process; however, this particular position was not been requested.

Mayor ProTem Grimes pointed out that a decision cannot be made at today's meeting as the entire Town Board is not present.

Mayor Johnson stressed that the Arts Incubator is not just Siler City or Chatham County, but the North Carolina Arts Incubator.

Commissioner Kost asked what the Town funds with the \$12,500. Mayor Johnson replied, operational expense.

Commissioner Kost stated that the \$65,000 was for building expenses and the position and that the \$12,500 from the Town was for operations. She asked if that was separate from what they are seeing.

Ms. Bass stated that unrestricted monies are the hardest monies to find anymore; however, that is what pays insurance, office supplies, etc. This request was written as a program.

Commissioner Kost asked if there was any way that the Town could help more if the County was to fund some of this.

Mr. Brower stated that those items will be reviewed throughout the budget process. He stated that they have some economic development monies that they have utilized in the past

Commissioner Cheek asked that members of the Arts Incubator give as much information as possible prior to budget discussions to give them an opportunity to make the best decision.

Commissioner Grimes reiterated that he would like to see an outside audit or copy of a review by the auditors.

ADJOURNMENT

With no further business, the Mayor adjourned the meeting at 3:48 PM.

Brian Bock, Chairman

ATTEST:

Sandra B. Sublett, CMC, NCCCC, Clerk to the Board
Chatham County Board of Commissioners