

TYRONE DOWNTOWN DEVELOPMENT AUTHORITY

MINUTES

December 11, 2023 at 9:00 AM

Billy Campbell, Chairman

Jeni Mount, Vice-Chairwoman

Luci McDuffie, Treasurer

Ernie Johnson

John Kaufman

Nathan Reese

Adam She

Brandon Perkins, Town Manager

Phillip Trocquet, Asst. Town Manager

Ciara Willis, Secretary

E. Allison Ivey Cox, Town Attorney

Absent:

Adam She, Board Member

Also Present:

Melissa Hill, Council Member

Lynda Owens, Recreation Manager

Krista McClenny, Recreation Assistant

I. CALL TO ORDER

II. INVOCATION

III. PLEDGE OF ALLEGIANCE

IV. PUBLIC COMMENTS: *The first public comment period is reserved for non-agenda items. Comments are limited to three (3) minutes. Please state your name & address. Comments that require a response may not be answered during this time. The DDA or staff may respond at a later date.*

V. APPROVAL OF AGENDA

A motion was made to approve the agenda.

Motion made by Board Member Johnson, Seconded by Board Member Kaufman.

Voting Yea: Chairman Campbell, Vice-Chairwoman Mount, Treasurer McDuffie, Board Member Reese.

VI. APPROVAL OF MINUTES

1. Approval of the October 9, 2023 meeting minutes.

A motion was made to approve the October 9, 2023 meeting minutes.

Motion made by Treasurer McDuffie, Seconded by Vice-Chairwoman Mount.

Voting Yea: Chairman Campbell, Board Member Johnson, Board Member Kaufman, Board Member Reese.

VII. PRESENTATIONS

VIII. OLD BUSINESS

IX. NEW BUSINESS

2. Review of draft contract elements regarding the Fire Station Redevelopment Project with Neighbors Restaurant. - ***Phillip Trocquet, Assistant Town Manager***

Mr. Trocquet initiated the discussion regarding the draft contract terms and conditions for the old fire station development project with Neighbors Restaurant. The draft contract was emailed to the Board, and he wanted to ensure everyone agreed on the terms and conditions collectively. He further stated that Collins Woods and the Neighbors' team desired additional information from the Board about specific elements in the document, such as project schedules and lease terms/agreements. The comments and revisions by the Board would give Mr. Woods the confidence to procure architectural and builder quotes/preliminary designs. He added that the draft contract would advance to a finalized document once both parties agreed on the terms.

He stated that the draft contract comprised two documents, but the specific terms must be fully defined. The agreements would be completed once the final terms and actual figures were established. Mr. Trocquet stated that one of the documents was a financial plan, and the other was a complete lease agreement. The two documents would develop throughout the negotiation process.

Mr. Trocquet asked the Board if they had any initial comments about the draft contract before he examined segments of the documents in detail, including the project scope, financial contributions, and project execution. Board Member Johnson inquired about the financial contributions section of the contract. Mr. Trocquet explained that the financial contributions terms were detailed in sections 6.1 and 6.2, which explained the DDA's and development partner's contributions. This section defined the DDA's contributions, which comprised \$100,000 in escrow funds and \$300,000 in grant funds from the Fayette County Development Authority (FCDA) that would be used toward renovations. Specifically, the FCDA grant funds could only be used for exterior improvements. The development partner's contributions comprised \$100,000 in escrow funds and the necessary private equity to complete the project.

Treasurer McDuffie asked which escrow funds would be utilized initially on the project. Mr. Trocquet replied that he needed feedback from the Board. She emphasized that based on her professional experience, the development partner's funds would be used first. Board members then discussed how the funds would be expended and agreed that the development partner's escrow funds would be exhausted first.

Board Member Johnson inquired about the contract terms if the development partner vacated the property. Chairman Campbell mentioned that the draft contract outlined in section 8.1.3 that the development partner had to leave the building in its original condition. Mr. Trocquet clarified that the "original condition" would be defined in the final contract as post-construction or the Certificate of Occupancy issuance.

Board Member Johnson then stated that securing a contract with the Neighbors' team was paramount. In addition, he expressed that the lease term should not commence until the Certificate of Occupancy was issued. Further, he stated that the lease agreement should include a stair-step lease payment arrangement over 12 months. The Board agreed that the first three months would be rent-free, increasing the monthly rent gradually to 12 months. In section 8.1.2. of the draft contract, the term referenced that the rent-free period would facilitate the development partner in stabilizing the restaurant's operations without the financial burden of rent.

Next, Board Member Johnson inquired about film privileges and sublet terms. Mr. Trocquet explained that film agreement terms were not listed in the draft contract but would be added to the sublet terms section and clearly defined. Mr. Perkins added that film authorizations would be solely up to Mr. Woods once a contract was signed. Mr. Trocquet noted that specific filming terminology would not be manifested in the final contract but would be a term in the lease agreement.

Mr. Trocquet highlighted the most significant sections of the draft contract by starting with the project's scope in section 4 of the document. Specifically, in section 4.1.1, the term detailed interior renovations, and section 4.1.2 described the functionality of the exterior development after the renovations. He noted that the bay doors would be glass, with one being operational. Additionally, he asked the Board for their opinions and suggestions regarding the doors. Board members concurred that one of the glass doors should be functional, while the functionality of the other door would be up to the development partner. Next, Mr. Trocquet asked if anyone had any questions regarding that section of the draft contract. Board Member Reese inquired about the upstairs interior room. Mr. Trocquet stated that verbiage regarding the upstairs usage could be added, but essentially, it was up to the Board's discretion.

Board Member Johnson reiterated the importance of finalizing a contract and monthly rent with Neighbors Restaurant. Treasurer McDuffie then explained that the DDA could not give Mr. Woods those details until the Board gathered more information. Many factors must be considered before a final determination on monthly rent, such as whether the lease payments included property taxes or not. Mr. Trocquet emphasized that it would be essential to consider taxes before finalizing and proposing a monthly payment. Essentially, the lease term regarding the contract length would establish ownership interest by the tax assessor. Therefore, the Board must evaluate this factor before considering a monthly rent payment.

Mr. Trocquet added that Mr. Woods wanted a long-term lease, as did the DDA because it anchored and secured the project. Mr. Trocquet asked Attorney Cox if five years was the cut-off threshold for establishing increased ownership interest. Attorney Cox encouraged the Board to consider a lease agreement under five years because the law gave a presumption of ownership interest in the property to a tenant over that period. She explained that the tenant would not be taxed on the property but on the tenant's leasehold interest. Further, she emphasized that the tenant's leasehold interest was a balancing act because it was in the DDA's interest to maintain ownership control. Mr. Trocquet indicated that it would be up to the DDA to determine how much ownership

interest they would relinquish to the development partner. He suggested that the Board provide the development partner with a monthly worst-case scenario calculation since there were many unknown factors. We estimated that the property taxes would be between \$12,000 and \$15,000 yearly based on a \$1.5 million property valuation after renovations.

Mr. Trocquet discussed the project's execution terms in section 7. He stated that the DDA's role in the approval process would mainly be administrative, and the development partner had discretion within that framework. In addition, the DDA would review and approve the design plans at various project stages. The project's review stages were at the initial, 60%, and 90% design phases for the architectural, site, and interior plans.

Chairman Campbell questioned if anyone had previously conversed with Mr. Woods about taxation. Mr. Trocquet replied not at this time. Mr. Trocquet noted that he would come up with rough lease payment numbers and present them to Mr. Woods. As a result, Mr. Woods could give feedback to the Board before finalizing a monthly lease payment.

The Board further discussed the rent payment and the initial payment escalation period of 12 months. Mr. Trocquet clarified that the first three after Certificate of Occupancy (CO) issuance would not be entirely rent-free. He stated to keep in mind that the rent should at least include the taxes on the property, which would be at a reduced monthly payment.

The discussion moved to the exterior elements of the contract. This section outlined the DDA's responsibilities for structural repairs, major systems, and common areas. One of the terms under 8.2.1.2 stated that the DDA would be responsible for major systems, but the Board agreed that the development partner would be responsible for such repairs. Another revision to this section was to modify the term, which made the development partner responsible for landscape maintenance. However, the DDA would maintain and be responsible for the trail and easement in the rear of the property. The Board agreed that the DDA would not be required to maintain the exterior portion of the property except in the specified areas. Mr. Trocquet stated that he would leave the term for common areas in the contract but specify the easement area.

Mr. Trocquet inquired about when the development partner should have to carry insurance on the property. The Board concurred that the development partner should have insurance on the building once a contract was signed.

The Board estimated the monthly rent would be between \$5,000 and \$6,000. Mr. Perkins pointed out that the preliminary rent numbers seemed high. In addition, Mr. Perkins shared that the probable estimation was much higher than the amount he figured at the beginning of the redevelopment process. He stated that the purpose of the DDA was to redevelop blighted properties, increase economic development, and generate nominal revenue for the DDA. He believed the \$5,000-\$6,000 monthly rent was exorbitant, especially if the development partner was responsible for major system repairs.

The Board agreed they did not want to charge market rent; however, the final amount had to make economic sense. Thus, the Board discussed whether 50% of the market rate was reasonable. Mr. Trocquet stated that he would pull comps on commercial properties to obtain analysis figures and promptly relay that information to the Board. Board members agreed that the minimum rent would be at least \$5,000 monthly. Chairman Campbell emphasized that the conversation needed to start with Mr. Woods and the Neighbors' team. Mr. Trocquet stated that the purpose of the meeting was to get direction from the Board before conversing with the Neighbors' team. He reiterated that he would compare commercial rental spaces with similar square footage. Once the Board agreed on a monthly rent amount, he would present the proposed rental offer to Mr. Woods for review. The Board agreed with that suggestion.

X. PUBLIC COMMENTS

XI. STAFF COMMENTS

Mr. Trocquet shared that the Town was working on a redesign of Shamrock Park. He encouraged the Board to share their input on the conceptual design options posted in the Council Chambers after the meeting.

XII. BOARD COMMENTS

Chairman Campbell thanked Attorney Cox and Town staff for working on the draft contract with Neighbors Restaurant.

XIII. EXECUTIVE SESSION

XIV. ADJOURNMENT

A motion was made to adjourn.

Motion made by Board Member Kaufman, Seconded by Board Member Reese.
Voting Yea: Chairman Campbell, Vice-Chairwoman Mount, Treasurer McDuffie, Board Member Johnson.

The meeting adjourned at 10:24 am.

By: _____
Billy Campbell, Chairman

Attest: _____
Ciara Willis, Secretary