

**CITY COUNCIL
EXECUTIVE SESSION MEETING
MINUTES**

December 1, 2009

1) PROPERTY NEGOTIATIONS

PW: As we left off, the white board over there, we were working on various financing propositions and so, we're back to re-visiting that tonight. Later on, on the agenda, you will note that there is a Resolution to authorize me to sign the final closing documents for the Hinger property. This is required by the Hinger Trust, they want to make sure that all the formalizations from the Council are done. So, that is now down to its last step, well, I guess there is one interim step, the City Attorney has to check the Title report but, other than that we are pretty much down the check-list for the earnest money agreement and we're at the point of coming to closure. If everything runs smoothly, we will probably be closing within the next two weeks on the Hinger property. That's not to say that we can move in immediately, there's a lot of demo work that needs to be done; if you recall we will also have to get a CUP for that property for public facilities because it is in a residential zone. So, actually moving the Police in there, probably won't take place until March or April even.

DS: Paul, normally speaking, it's the Mayor or the President of the Council that signs...*(PW: you can do that too)*...documents for the City so, when I thought that over, I thought, how is this different? What has happened here that's bringing it up that they are asking for your signature?

PW: They're not asking for mine; the Mayor can do it if you want or the President. We have done it before on bond issues, things like that, having the City Administrator do it and I don't care one way or another if you'd prefer somebody else to do it, that's fine. They just want to make sure that the person putting the pen to the paper has the full authority of the Council. So, which person you delegate is up to you. You can change the name on the Resolution however.

JD: But, you have to have the Resolution nonetheless.

PW: You have to have the Resolution because whoever is going to go down to the Title Company and to sign the paper has to have the full authority of the Council.

DS: Okay.

PW: So, anyway that's the Resolution. So, we now have the financing issues, like I said, if you recall, the white board is up there, I basically updated it and put it on the back of the memo on asset management. So, you'll see that back of the memo is what you're seeing on the board up there so, they're very similar. I did not have the Romero appraisal at the time, however, it has come in, it's on your desks tonight, the sheet looks like this and the bottom line figure is \$63,500.00 on the appraisal. Mr. Romero has a copy of that and he does not agree with that, he feels that's very much under value and has presented a number of reasons why in terms of, "they didn't choose the right comparables, they didn't use an income approach," so on and so forth. So, that is an appraisal; that is a figure. We can run calc's on that figure, that's no problem, likelihood is, Mr. Romero will not accept that figure, so, you're going to have to...if you choose to proceed with that property, you will be in negotiation on pricing. At least you've got a ballpark figure on the table now, which I did not have when I wrote the memo. That doesn't change my recommendation, however, which is to not purchase the Romero property. My recommendation...given a look at all of the irons in the fire if you will, uh, the purchase of the Hinger property, the opportunity with the Galpin cemetery extension and the various resources that we have to borrow internally from, primarily, from the Historic Preservation Fund and to pay it back with, which is primarily the Urban Renewal Fund, I don't...I think we're stretching our internal

financing very thin. It could go beyond that with a third property purchase, it becomes difficult. You will also note that I threw in, wherever you build a new Fire Hall; you're going to have to finance that too. I use 1.2 million, which is the bottom end of financing a Fire Hall in my estimation. Using some of the square footage figures that we've had in the past; it could be about 1.5 or 1.6 million to get the square footages that we had in some of our programming discussions we've had for our Fire Hall. So, again, where you're going to end up with in terms of construction costs, I use \$250.00 a square foot, obviously, you can argue that up or down. But, anyway, at least it gives some ballpark for consideration. When you start weighing all these variables in here, and looking at setting up these loans, particularly, just using the internal financing, you've got a number of issues here as to how this is all going to have to occur and how you're going to replenish this. That's one of the advantages of not working with the present Fire Hall and the Romero property, is that you would then have that building available for surplus if you were to build behind the Miller House with the Fire Hall. The other advantage of building behind the Miller House is that you don't have to temporarily house your Fire Department while you're constructing. You can leave them where they are, build the Fire Hall, and then move them in and then surplus the existing Fire Hall property. It is a much simpler transition than trying to construct where the Fire Hall is now, because you would have to move the Fire Department out, demo, construct, then move them back in. Then you don't gain any surplus value so, those are the considerations that I...*(inaudible...)*when I was making my recommendations for not proceeding further with the Romero property. I think you've got a great deal of financing issues to deal with as is with just the Hinger and the Galpin properties. The Hinger property, as you can see here, we are looking at probably a minimum of \$20,000.00 to sink into it for security and getting the upgrades we need. We are going to be pretty much pulling the carpet out of the place, because it's all shag carpeting, which won't work very well and laying down some sort of industrial carpeting, that sort of thing. You've got some electrical upgrades that need to be done; we have to hook the emergency power up to that building, because it's going to be functioning as our Emergency Operations Center. So, getting the generator switched into that circuit will be part of the cost. So, at a minimum you are looking at about a \$20,000.00 proposal there. So, that's why I used, roughly, a \$300,000.00 loan coming out of Historic Preservation to make those upgrades. That's where I got the figures that are laid out here. I'll stop there for now and open it up to questions and we can go in whatever direction you want but, at least you've got a picture of the matrix and if you don't understand the format of how that works, I also gave you all of the City assets so you can look at what your asset balances are going to be here as you look at potentials for surplus to pay for these various changes that we're looking at. So, I guess I'm open to questions?

CG: I'm concerned about buying anything actually right now. And the reason I'm concerned about it is, from my understanding of the County and the Historical Society, I even said "Historical", um, was that some of those properties may be annexed and if that's the case, looking at our history value, losing either the City Hall, Beekman, even the Rectory or the U. S. Hotel, losing those to private individuals would be somewhat devastating to our economy or at least to our historical nature. I took the opportunity to call CW awhile back and he didn't give me much time. I haven't had time or a chance to reflect with him again but, from what I read in my e-mails correctly, that is what it looks like is going to happen and if we dump all of our money into these other properties, we're not going to have anything if they do come up for sale and thus, not get them.

PW: So, when you say annexed, what you're saying is that what you're hearing is that the County is going to surplus all these properties?

DW: If they don't sell them to us, they'll sell them to somebody else. We had our meeting on that already; I realize they have been stonewalling this Historical Society and it's a lose=lose situation so, we...I look at this paper and I think, "My God, where's all this money coming from and the Historical Society buildings, I think Jacksonville deserves preserving our history first. I agree with you Chris.

JD: Yeah...you know, for awhile, just recently I started thinking about this whole thing and I don't think it would be devastating...I think it would be better if some of these building were in private hands. I mean, just because they are in private hands, doesn't mean that they won't be historical, just like with what we're doing now with private buildings. If you look at the Bigham Knoll, you know, that's turned out to be really great; we're getting the tax revenues from it now, we've got a business that seems to be thriving and could be the center of a whole new industry potentially so, I don't really see it as being that big of a threat and on the other hand, after looking at those buildings for the City's uses, there's really not a lot we can do there. I mean, taking over the museum for instance, I mean, these things are a big money pit. I don't really see us buying these things...we shouldn't be in the business of buying buildings and renting them out, basically what we need is to provide for our City services. You know, I'm not crazy about the cemetery deal, I think it would be neat but, this Hinger thing I think is critical just because we're consolidating our options there and with a little bit of money, we can get a lot of value out of the money that we're spending in that we are getting a larger piece of property, which gives us a lot of latitude in the future so, I say great, we'll take the last two and can 'em but, I think this for the Police Department is a real positive step.

DS: I do too and part of it is from the standpoint of looking to the future and I don't know exactly what that's going to mean at this point, whether it's going to mean adding to the Miller house, whatever but, to extend the City's options on that piece of property. I'm with you John, as far as the Cemetery is concerned, I think that's a good idea but, I don't know whether we should be in the position of reaching for it right now. I would put the Hinger property first before the Cemetery. After spending a week in Portland and talking to various people about Jacksonville, because they were people who had visited down here, it's kind of interesting to get their perspective. "Why do you go to Jacksonville?" Well, we go down to see a play and we go to Jacksonville and what comes up is the historical assets that we have here. Okay, that contrasted with a conversation I had this afternoon with someone that I will not name but, someone who really wants to see business on California Street take off and this is not what I was hearing in Portland, I was told that people were coming to Jacksonville to visit and look around because it is historic. They were not at all impressed with California Street the commercial aspect of what's here, in fact, I can think of four different conversations about Jacksonville and not a single one of them mentioned the commercial aspects of Jacksonville. So, I think we've got something that I think we better be careful about hanging on to and in the future the wine industry may take off and so on and so on to a greater extent but, right now what we've got is historic value.

JD: Yeah, I agree with you and I'm not trying to be argumentative but, I think one of the great challenges that we have, and we've had for several years and I've been involved with this going on back with the HARC days and stuff, is that how we maintain these buildings. Obviously, right now, we're not going to be able to maintain them through municipalities, because there is no money to do that. So, the best way to do that is to find people who will maintain these buildings and unfortunately, in some respects, it's the businesses that are going to be able to generate the capitol.

LM: But, how? Because we don't get sales tax from them. They generate capitol for themselves.

JD: No, no. That business store front is important for them too. As a business, they have to keep up, you know, the building. It's just like the Nunan House, I mean, we had Bob Sikes for awhile and when that got sold, everybody was freaked out. What's going to happen with this thing, you know, Bob Sikes was in there, he had tons of money, he would be able to fix it up; he sells it. You have to have somebody with a lot of money to be able to maintain these buildings because it's expensive. So, where

is that money going to come from? It's going to come from business, unfortunately, it's a conservative credo but, that's what drives the economy is people have to make money in order to pour it into these resources.

LM: But, I don't think along California Street, I don't think the business owners...most of them are renting, a lot of them are renting...

JD: But, somebody owns the building.

LM: Are they pouring money into restoring them? Because it looks to me like we are going to have to contribute some money from the Historic Preservation Fund, which makes me a little nervous in regards to this, um, in order to save some of these buildings. I don't know how much they are really contributing to keep them intact.

JD: Well, they have a better interest...well, what would be the other scenario? I guess that's what I would ask, what would be the other scenario, like uh, the U.S. Hotel Ballroom, God forbid, that's an anchor when talking about historic integrity, what other thing could happen there that would be able to maintain that building?

LM: You know, the museum, to me, I don't even care if it stays a museum. If it became the city offices, the City Hall, as long that building was preserved, I could see that...I mean, it is a very dramatic City Hall in a historic town and maybe we don't get the other property, and we don't even know that we'll have an opportunity, I'm just saying but, if it came up, that building all by itself, even if we didn't get the others and they went into private hands, that is a pretty darn impressive City Hall.

JD: But, what would that cost to 1, purchase it and then 2, make it work? And I have no idea

LM: We buy this property and I know that the consolidation thing you have in mind is to have, you know, that big thing with the Fire Department. That is not going to be inexpensive to do that.

JD: No, no, none of it is.

LM: I mean they are both going to cost money and also if you put that big thing on there on that street, it doesn't exactly fit in with what is around it.

JD: No, I mean, I would love to see it be more like houses, rather than...that's, that's...again we aren't talking about what we're going to do there, it's just making sure we have the spot to do it when the City decides to do it.

LM: Before this Hinger property became available, we had touched on expanding the Miller House to incorporate the Police and actually that sounded like a pretty common sense approach and it just happened to be that right as that discussion was starting, I mean, it was being brought back, I realize it was discussed long ago...it was just coming back and that's when the Hinger House became available and so that was sort of dropped, that idea. That was a pretty common sense idea, apparently was already planned for, but expanding the Miller House, *(inaudible)*, *(JD: But that got shot down though)*...well, it only sort of got put on the back burner, because the Hinger property came available, so all of a sudden we switched to that. We didn't really have a thorough discussion about the expansion of the Miller House. It was just to expand the back, very minimal expansion, but it was to put the police there and somehow right before that hit coming into discussion, the Hinger property came up.

JD: Fortuitous I'd say.

LM: Oh. Well, I understand the idea of your wanting to have the two properties so that you can do something....

JD: It's not just me, from over the years, it seems like the community support has been city center, you know, keeping it in the center of the city. And that piece of property has been...we always seem to come back to it as that being the spot.

LM: Well, because we happen to own it right now. But, I have to say I have a concern about putting all the facilities in one spot. I know we don't agree on this, but to me...and I know I bring up the word

“emergency” and someone says I’m crazy, but if you have an emergency, you don’t necessarily want your Police and your Fire in the exact same location.

JD: Because?

LM: Well, because if it’s an earthquake or something that attacks them both, then they can’t get out.

JD: Well, I guess something could strike, Paul’s terrorists argument.....

DW: Well, if the road gets compromised, like Linda said, nobody can get out. I’ve seen that happen in an earthquake many times.

LM: My other issue is parking. Right now, the Community Center has its group meetings and takes up all the parking spots plus the ones across from the Lumber. City Hall, those little parking spaces are pretty full most of the time. Then we have the Wine Tasting Room, you know everything’s right there and now we want to bring the Police and the Fire Department right there?

JD: The decision we’re making here is...is this something we want to do right now? I mean, what happens later....

LM: Okay, lets come back to just the financing of this thing. I see the \$300,000.00 is coming out of the Historic Preservation Fund and I mentioned this earlier that we have a line item under the Historic Preservation Fund, it says 298 for Historic Preservation Projects. I know some people sort of had in mind what they sort of wanted to do with that, it hasn’t been fully stated exactly what it will be used for, but I don’t know if you want to say if that’s taken or it’s not taken, because it hasn’t been designated to a certain project yet. But that 298, that leaves around, \$316,000.00 or something like that, left in the Historic Preservation Fund. So, we are actually asking for more from the Historic Preservation Fund than what is in there, unless we use that 298. So, there’s a commitment right there. People have to decide if that 298 is going to go to the Brunner building Historic Preservation Project. If you decide that it’s not going toward that, then you have more cash. I mean, you have more that you can borrow from, but if you have it designated to that and that is where you want to leave it, then you don’t have enough to do those two things. And I don’t want to be the person who goes to HARC and says, “Can we borrow \$300,000.00 out of your \$316,000.00 that’s remaining and pay it back.”

JD: Is it slated to do the Brunner building?

PW: No...what she is referring to is 298 that is budgeted to be spent. There are no specific projects related to that. There was a comment about the Brunner building, the only thing that you actually implemented as expenditure is you...at the last Council session you authorized \$25,000.00 for grants. So, that’s the only thing that is delegated right now. And by the way, it’s not HARC’s money, it’s your money.

LM: That’s not their impression, but I understand, you’re going to have a battle unbelievable from them, just warning you ahead of time.

PW: The bottom line is, the 298 is budgeted, the 300 some that is being referred to is in unappropriated funds, which means it’s not budgeted so, you’ve got roughly 600 some thousand there, of which the only thing that is specifically allocated for expense right now has been \$25,000.00.

JD: I would go back to priorities again. This seems like it’s a priority, I mean, we’ve been talking about the cramped spaces in the Miller House, the problems with the police evidence room, you know, all that stuff. This seems like this is something that would at least solve the problem initially and it would be a great asset for the City I believe, especially if property values ever go up again.

DS: I’ve got another idea here, just to throw another wrinkle in the discussion, kind of holding off on possibly the cemetery. Acquiring the Hinger property, holding off until we finally know what the County is going to do and if the City did acquire the Courthouse and the Children’s museum, then what we would have to surplus is the Miller House, the Sampson property and the Hinger property. I think of that “L” being more marketable then either the Fire Hall...

JD: I agree with you, I think the cemetery is a luxury, as nice at that would be...I agree with you, I say go for that Hinger property and give it all back.

CG: If I get my dream and we get the Courthouse and the kid's museum, and we turn the kid's museum into an actual Fire Hall...wonderful, we would surplus all of the this. But, in the here and now, that \$63,000.00 piece of property is the parking area for the Fire Department. It's been loaned to us that we can park there, it's not a lot of parking but, there's not a lot of parking in that area. We're taking a lot of focus away from and essential, fundamental of Jacksonville for protection and yet, maybe this is a good piece of property, but all of our focus is on the Police.

JD: But, it's not going to be \$63,000.00, it's probably going to be closer to \$100,000.00. I mean, it doesn't sound like he's going to go for \$63,000.00.

CG: It doesn't sound like it, but that is an appraisal. If somebody is going to try to get money to buy that property, that is an appraisal. So, they're not going to be able to get more than \$63,000.00.

BG: I'd like to back up a little bit on your earlier comment about the CW. If the County is going to sell those buildings, which is what I understood you to say?

(Council continued to discuss a rumor that the County is selling historical property in Jacksonville)

BG: We've got three choices here.

PW: We need to make a decision on at least the Hinger. That one is pertinent; basically you have earnest money on it that if you back out of, you will lose your earnest money.

LM: Can I just hear what you're going to, for local reasons; can I hear what you are going to say to HARC? Do they give permission to make the loan or you just do it? And do you have any explanation that you'll grant them?

PW: Are you asking me? I would simply tell them that City Council has chosen to take a loan from it, increasing the interest rate they are getting now from 1% to 3% and this would be with a five year balloon and so the fund would be made whole within five years. HARC itself has said that they really don't want to tap it down any more than \$25,000.00 a year for grants. They're not looking to go out and use all of this in a big gulp anyway.

LM: We haven't really come down to the balloon source thing, which is going to involve selling off properties in order to pay for that whole balloon payment in five years and we probably should have discussion on that, because five years is pretty fast so, I think if we decide to do it we shift and have our discussion now about what we're going to do to get that money for that balloon payment.

BG: Five years, that will be the next Council's problem *(audible laughter)*.

LM: I know, believe me, I had that run through my mind *(audible laughter)*.

PW: My recommendation on the back of the matrix here was to surplus the Fire Hall. Again, that would be finding a different location for the Fire Department.

JD: I think the other thing is that when we get to the point when we have to do it, things could change, you can make a decision now, but I'd be willing to bet that decision is not going to be what's going to happen when it actually happens. The fact that you have the balloon payment and you have to do it; that's going to force the decision and the lay of the land at that particular time and property values and stuff will play into that decision.

(Council continued discussion of the Fire Hall options)

JD: I think the point being, we've got a good option here, at least on the short term and it takes care of a problem on the long term and increases the value of an asset we already have and it just seems like where we go after this, as long as we have options, we haven't painted ourselves into a corner by doing this. It just opens up the possibilities and buying property right now could very well be a good idea. I mean, who knows.

BG: So, do we have consensus about moving forward on the Hinger property?

JD: I'd go for it.

CG: Good luck on that.

BG: Good luck....are you not in favor of it?

CG: Oh, it's probably a good idea.

LM: You know I think maybe one objection is, *(Inaudible)*, I'm not so against having the, *(Inaudible)*, I mean having the Hinger property, I don't want to see the Fire Station, *(Inaudible)*, and I know the whole goal is consolidation so, I know that two of your are voting definitely for that because you want consolidation and so, I feel like by agreeing to that, I'm also putting my hat in the ring for consolidation...

CG: Even if I do vote yes, I'm not voting for consolidation. I don't agree to that.

BG: The Hinger property to the...*(Inaudible)*...and using the building for the Police Department and the EOC center...*(Inaudible)*...that's all we're doing. We're not building a Fire Department's or metropolises or anything else, we are just simply buying a piece of property.

DS: The more I think about adding to what the City already has, with the possibility, in the future, the City utilizing the Courthouse and having that to surplus, sounds like a pretty good short-term move.

BG: Right now we are in a buyer's market as the appraisal for Chauncey's property would suggest.

LM: And I would like to find out what Chauncey would like for that property.

PW: He would probably post it at \$100,000.00. His initial was \$120,000.00 I think and my guess, based on my conversations with him, that he would want to arrive around \$100,000.00. Again, he didn't put a dead set number.

LM: I would like to add one more thing to that, I know that the Fire Chief has suggested taking the kitchen out of that house, and personally, I think if you go to re-sell that thing...*(JD: Police Chief)*...and for the Hinger property, I think you want to really think about whether you want to take that kitchen out of there, because the kitchen there...it's a house if you go to sell the property, whatever they decide to do with it, but if you take the kitchen out, you change the whole...

JD: Well, you would probably sell it as commercial. I mean, I see the City basically zoning that commercial because that basically raises the value of it.

CG: I'm going to back you on that, because even commercial...commercial with kitchen, I think is more valuable.

PW: The Police Chief did want to take it out and I talked to him tonight and agree with Linda, I don't think that it's a good move to remove the kitchen.

CG: Yeah, you know, if we just decide to go with the Sheriff's Department of County...

BG: One other item before we get ready to adjourn here. Regarding the Ordinance, Donna raised a question about whether or not Paul should be the signatory on that; is that an issue for anybody?

CG: I would rather our Mayor make that signature and the reason is because...for issues in the town, I think that it would be thoughtful wisely.

DW: It would be very diplomatic.

BG: Okay, so we need to amend the Ordinance then?

PW: It's a Resolution and we'll replace my name with yours.

LM: Does the City when they go to purchases property have to get any public input at all? *(Inaudible)*.

PW: Your motion for the Resolution is the decision. To answer your question; no, you're not required to have a hearing, you're certainly welcome to.

LM: It's a pretty major thing to do for a small town, I just wondered if you had to get public input.

CG: When does this have to go to the land owners?

PW: We have...after the investigation of the Title for basically satisfied all elements of the earnest money agreement. And I don't anticipate any problems with the Federal Court so, I guess you could delay closing to a different day, I mean, if you wanted to push closing out somewhere in the future. Is that what you're asking?

CG: Yeah, that is...I mean that's a very good point, just out of courtesy to the public.

JD: I'm big on public input, but I think you'll find is that one, you'll only get people that are against it, and then to have anybody really make a rational decision on this, they are going to have to be brought up to speed on everything that we've been through, which you can see, there's a lot of confusion here and we've all hashed this over for hours already so, I mean, that's what Representative Government is; you take a stand, you take your best shot and if people don't agree with you, they don't re-elect you.

DW: Two people have already gotten mad at me for this.

LM: Let's say you have already bought the property and the Conditional Use Permit and the neighbors all arrive and cause a scene, we own the property and we think we can get this amount back. In other words, we go to get the CUP and all the public outcry, "you can't put a Police Station here..." the neighbors cause such a scene that we say, oh, that isn't going to work...I'm just...

JD: Could you buy a contingent on the CUP?

PW: One, they wouldn't do it and two you already have the earnest money that doesn't have that contingency.

LM: So, all I'm just saying is, would you be able to sell the Hinger property for it's worth amount?

PW: We have gotten our appraisal, which was \$300,000.00.

JD: I don't think you're going to have a problem with that.

LM: I'm just making sure because to me it's a pretty major decision to do in a backroom.

JD: (*Inaudible*)...they don't necessarily are there just to have people say no, they say, okay, this is what impact means, we say, okay, we'll build a fence here, we'll mitigate ideally.

BG: Anything else? OK, let's adjourn the meeting.

Transcribed by A. White