

TOWN OF SILER CITY

The Siler City Town Board of Commissioners met with the Chatham County Board of Commissioners in special session on Thursday, April 12, 2012 at 2:00 p.m. in the City Hall Courtroom with Mayor Charles Johnson presiding. The purpose of the meeting was discussion of the NC Arts Incubator in Siler City.

TOWN OF SILER CITY COMMISSIONERS PRESENT: Larry Cheek, Michael Constantino, John Grimes, and Thomas K. Price, III.

TOWN OF SILER CITY COMMISSIONERS ABSENT: Sam Adams, Cindy Bray and Tony Siler.

CHATHAM COUNTY BOARD OF COMMISSIONERS PRESENT: Brian Bock, Mike Cross, Sally Kost, Walter Petty and Pamela Stewart.

Mayor Johnson opened the meeting at 2:00 p.m. and welcomed the Chatham County Board of Commissioners and thanked them for the effort to "look over the investments in Siler City" stating "we have culture in Siler City". This is an opportunity to look at options and move forward to protect downtown Siler City. He mentioned that he sees both pictures serving as Mayor of Siler City and Treasurer of the Arts Incubator Board. Commissioner Kost mentioned the presentation by Ann Bass, Director of the Arts Incubator, several weeks ago and the fear that if the County chose not to fund the Arts Incubator it would possibly have to close and the impact that would have on downtown Siler City. She noted she has questioned the County's funding of the AI for the past couple of years stating she feels it should be "standing on its own two feet". Kost advised the funds were actually given to the Community College which were then used to pay the rent on the CCCC building used downtown for their pottery program. The program is no longer being offered as interest has dropped and the lease is coming due in September. Kost does not support long-term funding of the Arts Incubator stating it needs to be restructured to stand on its own, but she also does not support "pulling the rug out from under them right now". The closing of the Arts Incubator could also mean the closing of other businesses having a "strong, negative impact". She pointed out she feels the Siler City Board does not want to see the closing of the Arts Incubator noting this is the reason for the meeting, to determine how the Town and County can work together and see what the Town's thoughts are in helping the Arts Incubator.

As Mayor Johnson is treasurer of the Arts Incubator, he attested to the fact that they are not broke as some would want people to believe. He called upon Ann Bass, NCAI Director, to give an update. There is a mortgage on the Community College building with a higher interest rate because it is a business loan. She also pointed out there are monies owed on the main building at 223 N. Chatham Avenue in an amount closer to \$500,000 rather than \$1,000,000 which is being reported in error. Bass advised the AI has met with their bankers who are not interested in owning the community college building. She has been working on finding ways to generate revenue from that building for the long-term noting there are "incredible ideas from people who are coming forward for programs in both buildings". There are private investors who are willing to "invest a substantial amount of money in downtown", but if the AI disappears so will this funding. Bass stated there will be much to lose if the Arts Incubator does not survive pointing out they figure that 14 storefronts would close. She also noted that she believes there has been approximately \$1,750,000 in investments made in downtown properties since the Incubator began. 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. Bass stated "we are much more than the incubators who rent space from us. We are property management, business incubation, art programming, downtown revitalization and then the actual running of the organization". She mentioned she does not have "hard and fast numbers", but she feels the value of the Incubator is so much more than that.

Richard Church, AI Board Member: Mr. Church stated he feels the AI "has worked so hard to be so many things for so many folks that it probably has not at every point cared for its own interest and thought in terms of long strategic planning from a financial perspective as well as it could have". The economic situation has also hurt this effort as well. The AI Board is currently working to put in new by-laws and new legal structure which will "update and mature the organization" with the next step being to "look hard at the financial picture". He advised he has background in not for profit organizations stating the AI Board's "task in the next 12 to 18 months is to build an organizational structure that will enable us to survive operationally on our own and then use fund raising and grant projects to handle some of these bigger projects". Church stated the AI needs time to achieve "a soft landing as we make that transition" since the partnership with 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; however, he noted it has been a good 10 years.

Mayor ProTem Grimes asked if there has been an audit prepared by an outside firm with Mayor Johnson answering that Ward & Foust is handling this. Bass pointed out there is an annual review for 2011 and will have a "full-blown audit" for 2012. County Commissioner Petty asked a question regarding a statement by Commissioner Kost that other businesses may possibly close if the Arts Incubator closes and Bass mentioned that 14 businesses would close and asked how this tied together? Bass stated the anchor businesses in the Incubator which include the coffee shop, guitar maker, and artists spun off from the Incubator and opened their own businesses, retail gallery, exhibition gallery, etc. Petty asked why the other storefronts would need the Incubator to operate an independent business with Bass stating that the Incubator is the anchor and the "driver of activity" and is what attracts people from other places. She also noted that the other businesses rely on the Incubator to send people to their businesses. Bass stated that during Christmas, these business owners were upset because the AI gallery manager was unable to find enough volunteers to stay open every day advising they felt it was important for the main gallery to be open to direct customers to their businesses. Petty stated this is the economy that we currently live in and all businesses are facing the same thing. Petty asked what the County would tell other businesses who are facing tough economic times when they bring out the fact that the County is helping the AI with taxpayer monies? Bass responded that she believes there is a difference between the 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, incubation of new businesses which in turn create other new businesses. Chairman Bock stated the difference in an anchor store such as "Target" pulling out of a shopping mall and the Incubator is that Target will not be coming to a County or Town Board asking for monies to keep them open. He pointed out the County has invested over a half million dollars in the AI and it has not been successful. Bass asked in what way the investment in downtown Siler City and the activity is not a success?

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Bock clarified that the Incubator is not a financial success if government has to keep putting monies into it. He then asked would it not be better to have business in downtown that was paying full property taxes? The question was asked if the County funds economic development with Bock answering absolutely. Bass then asked what the difference was between funding the AI and other economic development? Bock explained the County has been and continues to invest in economic development and the EDC has looked at the numbers and does not feel continued funding to the AI is the best use of economic development dollars. Bass pointed out that the EDC is currently working with the NC STEP program in Siler City to open a new incubator. The County funds a certain amount of money to the EDC and their Board chooses the best use of their economic development dollars. Mayor Johnson advised the Incubator brings in tourism and that this discussion is not just about the CCCC building but the recourse of the bank to take the other buildings of the AI of which is a big concern of his. Losing all the businesses at one time will devastate downtown Siler City. Commissioner Kost pointed out the County has been paying rent on this building for several years and does not want to do another long-term commitment, but because the AI was not aware the County would not continue to fund them, they have not had time to come up with a plan. Her suggestion is to help them through July 2013 to allow them time to come up with a plan to survive and then the County can bow out. Kost also mentioned the fact that the County Board and EDC has been discussing ways to help Siler City and feels this is an investment in Siler City stating this would have an enormous negative impact if the funding is pulled away now. Commissioner Stewart asked how long the original agreement was to last? Jeff Starkweather spoke up that there was no agreement. CCCC started this program and he does not recall that the agreement would end within a certain period advising he was involved with the EDC at this time. Dr. Marchant, President of CCCC, stated that "the best he could determine we had two (5) year leases signed and executed by the then president of the college and the then executive director of the Incubator". The current second five year contract will expire in September of 2012. He advised "the money always came as a pass through from the County". Dr. Marchant pointed out the Community College "stands ready to do whatever the Commissioners ask us to do in terms of a facility or whatever and they will be glad to do it". The college cannot continue to operate a "credit program" that has had such a low enrollment. This is controlled by the NC Community College system. In response to a question from Mayor ProTem Grimes, Dr. Marchant replied that the college never committed to a certain type of program, but the agreement was for the rental of the building. It was pointed out the AI is in the process of purchasing that building. Mr. Church explained the building was "rehabilitated and built out for a particular use". Grimes clarified that the community college has been renting the building with the AI purchasing the building. Commissioner Stewart asked if the (\$500,000+) is for the purchase of that building? Bass advised the AI owes about \$4,000 for the purchase of the building. The large loan was used to up-fit the building for CCCC with the building used as collateral. Bass made the comment that the collateral was "really the contract with CCCC". Bock stated it sounds like a bank problem not a County problem as "they wrote a 20 year loan on a lease that ends in 5. I think what they are hoping is they can play on our emotions and get us to pay rent on the space that is no longer needed for what it was written for". Bass reiterated that the AI is asking for time because she is only part-time and that part of the request is for a staff person to develop a program. Bock asked when the AI received notification from the community college that they would not be renewing the lease with Bass responding sometime in February? He pointed out that the community college will be paying the lease through September, so he felt 7 months was enough time. Bass asked, "Could you start a new program in six months, no staff, no equipment, no funds"? Bock replied, "Maybe not, but the point is you've known for 5 years and now they've given you 7 months notice which is pretty good for someone leasing a space".

Mary Helen Moody, 188 Fairway Drive, Siler City, NC 27344: Mrs. Moody has been a Board member of the Arts Incubator. She advised when the new community college was built, she asked Karen Allen if the pottery program would move from downtown who answered absolutely not. Moody advised she told her then that "I love the pottery school but I love the Arts Incubator more and we don't want to be dumped on and I truly feel that is what has happened to us. For me to find out that the school was closing from a student and not through the Board which I think is very improper. I want to clarify one thing. When the building was purchased, we didn't have to pay a lot of money for the building. We paid an awful lot of money to refurbish it and to meet the specifications that Leon Tongret, who was not only our director but was also employed by CCCC. We spent that money to outfit for a pottery school". She stated that 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. Moody invited all present to a Third Friday Artwalk to see the activity. She stated she is very disappointed the AI has not received the support from Mr. Marchant and the community college.

Donna Sivulka, 3942 Rives Chapel Rd., Siler City, NC 27344: Sivulka advised she has been working with the NC STEP program in Siler City for the past 15 months with the retirement group and is also charged as chairman of the group working to establish a nature trail on the Rocky River. During these committee meetings, she advised there were always 4 things that came up in discussions on how to revitalize Siler City as follows: 1) the natural beauty of western Chatham County; 2) the fact there is a hospital; 3) that a community college is located in Siler City; and 4) the fact that there is an Arts Incubator. The committee 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 them to consider extending the AI this "lifeline" of time.

Ben Pistole, 102 Green Meadow Ct., Pittsboro, NC 27312: He advised he is the VP of Chatham Professional Partners which is a small business incubator that offers affordable office space, use of office equipment, conference rooms etc. stating they 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 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 decision.

Susan Baker, 230 S. 3rd Avenue, Siler City, NC 27344: Ms. Baker explained that she is a business person working with Regions Bank in special assets dealing with "bad loans, real estate, etc.". She is also an artist who has been a tenant at the Art Incubator for about 2 years pointing out that she is one of many who have moved to Siler City from other places because of the AI. Baker advised she has a "fairly high income" and lives and purchases 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, then you would start to see a reversal of the appearance that the Incubator is not working or

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failing". The restructuring of loans has happened to many well run companies Banker pointed out. She also feels there are persons running the Incubator now that have skills in looking at the "whole picture". Baker asked that the Boards do what is necessary to give enough time to turn things around which cannot be accomplished in 4 or 5 months.

Jeff Starkweather, Pittsboro, NC 27312: He stated he is a member of the EDC and has worked with the Incubator. Starkweather advised 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 would disagree because the purpose of an Incubator is to incubate businesses and there have been 14 businesses that have come out of the AI. He also stated that the country has, in the last 3 years, been in the greatest recession since the Great Depression. The AI plays a role in attracting tourism and downtown revitalization. Starkweather feels the AI in Siler City is a vital institution and would like to see the County Board give them a transition period. He also pointed out that "in a way, this construction loan is a government loan because the AI was borrowing money to put in a building so a community college could use it".

Vidabeth Bensen: She advised she lives in Northern Chatham County and the only reason she comes to Siler City is because of the Arts Incubator and feels it is a vital part of downtown Siler City.

Jim Duncan, 662 Royal Sunset Dr., Durham, NC: Mr. Duncan asked the Boards to make a business decision based on numbers. "If it is inevitable that the Incubator is going to go away then I think you have to make that judgment. The idea of keeping something alive for a year for it to fail in a year does not make sense". He stated that "a lot of things can be sold to the citizens of this community and it doesn't seem like it is getting sold. What we are doing is that we have our back to the wall and we're coming back to government to save something that Siler City and Chatham County needs". The Boards will need to decide how to best serve the citizens of Siler City and Chatham County asking, "Is this the best investment that will give us 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 he hopes the Arts Incubator is successful but told them to "make the case and get rid of the emotion".

Commissioner Stewart told the Arts Incubator supporters that from an emotional standpoint she hears them, but asked if the AI can be "self-sustaining? What will you do today that you didn't do in the last 8 years in looking back" pointing out she would like to see the "hard numbers and hard facts". Seeing the hard numbers would make it helpful and much easier to make a decision in seeing if the AI can be self-sustaining in a year.

Richard Church: He advised he understands these concerns and believes that "as an institution we have not been mature enough to have that kind of discipline. We need to fully understand exactly where we are at on an outlay basis" pointing out he thinks they will restructure the loan and the payment will change. There is also potential to sell off portions of certain buildings that are not utilized and pay down part of the loan as well to "make the payment rate at a more sustainable number for us on a long-term basis". The AI needs a more systematic approach to fund raising and working with more private donors on a regular basis. Church stated, "This space is becoming available to us. We've heard from the Community College that a lot of their struggle in that space has been degree based students are not inclined to be in that program - pointing out you are either a good ceramics maker or not" with people not caring what degree you have behind your name. The AI now has the advantage in operating to get into a revenue based program where there is teaching and people are paying for these courses. Church pointed out this will take some time advising they have spoken with Capital Bank and believe they will work with the AI.

County Commissioner Stewart asked if anyone was keeping up with the number of persons who visit the Arts Incubator each week and how much the sales are per month with Bass responding there is documentation from the gallery; however, each storefront will now begin tracking this information. County Commissioner Walter Petty has visited downtown Siler City since this issue came up and finds the storefronts are not open much of the time. Bass advised the Incubator building is open but not the other storefronts and that sales are recorded out of the Incubator. Petty pointed out that Bass stated these other businesses will fail if the Incubator closes; however, Bock noted that if these businesses are open with random business hours and their hours are not posted, then they will fail on their own and not because of the Incubator. He also stated that because the Incubator does not have "hard and fast numbers", it makes for a hard decision because the County does not have an unlimited amount of money and advised the \$68,000 requested will come from property tax paid by Chatham County citizens. Bock also noted that other businesses brought up in this discussion such as Block Buster, etc. are not using taxpayer dollars, but private money. He, along with the other members of the County Board, has the responsibility of spending tax dollars in the best way possible. Bock stated, "What is the core function of what we are supposed to be doing? I think the case is made very strongly that economic development is the core function. We fund tourism, we fund economic development and we fund part of the community college, etc. and now to add this on top of it and it is a hard case to make because we don't have numbers". Church spoke up and stated that the numbers and budget given to the County in their proposal are the "numbers we believe we need to get through to a place that the program is operational". There is a big difference between Blockbuster and the Arts Incubator pointing out the AI is a "not for profit that has taken on a largely governmental function in terms of the revitalization and economic development. Every dollar that this organization ever makes will not personally benefit the person". Mayor ProTem Grimes asked how long the AI Board has been in discussion with Capital Bank with Church answering about 2 weeks. In response to another question, Church responded that the bank "clearly understands that they have a lot of money in that building, more than probably the building is worth". He stated the building appraised for \$422,000 which is puzzling to him. Bass mentioned the challenge to the AI is putting together a program with some income generating activity to go in the building being vacated by the community college. Also of importance is developing an operational revenue stream which currently is only from rental of space and that will not sustain the AI. Commissioner Stewart asked if there were any assets? Bass replied the AI owns 229, 231 and 233 N. Chatham Avenue "outright". They also hold the mortgage on 223 N. Chatham which includes the retail gallery, the exhibition gallery, the courtyard and coffee shop. Mayor ProTem Grimes feels it is important for the Boards to be able to see an outside audit. Church volunteered to send 990's to the Board members. In response to a question from Grimes, Bass stated they are 4 months behind in their payment to the bank. Commissioner Price stated he is hearing them say "you are working on a plan to gain sustainability and heard soon" and asked them to "explain soon in a

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more precise manner". Bass advised there is a new board starting April 18, 2012 which will require training to understand the work of the Arts Incubator. One of the items on the meeting for next week is to begin to put together a strategic plan and reiterated they are "begging for time with so much change all at once". She gave the following plea for assistance:

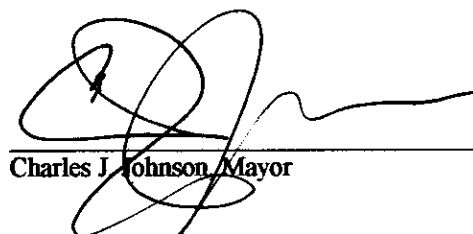
- An additional nine months of assistance on the building.
- Maintain the CCCC rental support of \$4,750/month totaling \$42,750/ year or pay building expenses, mortgage loan and utilities totaling \$37,188/year.
- In order to sustain the Arts Incubator, it is necessary to hire a part-time dedicated staff person to perform a marketing analysis to find out niches the AI could fill. This figure is \$37,363 per year.

County Chair Bock asked if the County were to give money, what type of clawback provision would be provided in order to get their money back if the AI fails? He also asked "are you in the arts business or are you in the real estate business" stating that "all the other stuff has dragged you down". Commissioner Petty asked Bass to show them how making an investment in the business is secure and asked if it were possible to wait until arrangements are made with the bank. "If truly all we're doing is keeping it to survive until it is restructured, that is one thing, but if we're keeping it alive just to see it die 6 months or a year from now, that is a different issue" pointing out 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 and ask them to invest in the community with Church and Bass agreeing. At this point, Dr. Marchant mentioned there are models where persons operate a business that provides artistic training stating it will need to be marketed, find the right instructor, etc. He stated, "Do not take the fact that our degree was not successful as there not being a market for artist training". Commissioner Stewart suggested they look in other towns where the arts are successful.

Commissioner Cross mentioned the fact that the County has been helping the Arts Incubator for 10 years and feels it is a moral obligation to give some time to the Arts Incubator. 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 9 months. It will then be necessary to see what type of business plan and refinancing the Incubator has lined up. If the County pulls out now, the help in the last 10 years has been wasted and it will hurt Siler City.

Church advised that the most crucial funding will be sustaining the building and adding a part-time staff person in order to become an operational program that generates its own revenue. After further discussion, Commissioner Kost asked if the County were to fund a portion of this request if the Town could help the County? Town Manager Brower responded this request would be decided by the Town Board during the budget process. Kost 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. Grimes pointed out that a decision cannot be made today 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. He stated the Town Board will take this under consideration during the Town's budget process. Commissioner Cheek asked members of the Arts Incubator to give as much information as possible prior to budget discussions giving them an opportunity to make the best decision. The first meeting of the Arts Incubator Board is April 18th which County and Town Board members pointed out will be a crucial meeting to help them make their decision. Grimes again reiterated he would like to see an outside audit or copy of a review by auditors.

Mayor Johnson thanked members of both Boards for coming together to discuss this matter. With no further business, the meeting adjourned at 3:49 p.m.



Charles J. Johnson, Mayor

ATTEST:



Karen C. Alman, Town Clerk

The following will be attached to the minutes of this meeting as Commissioner Adams was unable to attend.

- Attachment 15A: Letter from Siler City Town Board of Commissioner Sam Adams to the Chatham County Board of Commissioners dated March 8, 2012
- Attachment 15B: Comments from Siler City Town Board of Commissioner Sam Adams regarding the Joint Meeting of the Chatham County Board of Commissioners and the Siler City Town Board of Commissioners dated March 31, 2012