

Galax City Council
Called Meeting Minutes
January 23, 2023

Galax City Council convened in a called meeting in the City Council Chamber area on January 23, 2023 at 6:00 p.m.

At 6:10 p.m. Mayor Greene called the meeting to order with the following Council persons present and they are as listed: Mayor Greene, Councilman Haynes, Councilman Warr, and Councilman Henck. Vice Mayor White was absent.

City Manager, Barry Moore was absent.

Councilwoman Ritchie, and Councilman Larrowe requested to join the meeting via phone. Mayor Greene asked the reason for their absence and where they were located. He approved their request to join.

Mayor Greene delivered the Prayer and lead the Pledge of Allegiance.

Mayor Greene informed Council the reason for the called meeting was to continue the discussion from the January 9, 2023 meeting regarding the Vaughan Furniture Reimbursement Analysis & Agreement.

Mayor Greene asked Council if they had read the proposed agreement given to them by Councilman Larrowe at the beginning of the meeting. The proposed agreement was listed as being between the City of Galax, Vaughan Furniture Company, Inc. (VFCO), and Vaughan Restoration Group, LLC (VRG). The agreement read that its purpose was to memorialize the terms of the long-standing commitments and agreements among the parties listed. Councilman Henck said that he had not had enough time to read the agreement thoroughly since he had just received it at 6:05 p.m. He said that he felt it could be considered the first reading of it and hoped he wasn't being ask to approve the agreement at this meeting.

A lengthy discussion ensued in which the following points were made by members of Council:

Councilman Henck

Recalled the discussion of the last meeting and purpose of this meeting was to discuss the forwarding of the bills to the IDA for approval. He had mentioned a performance agreement at the last meeting but wasn't aware that a performance agreement would be up for discussion at this meeting and was unaware of where its origination. Councilman Henck said that he felt we should hash out what the terms everyone would agree to, then ask our city attorney to prepare an agreement for us.

Councilman Larrowe

Commented the sole purpose of the delay from the last meeting was to articulate an agreement which he drafted between all parties which was lifted from the information provided to Council

on a number of occasions most recently at the Jan. 9 meeting in which the agreement which was reviewed by his attorney. He informed Council that he had 3000 shares of stock in Vaughan Furniture Company, which he had disclosed before and said if the agreement was approved as it was presented, he would stand to benefit a total of \$8.95, and regardless of the decision by Council, he would return that entire amount. He referenced VA Code: 2.2-3107 being the reason he wouldn't vote on the agreement either – even though the dollar amount of the benefit was under \$10. Councilman Larrowe said that since the agreement was prepared on information reviewed many times by Council – prior to Councilman Henck serving on Council. He said the information was referenced in documents included in the City Manager's reports as well. Councilman Larrowe said he sees no reason not to vote on the proposed agreement and move ahead.

Councilman Henck

Questioned Councilman Larrowe on his position as a board member of Vaughan Furniture Company. He replied that he was on the board and was in liquidation and distributing final assets. He advised this was the reason that he would abstain from voting on an agreement.

Councilman Henck confirmed Councilman Larrowe's preparation of the agreement himself. He sent the agreement to the City Manager, but didn't realize his absence. Councilman Larrowe stated his belief that Councilman Larrowe had a conflict since he had participated in the discussions of VFC. Councilman Larrowe agreed and again confirmed this would be the reason that he would not vote on an agreement. Councilman Larrowe stated that he felt Council should determine if there was a conflict since he was closest to the project, and felt it would be best if he gave a written document to Council explaining what the original agreement was.

Councilman Henck

Stated that he couldn't accept any agreement Council was asked to sign that the City Attorney had not previously reviewed. Especially by a Councilmember who had previously stated that he had a conflict to have his company's attorney to review it, was not sufficient and he would not approve it.

Councilman Larrowe

Replied to Councilman Henck that there may or may not be a motion or second to approve the agreement, but he was welcome to vote against it, and that he wouldn't vote at all. He said we had worn the issue out for form over substance. We all know what was agreed upon and where we stand on the subject. He said we shouldn't be the group that has to "re-sale the deal" after three years in to the project.

Councilman Henck

Stated there wasn't a deal, and Councilman Larrowe couldn't say which one the deal was with since there were three entities involved, he couldn't specify an amount or the terms of the agreement.

Councilman Henck

Stepped to the podium and addressed Council directly. He stressed the fact that he does 100% want the Vaughan Furniture Project to succeed and be full of life again, and be redeveloped. He stated for the record that he was okay if the City put tax dollars toward the project in order to succeed, but an amount first needed to be discussed and agreed upon. Councilman Henck went through the Project Analysis document which contained the reimbursement amounts (which were included in

the chart below). He said that it was the closest document to an agreement that existed. He said that part of the items in the analysis had never come to pass.

Vaughan Furniture Company - VRG, LLC		
Net Operating Revenue and Expense		
Summary 2020 through 2022		
Net operational out of pocket		
<i>Vaughan Restoration Group, LLC</i>		
		+/-
	Year 2021	10,755.55
	Year 2022	(40,176.60)
	Total VRG	(29,421.05)
<i>Vaughan Furniture Company</i>		
	Year 2020	(10,964.08)
	Total VFCO	(10,964.08)

Councilman Henck went through each item on the Vaughan Furniture Analysis – (reimbursement request) and gave his reasons for the need to holding off on submitting the payment until an agreement and performance agreement could be agreed upon.

He reminded Council that we need to step back and ask how much this project was worth to the City. He said that he simply could not sign an agreement that had not been reviewed by the City Attorney. He said that we have done previous performance agreements that would be good models to go by. They listed specifics of the amounts, requirements, and deadlines.

Councilman Haynes

Addressed Council. He said that he spent the last 24 hours going through documents and minutes and was reminded of where we'd been over the last few years. He walked through his reasons for wanting to join Council. He reminded everyone of all that the City had endured over the last few years, naming them one by one.

In February 2019 Vaughan Furniture was first mentioned in an email to Council from Keith Barker. He informed them that he traveled to Blacksburg to meet with VT graduate student class who would be assessing the T. G. Vaughan Plant. The students would be meeting with various stake holders. He said the project would assess the plant and produce a report on all economic uses including tying it into downtown. Councilman Haynes said after this memo, the project was mentioned at almost every City Council meeting in the City Manager reports. We had regular updates starting in September of 2019 with the first Vaughan Committee. There were 3 reps. From the City (Councilman Haynes, Larowe, & C.M. Mitchell) and 3 from the Vaughan family. The objectives were discussed which included the development of an asset for the City, the creation of entertainment and recreational services, improvement of tax base, creation of synergies with the City and New River Trail, establish a win not only for investors, but also for the City. Another objective also included not repeating history similar to the outcome of the old vacant Wonderknot building that was for sale and empty for 15 years. This location is adjacent to the Vaughan

Furniture. The Galax Fire Department finally had to burn the Wonderknit building down due to its decline. A grassy lot remains on that spot today. He said the Vaughan plant was heading that same direction and everyone knew it. The demolition costs would be substantial.

Councilman Haynes went through each step of work that had gone into the T.G. Vaughan Furniture project. He discussed legal steps taken to ensure the proper measures were taken to move forward with the Vaughan Project. He read aloud the minutes for numerous meetings, reports, articles, discussed an environmental study, and gave details of many of the Vaughan Furniture Committee meetings.

He reminded Council of the steps that had to be taken when Covid hit Galax in 2019. The Vaughan Project did not slow down during this time. He said there were many closed council meetings to discuss the project. Councilman Haynes said after Covid we continued having several hardships, which included the loss – through retirement, of our City Manager, Keith Barker, who was a genius at statistics, going “headless” for a time, and continued on with a new City Manager, Matt Settlemyer. His point was that even though the City had gone through many hardships, and making decisions that Council had never made before, the T. G. Vaughan Furniture restoration project continued without slowing down.

Councilman Haynes reminded Council that Keith Barker, previous City Manager, was asked by Council to list his job duties. He said that in the 6 pages of duties, a page was dedicated to projects that Mr. Barker served as Project Manager. Among the projects on the list, the T. G. Vaughan Furniture Plant study with VT Economic Development Department was one of the items on the list. It was even considered to hire a part time City Manager and possibly have that person to also work on the Vaughan Project.

Councilman Haynes said that he had gone through the Council meeting minutes and agenda extensively. He read aloud a description from the 9-9-19 Council meeting agenda which included a description and guidance from Mr. Barker regarding the Vaughan Project which included the following statement:

“If Council considers proceeding with such a partnership as presented, the request included in this document would be that the City provide funding for a full-time manager for the project and to assume future costs in regards to utilities, taxes, maintenance, and insurance for a period of time while the plan for the facility is developed. While there is some offsetting rent that would cover a portion of the costs, Council should understand that this is a long-term financial commitment but may also have a large positive impact to the City and region over time. While no formal agreement has been presented and no Council action taken, Council may wish to appoint a sub-committee to proceed to discussions with the Vaughan Furniture Board or the group of investors concerning the proposal, what items may be negotiable, what may be a City responsibility, etc. Any agreements should be reviewed by our attorney before consideration of a vote by Council.”

Councilman Haynes read aloud the meeting minutes for the 9-19-19 meeting which included the following excerpt:

“Prior to Keith Barker presenting the next agenda item to Council regarding a Vaughan Furniture request and proposal, Councilman Larrowe read aloud the following statement “the matter to be discussed involves a company in which I am a stockholder, however, my interest is less than the \$5,000 threshold under the Virginia State and Local Government Conflict of Interests Act, and the stockholders number more than three other individuals. In accordance with Sections 2.2-3112 and

2.2-3115 of the Code of Virginia, I declare that I am able to discuss, consider and vote in this matter fairly, objectively, and in the public interest.” Keith Barker informed Council that we had received a proposal from the Vaughan Furniture Board in the form of a planning document which laid out a plan for the City to partner with a newly formed group of owners for development of the T. G. Vaughan Plant. He explained this was a follow-up to the Virginia Tech study on the property that gave a high-level overview of how the property could be redeveloped into combination uses including retail/restaurant/residential/recreation. He said if Council considered proceeding with such a partnership as presented, the request included in this planning document, that the City would provide funding for a full-time manager for the project and to assume future costs in regards to utilities, taxes, maintenance, and insurance for a period of time while the plan for the facility is developed. He stated that while there was some offsetting rent that would cover a portion of the costs, Council should understand that this would be a long-term financial commitment but may possibly have a large positive impact to the City and region over time. While no formal agreement had been presented and no Council action taken, Mr. Barker said that Council may wish to appoint a sub-committee to proceed to discussions with the Vaughan Furniture Board or the group of investors regarding the proposal, what items may be negotiable, what may be a City responsibility, etc. It was noted that any agreements should be reviewed by the City Attorney before consideration of a vote by Council. After a discussion, there was a consensus to form the sub-committee to proceed with the discussion of the proposal from Vaughan Furniture. Mayor Mitchell, Councilman Haynes, and Councilman Larrowe volunteered to serve on the sub-committee. Councilman Green made the motion to approve the sub-committee appointments and move forward with discussions. Councilwoman White seconded the motion and it was unanimously approved by the following votes of “yea”: Mayor Mitchell, Vice Mayor Plichta, Councilman Greene, Councilman Haynes, Councilwoman Ritchie, Councilwoman White, and Councilman Larrowe.”

Councilman Haynes finalized his discussion to state the Park Service/Historic Registry approved the tearing down of a portion of the Vaughan building that was located in the flood plain, which cleared a huge hurdle.

Councilman Henck said the Small Area Plan he felt it limits the zoning on private property and not allow zoning changes. He said that he would not vote for the plan as it stands.

Councilman Haynes made the motion to authorize the IDA to pay the amount owed to the Vaughan Restoration Group and the Vaughan Furniture Company. Councilman Warr seconded the motion. Councilman Henck made a motion to amend the motion to split the motion into two votes on referring the payments to the Vaughan Furniture Company and a separate vote to the Vaughan Restoration Group since they were two entities. Councilman Warr seconded the motion and it was unanimously approved by the following votes of “yea”: Mayor Greene, Vice Mayor White, Councilman Haynes, Councilwoman Ritchie, Councilman Larrowe, Councilman Warr, and Councilman Henck.

Councilman Henck made the motion to refer the expenses to the Vaughan Restoration Group of \$29K to the IDA. Councilman Warr seconded the motion, and it was unanimously approved by the following votes of “yea”: Mayor Greene, Vice Mayor White, Councilman Haynes, Councilwoman Ritchie, Councilman Larrowe, Councilman Warr, and Councilman Henck.

Councilman Warr made the motion to authorize the IDA to make payment to the Vaughan Furniture Company in the amount of \$10,924. Councilman Haynes seconded the motion and it was unanimously approved by the following votes of “yea”: Mayor Greene, Vice Mayor White,

Councilman Haynes, Councilwoman Ritchie, Councilman Larrowe, Councilman Warr, and Councilman Henck.

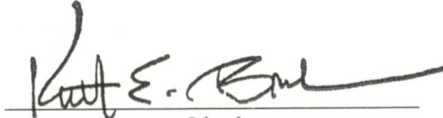
Councilman Henck made the motion to refer preparation of an agreement with the Vaughan Restoration Group to the City Attorney, Steve Durbin, to be consulted with Mike Larrowe and Evan Henck for the development of that performance agreement. Councilman Larrowe seconded the motion. Councilman Haynes amended the motion to instruct the City Manager, Barry Moore, to reach out to our City Attorney to begin the draft performance agreement to satisfy all parties, and to coordinate with Councilmen Larrowe and Henck. Councilman Henck seconded the amendment and it was unanimously approved by the following votes of "yea": Mayor Greene, Vice Mayor White, Councilman Haynes, Councilwoman Ritchie, Councilman Larrowe, Councilman Warr, and Councilman Henck.

Councilman Haynes made the motion to adjourn. Councilman Warr seconded the motion and it was approved by the following votes of "yea": Mayor Greene, Vice Mayor White, Councilman Haynes, Councilwoman Ritchie, Councilman Larrowe, Councilman Warr, and Councilman Henck.

ADJOURNMENT at 8:10 p.m.



Mayor



Clerk