

CITY OF EDEN, N.C.

A special meeting of the City Council, City of Eden, was held on Monday, November 23, 2020 at 4 p.m. in the conference room, 308 E. Stadium Drive. Those present for the meeting were as follows:

Mayor:	Neville Hall
Council Members:	Darryl Carter
	Gerald Ellis
	Jerry Epps (attended remotely)
	Angela Hampton
	Phillip Hunnicutt
	Bernie Moore
	Bruce Nooe
City Manager:	Jon Mendenhall
City Clerk:	Deanna Hunt
City Attorney:	Erin Gilley

Mayor Hall called the special meeting of the Eden City Council to order.

Consideration of a loan commitment letter for Nantucket Mill:

Mayor Hall called on City Attorney Erin Gilley.

Ms. Gilley said as Council was aware, the Nantucket was a historic mill and community icon. The project would restore the mill and turn it into a complex consisting of 115 low- and moderate-income housing units. In addition to newly renovated, affordable apartments for Eden's citizens, other benefits anticipated from the project included major construction of a facility for the next two years and an increase in the customer base for the Spray, Cook Block and Boulevard areas. If the mill were not rehabilitated, it was believed the City would be left with a mill with environmental issues which would be harvested of its equipment, leaving the cost of the abatement to be brought to the City. The Town of Mayodan was currently facing that very issue with the Washington Mill. She had provided Council with a resume for the developer, Tonya Haddock.

Ms. Gilley said the project was in the final stages of approval by the North Carolina Housing Finance Agency. The project currently had a \$750,000 funding gap and the City was being asked to assist. Planning & Inspections Director Kelly Stultz and Economic Development Director Mike Dougherty were diligently searching for Federal and State funds to assist. While they hoped to receive assistance in the next year, the project must currently move forward. They were already seeing the benefits that Purina was bringing to the City and they hoped that would help ease the burden.

Ms. Gilley explained the proposal before Council was in the form of a resolution which authorized \$100,000 in building permit fee waivers for the historic and at-risk property, \$100,000 allocated by the Strategic Planning Commission, \$33,000 from the issuance of the multifamily housing revenue bonds that would be allocated back to the project, and \$12,000 from the purchase of a lot for sewer line access that the City expected to be reimbursed for from the State. That left a \$505,000 financing arrangement of a 30-year loan at 1 percent interest. Annual payments of \$9,000 would be made in the form of debt service payments by the owner. The remaining annual payment would be made in the form of a long-term lease of a 3,600 square foot flex space to the City. A balloon payment would be due to the City for the remaining principal and interest. The loan would be subordinate to a primary loan.

Council Member Hunnicutt said he thought the project added the opportunity to provide quality housing in a neighborhood that needed it, as well as the demand for growth of retail in that area. The Nantucket Mill was only one of four mill properties in that neighborhood. Two of those mills were sitting idle and in very poor condition. Even though the other two may be partially used, their futures were uncertain. If Council had the opportunity to advance one of the mills and put it back into use, he thought they should give it serious consideration and support it as much as possible. He had recently spoken with eight taxpayers representing six families in the community about the Nantucket

project in order to get their feedback. Their unanimous response was that the City should invest in the project realizing that they may have to spend that much or more if the property ultimately came to the City in terms of environmental cleanup and cleaning the site.

Council Member Hunnicutt made a motion to adopt the resolutions for financing for the Nantucket Mill Rehabilitation Project. Council Member Carter seconded the motion. All members voted in favor of the motion. The motion carried.

RESOLUTIONS TO ADOPT AND APPROVE THE CITY OF EDEN FINANCING
FOR NANTUCKET MILL REHABILITATION PROJECT

WHEREAS, in order to induce the North Carolina Housing Finance Agency (the “NCHFA”), to reserve an allocation to Tapestry Development Group, Inc. and Cadence Development LLC (collectively, the “Developer”) through the low-income housing tax credit program under Section 42 (“LIHTC”) and tax-exempt bond financing under Sections 142(d) and 146 of the Internal Revenue Code of 1986, as amended (the “Code”) for a proposed one hundred fifteen (115) unit multifamily affordable housing apartment complex to be known as Nantucket Mill Lofts (the “Facility”); and

WHEREAS, if Developer’s application to the NCHFA for the Facility is successful, Developer will form a single-purpose entity (the “Nantucket Mill Owner”) to acquire, construct, and otherwise rehabilitate an existing textile mill and certain real property upon which it is located at 104 Morgan Road (the “Property”) and develop the Facility; and

WHEREAS, the Property is a historic and at-risk property that the City of Eden, a municipality incorporated and existing under the laws of the State of North Carolina (the “City”) desires to preserve; and

WHEREAS, through the acquisition, development, construction and rehabilitation of the mill and the Property, Nantucket Mill Owner, Developer and the Facility will make a significant capital investment in Rockingham County, a political subdivision of the State of North Carolina (the “County”) and the City, and, among other benefits to the City, will rehabilitate a historic and at-risk property, incentivize economic development in the City, create affordable housing for tenants and their families, and create a substantial number of new jobs in the City; and

WHEREAS, the Developer has requested that the City provide certain economic development incentives and funding to induce the NCHFA to award an allocation under the LIHTC program and the Code, and to induce the Developer to make the investment in the Facility and the City; and

WHEREAS, the City may, in its discretion, waive building permit fees for projects that include more than One Hundred Thousand and No/100 Dollars (\$100,000.00) in renovation costs, and because the Facility is historic and at risk of demolition, rehabilitation of the Facility will encourage economic investment in the City, the City will waive building permit fees in an amount of up to One Hundred Thousand and No/100 Dollars (\$100,000.00) to offset rehabilitation costs of the Facility (the “Building Permit Fee Waiver”); and

WHEREAS, in exchange for a preservation easement in favor of the City (the “Preservation Easement”), the City Strategic Planning Commission approved the special allocation of funding to the Facility in the amount of up to One Hundred Thousand and No/100 Dollars (\$100,000.00), to be disbursed from 2021 through 2022, which allocation must be approved by the City Council (the “Façade Grant”); and

WHEREAS, upon the Nantucket Mill Owner’s purchase of the Property, the City will receive an amount up to Thirty-Three Thousand and No/100 Dollars (\$33,000.00) from the issuance of multifamily housing revenue bonds, which amount will be allocated to the Nantucket Mill Owner for the development of the Facility (the “Bond Proceeds Reinvestment”); and

WHEREAS, to facilitate the development of the Facility and the construction of a sewer line to serve the Facility; the City will purchase a vacant parcel of real property adjacent to the Property located at Warehouse Street and Morgan Road and having Tax Parcel Identification Number 707015649674 and Parcel Number 173440, in an amount not to exceed Twelve Thousand and No/100 Dollars (\$12,000.00) (the “Sewer Access Parcel”); and

WHEREAS, the City will provide a subordinate loan from City general funds in an amount not to exceed Five Hundred Five Thousand and No/100 Dollars (\$505,000.00), which loan shall have a thirty (30) year term, a one percent (1%) interest rate, annual debt service payments in the amount of Nine Thousand and No/100 Dollars (\$9,000.00), and be disbursed at fifty percent (50%) completion of the construction/development of the Facility and at one hundred percent (100%) completion of the construction/development of the Facility (the “City Loan”); and

WHEREAS, the City Loan will be evidenced by a promissory note and such other documents as may be required by the City and its counsel, including but not limited to a commitment letter, an environmental indemnification agreement, a loan agreement, deed of trust, a restrictive covenants agreement, and a right of first refusal in favor of the City (the “City Loan Documents”); and

WHEREAS, the Nantucket Mill Owner and the City will enter into a long term lease for flex-space in the Facility (the “Lease”), which flex-space shall be conveyed to the City will all sheetrock, lighting, heating and air-conditioning completed by and at the cost of the Developer and/or Nantucket Mill Owner as be applicable, and which flex-space may be used for such purpose or purposes as the City may desire, such as office space, event space, senior center space, or such other purpose as may be approved by the City, Nantucket Mill Owner, and any financing, equity or development partners of Nantucket Mill Owner and Developer as may be required; and

WHEREAS, the Lease will be subject to the review and approval of City, Nantucket Mill Owner, Developer, and any financing, equity or development partners of Nantucket Mill Owner and Developer as may be required, and will provide that the City pay the costs of utilities, a term of up to thirty (30) years, rent payments in an amount of up to Seven Hundred and No/100 Dollars (\$700.00) per month, and a balloon payment during the term of the Lease, or upon such other terms, rent payments, and conditions as may be approved by the City, Nantucket Mill Owner, and any financing, equity or development partners of Nantucket Mill Owner and Developer as may be required (the “Lease Terms”); and

WHEREAS, the City’s total investment in the Facility and the Property will be in the amount of Seven Hundred Fifty Thousand and No/100 Dollars (\$750,000.00) (the “City Financing”); and

WHEREAS, it is in the best interests of the City to enter into the City Financing arrangement for the Facility and the Property with Nantucket Mill Owner and Developer, to approve the Building Permit Fee Waiver, the Façade Grant, the Preservation Easement, the Bond Proceeds Reinvestment, the purchase of the Sewer Access Parcel, the extension of the City Loan to the Nantucket Mill Owner, the preparation, negotiation and execution of the City Loan Documents, the negotiation and execution of the Lease and the Lease Terms; and

WHEREAS, it is in the best interests of the City for the City Council to authorize Jon Mendenhall, City Manager of the City of Eden and/or Erin Gilley, City Attorney for the City of Eden, and his, her or their designee or designees, to prepare, negotiate, execute and deliver on behalf of the City any and all commitment letters, deeds, purchase agreements, subordination agreements, grant agreements, materials, forms, materials, forms, promissory notes, deeds of trust, certificates, agreements, the Lease, the City Loan Documents, and other any and all other matters as may be required or necessary in connection with or to accomplish the Building Permit Fee Waiver, the Façade Grant, the Preservation Easement, the Bond Proceeds Reinvestment, the purchase of the Sewer Access Parcel, the extension of the City Loan to the Nantucket Mill Owner, the preparation, negotiation and execution of the City Loan Documents, the preparation, negotiation and execution of the Lease and the Lease Terms, and to otherwise accomplish the City Financing for the Facility and the Property; and

NOW THEREFORE, BE IT RESOLVED, that the foregoing recitals are adopted and incorporated as true and correct and as the factual basis for the actions of the City and the City Council and the following resolutions; and

FURTHER RESOLVED, that the City Council approves the City Financing, the Building Permit Fee Waiver, the Façade Grant, the Preservation Easement, the Bond Proceeds Reinvestment, the purchase of the Sewer Access Parcel, the City Loan, the City Loan Documents, and the Lease and the Lease Terms; and

FUTHER RESOLVED, that the City Council authorizes Jon Mendenhall, City Manager of the City of Eden, and/or Erin Gilley, City Attorney for the City of Eden, and his, her or their designee or designees, to prepare, negotiate, execute and deliver on behalf of the City any and all commitment letters, deeds, purchase agreements, grant agreements, materials, forms, materials, forms, promissory notes, deeds of trust, certificates, agreements, subordination agreements, the Lease, the City Loan Documents, and other any and all other matters as may be required or necessary in connection with or to accomplish the Building Permit Fee Waiver, the Façade Grant, the Preservation Easement, the Bond Proceeds Reinvestment, the purchase of the Sewer Access Parcel, the extension of the City Loan to the Nantucket Mill Owner, the preparation, negotiation and execution of the City Loan Documents, the preparation, negotiation and execution of the Lease and the Lease Terms, and to otherwise accomplish the City Financing for the Facility and the Property; and

FURTHER RESOLVED, the City Council for the City of Eden hereby adopts and approves the foregoing resolutions.

APPROVED, ADOPTED AND EFFECTIVE this 23rd day of November, 2020.

CITY OF EDEN:

Neville Hall, Mayor

Deanna Hunt, City Clerk

Respectfully submitted,

Deanna Hunt, City Clerk

ATTEST:

Neville Hall, Mayor