



IMPROVING OUR COMMUNITY

COLUMBIA GATEWAY URBAN RENEWAL AGENCY

CITY OF THE DALLES

AGENDA

Columbia Gateway Urban Renewal Agency
and Urban Renewal Advisory Committee
City Hall Council Chambers
313 Court Street, The Dalles, Oregon

Meeting Conducted in a Handicap Accessible Room

Special Meeting

August 13, 2012
Immediately Following City Council Meeting

- I. CALL TO ORDER
- II. ROLL CALL
- III. APPROVAL OF AGENDA
- IV. ACTION ITEMS
 - A. Approval of Granada Block Redevelopment Memorandum of Understanding
- V. ADJOURNMENT



IMPROVING OUR COMMUNITY

COLUMBIA GATEWAY URBAN RENEWAL AGENCY

CITY OF THE DALLES

AGENDA STAFF REPORT

URBAN RENEWAL AGENCY

Meeting date: August 13, 2012

TO: Chair and Members of the Agency Board

FROM: Dan Durow, Urban Renewal Manager

THRU: Nolan Young, City Manager

DATE: August 1, 2012

ISSUE: Consideration and action on the recommendation from the Urban Renewal Advisory Committee to approve the proposed Memorandum of Understanding for the Granada Block redevelopment project.

BACKGROUND: Work on the Granada Block redevelopment project has been on-going for more than two years. The Granada block is located in the Commercial, National Historic District, which includes many blocks in the heart of downtown. The Granada block is bordered by Washington Street on the east, East 2nd Street on the south, Court Street on the west and East 1st Street on the north. This block is 75 percent vacant or underutilized and constitutes a substantial level of blight in the downtown area.

Early in this redevelopment project work, the agency purchased several properties in the Granada block. These properties include the historic Granada Theater, the Recreation building and its associated parking lot, and the Blue building at the corner of East 1st and Washington Streets. The City already owned the parking lot at the corner of East 1st and Court Street (Commodore II parking lot) and the proposed developer already owned the Bank Hotel building. Also included in this redevelopment project is the City parking lot between Washington and Federal Streets along East 1st Street. All of these properties are included in some way in the proposed redevelopment project as written in the Proposed Memorandum of Understanding (MOU).

On February 11, 2011, the Agency and the development group, Rapoza Development, signed the first MOU. This MOU was amended to extend the deadline for signing the Disposition and Development Agreement (DDA) to May 31, 2011. The DDA is the legal, contract document binding the parties to the redevelopment provisions. Due to several challenges, the MOU was

allowed to expire with the understanding that negotiations would continue until an agreement was reached on a revised MOU or the negotiations would be ended.

The Urban Renewal Advisory Committee (URAC) received the revised MOU from the Urban Renewal Agency (URA) following their meeting on July 23, 2012, for review and public comment. The URAC held its meeting on July 31, 2012. Staff presented an overview of the MOU and the URAC had a thorough discussion with questions of staff. There was only one person from the audience who commented on the proposed MOU and her comments were in favor. Only one minor, non-substantive change was directed in section 1.3.2. a. to clarify that the terms of the option for Phase 2 will be set forth in the DDA.

RECOMMENDATION: The Urban Renewal Advisory Committee moved to recommend that the Urban Renewal Agency approve the proposed MOU for the Granada Block project as presented.

SUGGESTED MOTION: *...move to approve the Memorandum of Understanding for the Granada Block Redevelopment Project and authorize the Chair to sign the Memorandum of Understanding on behalf of the Urban Renewal Agency.*

GRANADA BLOCK REDEVELOPMENT

MEMORANDUM OF UNDERSTANDING BETWEEN THE COLUMBIA GATEWAY URBAN RENEWAL AGENCY AND RAPOZA DEVELOPMENT GROUP, LLC

This **MEMORANDUM OF UNDERSTANDING**, dated the ___ day of _____, 2012 is by and between **THE COLUMBIA GATEWAY URBAN RENEWAL AGENCY**, the duly authorized and acting urban renewal agency of the City of The Dalles, Oregon ("City"), a political subdivision of the State of Oregon, (hereinafter the "Agency") and **RAPOZA DEVELOPMENT GROUP, LLC**, an Oregon limited liability company (hereinafter "Developer").

1. **Background, Purpose and Intent**

- 1.1. **Purpose.** Agency and Developer have undertaken preliminary discussions to identify key issues and an outline of a general development strategy for the Project (defined below). In order to move these discussions to the next level of detail, it is necessary and appropriate to establish a more formal understanding of the scope of the Project and the roles of Developer and Agency therein. The purpose of this Memorandum of Understanding ("MOU") is to confirm the mutual intent and agreement in principle for undertaking the proposed acquisition and development by Developer (or an entity formed by Developer to undertake the Project) of certain property located on portions of a block in downtown The Dalles, Oregon, consisting of six parcels, popularly known as, and referred to in this MOU as:

- 1.1.1. The Granada Theater;
- 1.1.2. The Recreation Building;
- 1.1.3. The Parking Area serving the Recreation Building ("Recreation Building Parking");
- 1.1.4. The Blue Building;
- 1.1.5. The Commodore II Parking Lot;
- 1.1.6. The Bank Hotel Property.

Each of these parcels is separately described in Exhibit A and specifically identified on Exhibit A-1. All of the parcels, and the improvements thereon contemplated by this MOU, are referred to herein as the "Project".

- 1.2. **Background.** The Developer or an entity controlled by the Developer owns the Bank Hotel Property. The Agency owns the Granada Theater, the Recreation Building, the Recreation Building Parking, the Blue Building, and the Commodore II Parking Lot. Together, all the parcels except the Bank Hotel Property are referred to in this MOU as the "Agency Parcels". The Agency is pursuing street frontage improvements on the 1st and Washington Streets sides of the Project. The Agency intends to sell the Agency Parcels to a private developer who would be required by contract to commit to specific redevelopment. Developer and the Agency are anticipating the transaction described in this MOU as the vehicle for Developer to acquire the Agency Parcels from the Agency, in phases, and to complete redevelopment of the Project in support of the public objectives of the Columbia Gateway Urban Renewal Plan.

1.3. Project. Developer proposes to acquire the Agency Parcels and thereafter develop the Project as a mixed-use project that would consist of the following elements (the "Project"):

1.3.1. Phase 1:

a. Hotel:

(i) The hotel would have between 135 and 150 rooms, be a mid-priced, high quality facility, and located on the Hotel Site ("Hotel Site"). The Hotel Site includes the property identified as the Recreation Building (Parcels 1, 2, and 3), and the Recreation Building Parking (Parcels 1, 2, and 3), as shown on Exhibit A-1; and the portion of the alley right-of-way to be vacated as further described in Section 1.3.1.(c).

(ii) The Agency agrees to request the City consider the Developer's potential concept to build a grand entrance over East 1st Street with the understanding that approval of such a concept is within the sole discretion of the City, taking into account such factors as the quality, appearance, and feel of the streetscape which the City is proposing for East 1st Street, and whether the proposed concept would have a detrimental impact upon the functionality of East 1st Street. Any canopy or other structure, which may be approved under the proposed concept, will be required to be cantilevered with no connection to the right-of-way for East 1st Street.

(iii) Developer will be responsible for parking required for the Hotel by the City's Land Use and Development Ordinance. For those required parking spaces that the Developer cannot accommodate on the Hotel Site, upon Developer's request the City will include the needed parking in the Public Garage identified in Section 3.1.1 of this Agreement, with the Developer paying for the incremental cost of the additional spaces on a pro-rated basis, with the methodology for the basis to be set forth in the DDA.

b. Conference and Activity Space: The conference facilities would contain a minimum of 3,500 square feet and be of a mid-priced, high quality, executive conference and catering type of construction. The conference facilities may include the Blue Building, or a new building constructed by Developer. In the event Developer determines to proceed with demolition of a portion or all of the Blue Building, Developer shall have the option to apply for funding assistance of up to \$50,000 under the Agency's demolition loan/grant program.

c. Event Space: The event space would include the Granada Theater, and the Bank Hotel Property, and be of high quality construction. In order to maximize space and logistics, the Agency agrees to support the Developer in requesting the City to consider a request for a vacation of a portion of the alley right of way in the Granada Block between East 1st and East 2nd Streets, beginning at the eastern portion of the property line of the property owned by Eric Gleason, described as Assessor's Map No. 1N 13 #BD Tax Lot 900 ("Gleason Property"), and continuing in an easterly direction to Washington Street, which would not restrict necessary public access through the alley.

d. The Hotel Site including the property described in Section 1.3.1(a), the Blue Building, and the Granada Theater are referred to collectively as the "Phase 1 Parcels."

1.3.2. Phase 2:

- a. Developer will have an option ("Phase 2 Option") to purchase the Commodore II Parking Lot upon satisfaction of conditions to exercise the Phase 2 Option, which will be set forth in the DDA.
- b. Conditions to exercise the Phase 2 Option will include the following:
 - (1) The completion of Phase 1; and
 - (2) A commitment to construct a mixed use project which may include retail, commercial, and/or residential development with underground parking, or up to 35 additional rooms to the Hotel, of the same quality as the original Hotel if it is determined there is sufficient room demand, with construction to begin no later than one year after purchase of the Commodore II Parking
- c. The Agency will request that the City initiate and process at its expense the creation of a "vertical housing development zone" to encourage a residential component in Phase 2.
- d. The Agency will satisfy any requirements for replacement of lost parking spaces for the Commodore II Parking Lot to free up that property for redevelopment.

1.3.3. The Project would be developed generally in accordance with the schedule ("Project Schedule") to be developed and incorporated into the DDA.

1.3.4. The Project Schedule will provide for phasing of the construction of the Project and for acquisition of the Agency Parcels, anticipated to be as follows:

- a. Phase 1 – The DDA must be signed by September 30, 2012 or sooner, if possible. The Granada Theater must be purchased by a date which will be set forth in the DDA, which closing date is anticipated to coincide with the completion of improvements to the Granada by Developer as set forth in Section 4.2.2. However, the Agency agrees to grant an extension of up to one hundred and twenty (120) additional days for closing of the purchase of the Granada Theater at the request of the Developer, provided Developer shows to the satisfaction of the Agency that sufficient progress is being made to ensure the purchase will be closed within the additional time extension. Agency and Developer understand and agree the terms and conditions for purchase of the Granada will be set forth in further detail in the DDA, with the objective of facilitating construction of the improvements as set forth in Section 4.2.2, and determining the closing date while taking into consideration the potential liability of the Developer for future property taxes. The Hotel Site including the property described in Section 1.3.1(a) and the Blue Building must be purchased by no later than the date upon which the construction of the Hotel is commenced.
- b. Phase 2 – The Commodore II Parking Lot must be purchased by the date that will allow the construction of Phase 2 to begin within five (5) years after the date of conveyance of the Granada Theater to the Developer, but in no event will the Commodore II Parking Lot closing occur before the completion of Phase 1.

1.3.5. Except as otherwise provided in Section 4.2.1(c) with respect to Phase I, property tax obligations will be the responsibility of the Developer.

1.4 Disposition and Development Agreement. Even though this Memorandum of Understanding is not intended to be a binding agreement (except as provided in Paragraph 6 herein), the parties expect to enter into a more definitive disposition and development agreement (the "Disposition and Development Agreement" or "DDA") in accordance with Paragraph 4 of this MOU. The DDA will more precisely define the actual implementation of the Developer's acquisition of the Agency Parcels, and of a development plan for the Project and the mutual responsibilities of the parties within such development plan.

1.5 Project Team. Developer will form and manage a Project Team consisting of key project management, architectural/engineering and other third-party consultants, and a general contractor. The Agency will designate one or more representatives who will be invited to participate in Project Team meetings as needed and to represent the Agency's interests as appropriate.

2. Responsibilities of Developer

2.1. Scope of Developer's Role. The parties anticipate that Developer will be responsible for the following:

2.1.1 Developer will acquire the Agency Parcels from the Agency; and

2.1.2 Developer will serve as the developer for the Project. In this role, Developer will be responsible for providing (or will work in a joint venture with its equity partner to provide) the overall project management for all aspects of the development of the Project, including management of third-party consultants responsible for architecture and engineering, project and contract administration, securing of public entitlements and building permits, arrangement of equity and financing for the Project and construction of the Project, subject to the terms of the DDA.

2.2. Project Information and Cooperation.

2.2.1. On a regular basis, which will be defined in a project schedule as an attachment to the DDA at a later stage, Developer will timely provide information necessary to assist Agency in its evaluation of and participation in the Project. Such information may include, but not be limited to:

- a. Design information describing or illustrating the phase(s) to be developed;
- b. Cost estimates;
- c. Project schedule;
- d. Report on the status of project financing; and
- e. Other reasonable information as may be requested from time to time by Agency.

2.2.2. Any information provided by Developer to the Agency shall be treated by Agency as proprietary and confidential in accordance with Paragraph 9 below.

2.2.3. Agency shall be entitled to depend on the accuracy and completeness of any such information provided to it by Developer, except third-party reports or work products.

2.3. Collateral Agreements. Agreements with third parties, such as financing agreements and easements, will be subject to review by Agency for consistency with this MOU and the DDA. The Agency will review on a timely basis so as to not delay Developer's securing of financing and commencement of construction of the Project.

3. Responsibilities of Agency

3.1. General Scope of Agency's Role.

3.1.1. Public Parking Structure. Agency will construct a parking structure on a portion of the surface parking lot between Washington Street and the Transportation Center ("Public Garage") with sufficient parking spaces to meet the needs of the new development, including the Hotel and the use of the Blue Building and the Granada Theater, and the need for downtown public parking as determined by the Agency and the City. The goal is to have the Agency's construction of the Public Garage completed at the same time Developer's construction of the Hotel is completed but at no time will any delay in constructing the Public Garage prevent opening and operating of the Hotel by Developer.

3.1.2 The parties currently anticipate that Agency will be additionally responsible for the following:

a. Agency will pay for fifty percent (50%) of the expenses for the initial conceptual redesign of the Hotel and the Parking Garage, up to the sum of \$7,500.

Agency will pay for one hundred (100%) of the expense for the final design of the Public Garage. The Developer will reimburse the Agency for a pro-rated amount of the design and construction costs for parking spaces for the Hotel provided in the Public Garage, based upon the number of parking spaces provided in the Public Garage for the Hotel as described in Section 1.3.1.a(iii) above.

b. Subject to the terms of the DDA, Agency will transfer the Agency Parcels, in phases, to Developer for development and ownership. The purchase price for each parcel is described in Paragraph 4.2 below.

c. Agency will cooperate with Developer in securing equity and financing sufficient to develop and operate the Project so long as such arrangements are not detrimental to the Agency's interest, and any cost of cooperation is acceptable to the Agency, each in the Agency's sole discretion. Agency will assist Developer in the permit approvals, any assistance in sourcing and supporting Tax Credits available for redevelopment or any other possible assistance, which would enhance and speed up the development and therefore benefit the City's collection of tax dollars.

d. Agency and Developer understand and agree Developer is entitled to receive a credit toward system development charges for water and sewer at the rate of 1% (one percent) for each new permanent full time equivalent position created by the development, and any other system development charge credits available because the Hotel is located in the

downtown district, with such other credits to be addressed in further detail in the DDA as appropriate.

e. Pre-Phase 1 Closing Site Preparation for the Hotel Site

- (1) The Agency will pay for the costs of studies to identify the archeological issues, and the methods required to resolve said issues, for the Recreation Building Parking Lot (Parcels 1, 2, and 3), and the portion of the alley right-of-way to be vacated, which are necessary to prepare the Hotel Site for construction of the Hotel.
- (2) The Agency will cause the City to complete a Level 1 Environmental Survey and an asbestos lead survey for the Recreation Building. The Agency will cause the City to complete a Phase 1 Environmental Site Assessment for the Hotel Site, and if necessary a Phase 2 Environmental Site Assessment. Developer's obligation to proceed with Phase 1 is conditional on Developer's reasonable approval of the environmental site assessments.
- (3) The Agency will pay for the costs of demolition of the Recreation Building up to the sum of \$100,000. In the event the costs of demolition exceed the sum of \$100,000, the Agency shall immediately notify the Developer. The Developer shall reimburse the Agency for one hundred percent (100%) of the total costs which exceed the sum of \$100,000. The Agency intends to contract with a salvage company to identify and remove items in the Recreation Building which can be salvaged, with the costs of such salvage to be included in the total costs of demolition for the Recreation Building. The Agency will follow necessary public procurement procedures to retain a demolition contractor, and at a minimum, will review the bids and determine the apparent lowest responsible bid, and provide the bid to Developer, and receive the Developer's approval to proceed, before Agency begins demolition. Prior to solicitation of competitive bids, the Developer will provide the Agency with a list of any historic brick or wood materials which Developer desires to re-use for future construction, which list of materials will be incorporated in the bid documents to ensure the materials will be saved and be available to the Developer.
- (4) The Agency will provide Developer and members of the Developer's architectural design team all existing conditions reports for the Hotel Site in the custody or control of the Agency as of the effective date of the DDA and after the completion of the Studies described in subparagraph (2) and (3) of this Section 3.1.1(e), including, but not limited to: topographical studies, utility drawings, soil and other environmental reports and surveys.

3.1.3. Design Review. Agency will have oversight responsibility to review and approve in its proprietary capacity the general details of the design of Phases I and II for the Project as agreed to in the DDA.

3.1.4. Construction staging

- a. For Phase 1, construction staging will be allowed within the right-of-way on E. 1st Street between the east side of Court Street to the east end of the Hotel Site; and Washington Street between E. 1st Street and the alley between E. 1st Street and E. 2nd Street.

- b. Construction staging for the E. 1st Street/Washington Street Plaza/RR underpass project will be coordinated with the Phase 1 staging, if necessary.

3.2. Project Information and Cooperation.

- 3.2.1 Developer shall be entitled to rely on the accuracy and completeness of any information provided to it by Agency, except third-party reports or work products. Agency acknowledges that Developer has the option to apply for loan interest rate subsidies for financing for the costs of improvements upon qualified buildings, including but not limited to the Bank Hotel Property, as part of Phase 2; provided that any such application is subject to the terms and conditions of the interest rate subsidy program in effect at the time of the application, and subject to the availability of funds in the interest rate subsidy program. Developer understands and agrees that determination of any rate and any terms included in a potential future interest rate subsidy is within the sole discretion of the Agency.

4. **Disposition and Development Agreement**

- 4.1 Negotiation of DDA. Agency and Developer will negotiate, enter into, execute and deliver a DDA on a date as soon as feasible, but not later than September 30, 2012 (the "Agreement Date") or sooner if possible. The DDA may be subsequently modified to incorporate specific schedule, cost and budget information to be produced pursuant to the DDA. The terms generally set forth in this MOU will be integrated into the DDA. The DDA will contain provisions not inconsistent with the basic understandings set forth herein, including representations and warranties, conditions, covenants and understandings that are appropriate or customary for like transactions. The basic content of the DDA shall include, but not be limited to the items described in Paragraphs 4.2 through 4.7 below.

- 4.2 Terms for Disposition of Agency Owned Parcels.

- 4.2.1 All Properties:

- a. At any time until the closing date to be described in the DDA, as that date will be extended by the Agency for not more than one hundred and twenty (120) days (the "Phase 1 Option Period") as set forth in Section 1.3.4(a), the Developer must purchase the Granada Theater, subject to satisfaction of conditions precedent to the Phase 1 Closing that will be described in the DDA. The hotel site property as described in Section 1.3.1(a) and the Blue Building must be purchased by not later than the date upon which the construction of the hotel is commenced.
- b. During the Phase 2 Option Period, as described in Paragraph 1.3.4 above, and subject to satisfaction of conditions precedent to Phase 2 Closing that will be described in the DDA, the Developer may purchase the Commodore II Parking Lot.
- c. The purchase price for the Blue Building shall be \$380,000.00, plus 50% of the total amount of past due taxes, including all penalties and interest, which is due and owing at the closing date to the Wasco County Tax Collector. The purchase price and the sum due and owing for the past due taxes shall be paid in cash at closing.

- d. The purchase price for the Recreation Building and Recreation Building parking lot will be \$356,250.00., plus 50% of the amount of past due taxes, including all penalties and interest, which is due and owing at the closing date to the Wasco County Tax Collector.

The purchase price for the Recreation Building and the Recreation Building Parking lot shall be paid in cash at closing, which closing date shall be no later than the date upon which construction of the Hotel is commenced.

- e. The purchase price for the Commodore II Parking Lot will be \$102,000, and will be paid in cash at the Phase 2 Closing.
- f. Prior to any purchase of any of the Agency Parcels by the Developer, the Developer must present to the Agency, and commit to a redevelopment plan for the Phase to be developed on the Agency Parcels to be purchased. Each redevelopment plan shall be approved by the Agency, which approval shall not be unreasonably withheld. Each redevelopment plan will show how the Phase enhances the Downtown, cures blighted conditions, increases taxable value of real property and creates jobs. Each redevelopment plan must include a viable business plan together with a schedule for phase completion. Key requirements of each redevelopment plan include uses, size, design, and public elements of the Phase.
- g. Prior to purchase of any of the Agency Parcels by the Developer, the Developer must present to the Agency a signed hotel franchise or management term sheet with a national hotel chain for management of a hotel with banquet, catering facilities, and meeting and conference rooms that meet the public goals of the redevelopment plan, with Phase 1 to be completed by May 13, 2015.
- h. During each of the Option Periods for Phases 1 and 2, the Developer would be allowed access to the parcel(s) to be purchased in connection with the subject phase to do any due diligence on terms acceptable to the Agency, including restoration of the subject parcels and insurance and indemnity provisions.
- i. During the Phase 1 Option Period, if Agency seeks to lease any of the parcels for operation, Developer shall have a first right to offer a lease to the Agency, which offer, in order to be acceptable to the Agency must include a lease payment that covers any property taxes, operating costs and minor repairs needed to operate the subject parcel. Other terms customarily included in a short-term commercial lease will apply. At the Developer's request, and if deemed reasonable by the Agency, the Agency will institute a challenge to the assessed value of the leased parcel(s) in order to fairly determine the property tax amounts to be included in the lease payment. Agency's determination that a challenge is not reasonable shall be final.
- j. If the Developer fails to complete a purchase of either a group of identified parcels, or a specific parcel within the Option Period that is applicable to the group of identified parcels or the specific parcel, the Agency may terminate the Developer's right to develop the phase that included the group of identified parcels or the specific parcel in its sole discretion, and without cost to the Agency.

4.2.2. Granada Theater: The Granada Theater remodeling/restoration is a unique project within the larger Project. The public benefit in the Granada Theater restoration includes not only curing blight and providing accessory space to the Hotel, but also preserves and enhances the historic character of the downtown and its inventory of landmark heritage buildings, which cannot otherwise be accomplished by the private sector. The design and construction of the remodeling/restoration will require separate specialty skills and expertise. Therefore, the following additional requirements and benefits shall be included in the terms for acquisition and development of the Granada Theater:

- a. Upon execution of the closing documents for the Granada Theater, the Agency will make \$200,000.00 available to the Developer for remodeling and restoration, specifically including, but not limited to, installation of a new HVAC system, a fire marshal approved sprinkler system, and exterior fire doors in the Granada Theater. Developer will construct the improvements to the Granada in accordance with the terms and conditions of a license or permit of entry to be included in the DDA. The Developer agrees to preserve the historic landmark status of the Granada Theater and to maintain its historic character and architectural features. Any proposed alteration to the historic significance or historic features of the Granada Theater will require compliance with the applicable provisions of the City's Historic Landmarks Ordinance (General Ordinance No. 94-1194) as the ordinance currently exists, or as it may be amended in the future, and the prior written consent of the City Council.
- b. The purchase price of the Granada Theater shall be \$365,406.00. (Real Property \$198,000, Personal Property \$167,406 = \$365,406.00). The Developer will pay the purchase price for the Granada Theater, and any interest due, in one balloon payment due June 30, 2025. Interest, at the annual rate of 1% accruing on the principal, will be payable annually, or in monthly payments, until the principal is paid in full.
- c. If the Developer borrows funds to complete any additional remodeling of the Granada Theater, the Agency will provide a loan interest subsidy for fifteen (15) years or the life of the Agency whichever is shorter, to achieve an effective interest rate on the borrowed funds of not more than five and three-quarters percent (5.75%). The value of the interest subsidy will not exceed \$132,000.00. Agency will have a right to review and approve the terms of such financing in its reasonable discretion.

4.3 More detailed Project description acceptable to the Agency, which will be addressed in the DDA.

4.4. Project schedule for both phases, which will be addressed in the DDA.

4.5. Assurances and security to guarantee performance such as a pledge of accounts or interests in real property owned by the LLC or its members; construction and performance bonds; letters of credit; forfeiture of development rights without reimbursement of costs and unconditional commitments of funding sources for each phase before construction of that phase begins.

4.6. Terms of development, such as coordination with adjacent public improvement projects, grant of easements and street/alley vacation proceedings.

5. Term and Exclusivity

5.1. Term of the MOU.

- 5.1.1. This MOU shall be effective when executed by both parties, and shall automatically terminate as of the earlier of (i) the effective date of the DDA; or (ii) September 30, 2012 ("Exclusivity Period"). Developer will retain the exclusive right to negotiate with Agency for development of the Project, and Agency will be bound not to negotiate with other parties for development on the Project site, during the Exclusivity Period.
- 5.1.2. The Exclusivity Period may be extended by mutual written agreement of the parties any time prior to the expiration of the Exclusivity Period.

5.2. Termination.

- 5.2.1. If during the Exclusivity Period, any or a combination of the Contingencies identified in Paragraph 7 do not occur, Developer or Agency may terminate this MOU by notifying the other party in writing stating the reasons for such termination. However, the non-terminating party will be given thirty (30) days to cure the terminating party's reasons for termination and must notify the terminating party in writing, within 5 days of receipt of the termination notice, of its desire to cure. If the non-terminating party fails to give notice of its desire to cure within 5 days of receipt of the termination notice, or if the cure is not completed within such 30-day period, the terminating party may thereafter notify the non-terminating party of its failure to give notice or to cure and this MOU or the DDA shall terminate on the date of such written notice.
 - 5.2.2. Consequences of Termination. Upon termination, the respective obligations of the parties hereunder will be of no further force or effect, except as provided in Paragraph 6 hereof. In the event of termination, each party shall be solely responsible for their own expenses incurred during the term of the MOU.
- 5.3. Notices. All notices given pursuant to this paragraph shall be delivered in writing as required by Paragraph 8 herein.

6. Non-Binding Agreement

Except as set forth in the next sentence, this Memorandum of Understanding is only a statement of the current intent of the parties and does not create a binding agreement between the parties. The provisions of Paragraph 9 shall be deemed to create an enforceable agreement between the parties and shall survive Termination of this MOU. As set forth in Paragraph 4.1.1, it is expected that this MOU will be superseded by a DDA whose terms will create a binding contract between the parties.

7. Contingencies

The parties assume that certain events will occur and that a number of key milestones will be achieved in order to close financing and begin construction for each phase ("Contingencies"). The DDA will describe the time for satisfaction of any Contingencies not satisfied at the time the DDA is executed, and the parties' rights as to satisfaction and waiver of the Contingencies and the consequences of failure of the Contingencies. The Contingencies will include, but not be limited to:

- 7.1. Reasonable approval by the Agency of the building program, project schedule, design and cost feasibility for the phase, which approval shall not be unreasonably withheld.
- 7.2. The ability of Developer to secure public entitlements for the phase.
- 7.3. The ability of Developer to secure adequate and reasonable financing for the phase.
- 7.4. Securing of equity or limited partners as required to raise required equity for the phase.
- 7.5. Developer maintains the financial and human resources to complete work tasks that are the responsibility of Developer generally in accordance with the Project Schedule.
- 7.6. Agency maintains the financial and human resources to complete work tasks that are the responsibility of Agency generally in accordance with the Project Schedule.

8. Notices

8.1. All notices or other communications required by or relating to this letter or the Project will be in writing, and sent by personal delivery, by first class mail, return receipt requested, by overnight delivery, or by fax with a telephonic confirmation of receipt. Communication shall be deemed received at the time confirmed by delivery receipt if sent to the addresses and via a medium set out in paragraph 8.2 below.

8.2. Correspondence concerning the Project shall be addressed to:

8.2.1. For Agency: Dan Durow
 Community Development Director
 313 Court Street
 The Dalles, OR 97057
 Fax: 541-298-5490
 E-Mail: ddurow@ci.the-dalles.or.us

8.2.2. For Developer: Rapoza Development Group, LLC
 306 Court Street
 The Dalles, OR 97058

9. Authorization and Confidentiality

9.1 Agency and Developer will each seek all approvals required by law, bylaws, operating agreements or pertinent corporate documents in order to enter into this MOU and the DDA.

9.2 Except for published information or information ascertainable from public records, any confidential information furnished or disclosed by Agency in connection with the Project, will be held by Developer in confidence and will not be divulged to any third party, except for a party's advisors and consultants or as may be necessary to further the development of the Project.

9.3 Except for published information or information ascertainable from public records, if the Agency concludes that information furnished or disclosed to the Agency by Developer in connection with the Project is exempt from disclosure under state law, then, to the extent allowed by state law, and until ordered to disclose pursuant to a valid order of the district attorney, Agency will hold in confidence such information, and will not divulge such information to any third party, except for Agency's advisors and consultants.

9.4 If for any reason the Project fails to materialize, then each party will return all such confidential information to the party from whom it was obtained.

10. Assignment

Developer may not assign its rights under this Memorandum of Understanding to a third party without Agency consent, except for assignment to a legal entity controlled by the managing members of Developer which shall not require the Agency's consent. If the Developer assigns this MOU, Developer shall immediately thereafter notify the Agency of the name and address for notice of the assignee.

AGREED AND ACCEPTED:

**COLUMBIA GATEWAY
URBAN RENEWAL AGENCY**

RAPOZA DEVELOPMENT GROUP, LLC

By: _____

By: _____
Manager

Date: _____

Date: _____

**EXHIBIT A TO THE MEMORANDUM OF UNDERSTANDING BETWEEN
COLUMBIA GATEWAY URBAN RENEWAL AGENCY AND RAPOZA DEVELOPMENT
GROUP LLC**

LEGAL DESCRIPTION OF PROJECT SITE

Commodore II Parking Lot

Lots 4, 5, and the West 6 feet of Lot 3, Block 3 Original Dalles City

Recreation Buildings and Parking Lot

Assessor's Map 1N 13 3BA Tax Lot 800: The West 19 feet of the East 21.5 feet of Lot 3, Block 3, Dalles City

Assessor's Map 1N 13 3BD Tax Lot 400: The West 25 feet of Lot 2; and the East 2 ½ feet of Lot 3, Block 3, Dalles City

Assessor's Map 1N 13 3BD Tax Lot 500: The West 18 feet of Lot 1, and the East 33 feet of Lot 2, Block 3, ORIGINAL DALLES CITY, in the City of The Dalles, Wasco County, State of Oregon

Assessor's Map 1N 13 3BD Tax Lot 3400: The East 27 feet of Lot 7, Block 3, ORIGINAL DALLES CITY, in the City of The Dalles, Wasco County, State of Oregon

Assessor's Map 1N 13 3BD Tax Lot 3500: The West 31 feet of Lot 7, Block 3, ORIGINAL DALLES CITY, in the City of The Dalles, Wasco County, State of Oregon

Assessor's Map 1N 13 3BD Tax Lot 3600: Lot 8, Block 3, ORIGINAL DALLES CITY, in the City of The Dalles, Wasco County, State of Oregon

A parcel described as Parcel No. 4 in the Preliminary Title Report prepared by Amerititle: Beginning at a point on the North line of Lot 3, Block 3, ORIGINAL DALLES CITY, Wasco County, State of Oregon, which point is 147.8 feet Easterly from the Northwest corner of said Block 3; thence Easterly along the North line, of the said Block 3, a distance of 46.5 feet; thence Southerly, parallel with the East line of said Lot 3, a distance of 120 feet, more or less to the South line of Lot 2; thence Westerly along the South line of Lots 2 and 3, a distance of 45.5 feet; thence Northerly to the place of beginning; EXCEPTING therefrom any portion lying within the East 30.5 feet to the West 36.5 feet of Lot 3, Block 3 of said plat.

Granada Theater

Lot 6, Block 3, DALLES CITY PROPER, in the City of The Dalles, County of Wasco, and State of Oregon

Subject to:

1. Covenants, conditions, restrictions and/or easements, if any, affecting title, which may appear in the public record, including those shown on any recorded plat or survey.

Blue Building

The Easterly 40 feet of even width of Lot 1, Block 3, Original Dalles City, in the City of The Dalles, Wasco County, Oregon:

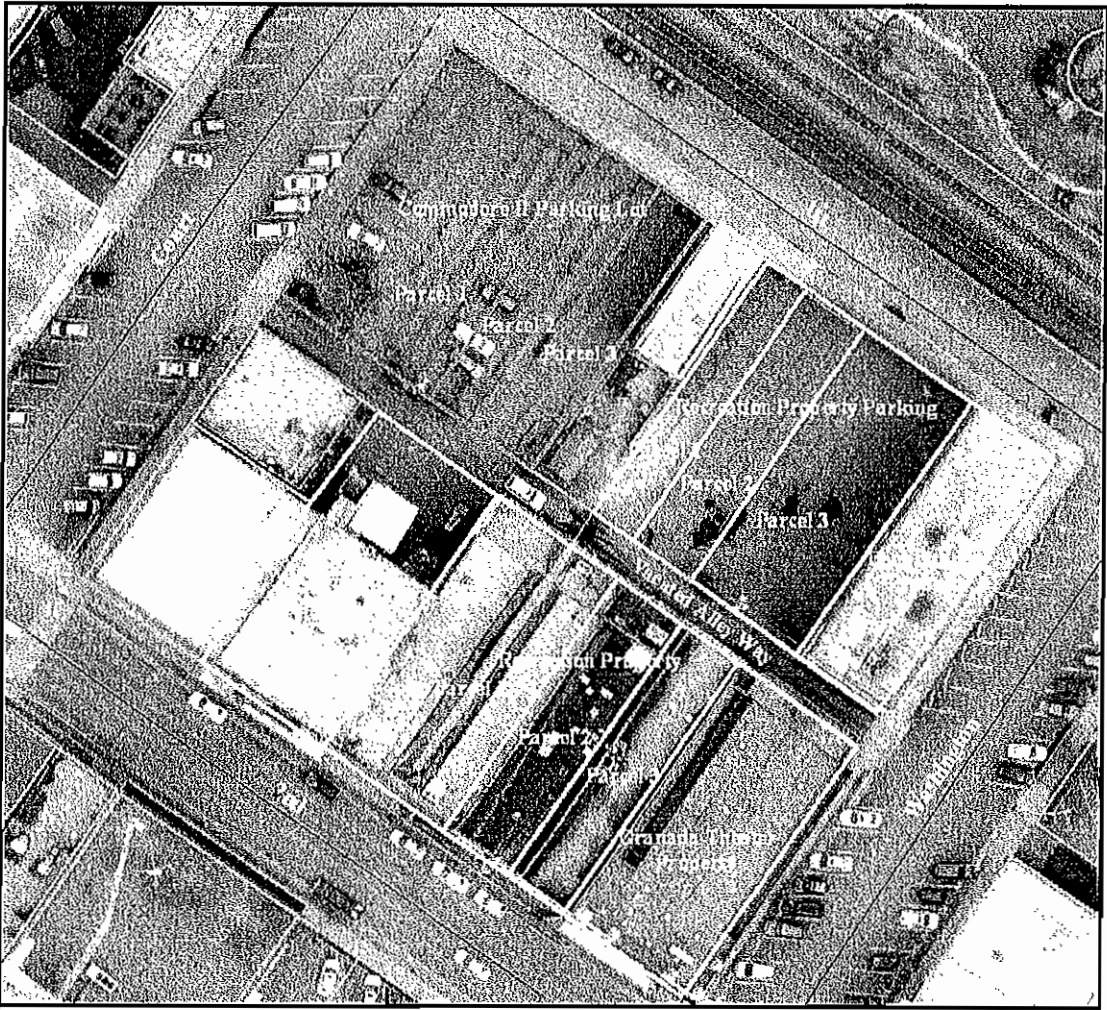
Subject to:

1. Any facts, rights, interest, or claims which are not shown by the public record but which could be ascertained by an inspection of the land or by making inquiry of persons in possession thereof.
2. Discrepancies, conflicts in boundary lines, shortage in area, encroachments or any other facts which a survey would disclose, and which are not shown by public records.
3. Agreement, including the terms and provisions thereof:

 Between: Dalles City, a municipal corporation of the State of Oregon
 And: Raymond P. Matthew and Irma H, Matthew, husband and wife

 Recorded: November 2, 1961
 Book: 144
 Page: 512 Deed Records of Wasco County, Oregon
4. Existing leases and/or tenancies.

Granada Block Redevelopment Project



LEGEND			
	Tax Lots		
	Redevelopment Properties - Phase I		
	Redevelopment Properties - Phase II		

Attachment A-1

Granada Block Redevelopment

Item	Low	High
Parking Structure	2,000,000	2,500,000 ?
Granada Improvements	200,000	200,000
Granada Loan Buy Down*	132,000	132,000
Demolition of Recreation	100,000	100,000
Environmental Study	3,000	10,000 ?
Archeological Studies	10,000	100,000 ?
Conceptual Redesign of Hotel	7,500	7,500
50% of delinquent taxes	10,000	10,000
Blue Building demolition*	-	50,000
Relocation Costs (Blue Building)	28,000	50,000
TOTAL	2,490,500	3,159,500

*Urban Renewal Programs available to all property owners in District

Columbia Gateway Urban Renewal Advisory Committee Meeting Minutes

Special Meeting
Tuesday, July 31, 2012
5:30 PM

City Hall Council Chambers
313 Court Street
The Dalles, OR 97058

Conducted in a handicap accessible room.

CALL TO ORDER

Chair Zukin called the meeting to order at 5:32 PM.

ROLL CALL

Present: Chris Zukin, Jennifer Botts, John Nelson, Greg Weast, Robin Miles, Scott Hege, Bill Dick

Absent: Richard Elkins

Staff present: City Manager Nolan Young, City Attorney Gene Parker, Community Development Director Dan Durow, Administrative Secretary Carole Trautman

PLEDGE OF ALLEGIANCE

Chair Zukin led the group in the Pledge of Allegiance.

Gary Grossman joined the meeting at 5:34 PM.

APPROVAL OF AGENDA

It was moved by Nelson and seconded by Hege to approve the agenda as submitted. The motion carried unanimously, Elkins was absent.

APPROVAL OF MINUTES

Chair Zukin called for comments or corrections to the July 10, 2012 minutes. Scott Hege commented that the minutes reflected he was absent. Secretary Trautman explained that, at the time of roll call, he was absent, and the minutes indicated he joined the meeting later.

It was moved by Grossman and seconded by Hege to approve the Urban Renewal Advisory Committee (URAC) minutes of July 10, 2012. The motion carried unanimously, Elkins was absent.

PUBLIC COMMENT

None

ACTION ITEM

Granada Block Redevelopment Project

Direct Durow presented an overview of the Memorandum of Understanding (MOU) for the Granada Block Redevelopment Project. The project entails the area now occupied by the "Blue Building" on First and Washington Street, The Recreation building and parking lot, the Granada Theater, and the Bank Hotel Building. In addition, Durow reported, the City would build a public Parking Structure in the current City parking lot location.

Director Durow stated that the MOU is not a legally binding document. From the MOU, the Disposition and Development Agreement (DDA) would be prepared which is the legal document, Durow said. The projected timeline for the DDA to be finalized is the end of September 2012 so the project can move forward, Durow reported.

Scott Hege asked why there was a two-step process of documentation. Director Durow explained that such a process was standard practice. The MOU, Durow said, is basically an intent document, and the DDA is the legal document whereby the language should reflect the original intent.

Chair Zukin asked for the date that the first MOU was signed. Director Durow answered that the first MOU was signed February of 2011, it was then extended to the end of May 2011, and then it expired.

Greg Weast asked if the DDA would have the same time frames as the MOU. Director Durow affirmed the DDA would have the same time frames.

Director Durow outlined the two phases of the MOU. The first Phase would be the hotel/conference center and the activity area. The activity space would be the Bank Hotel and Granada Theater, and the convention area would include the existing Recreation Building and parking lot, Durow reported. The hotel will have 135-150 rooms, approximately five stories in

height. The Agency would require a high-quality hotel and have input on the remodeling as well, Durow said.

Scott Hege asked for a definition of a “high quality” hotel. Director Durow pointed out Section 3.1.3, Design Review, in the MOU that states the Agency will have the opportunity to make a judgment on the design. City Attorney Parker stated the DDA will give more details on construction. Durow emphasized there will be a design review by the Urban Renewal Advisory Committee (URAC). Durow also pointed out that the parking structure will be included in Phase I so that the Parking Structure and Hotel complexes can be developed simultaneously.

Director Durow proceeded to Phase II of the overview. Phase II provides an option whereby the Commodore II Parking Lot could potentially be developed as a mixed use project.

Referring to page 5 of the proposed MOU, Director Durow highlighted the Urban Renewal Agency’s (URA) project responsibilities including the construction of the Parking Structure and an archaeological study. The Agency will be contracting with the archaeologists soon. Scott Hege asked what the status of the archaeology cost was at this point in time. Durow indicated staff is in discussions with Archaeological Investigations Northwest (AINW) for a proposal, possibly a three-step proposal.

Chair Zukin asked if any money would be spent between now and when the DDA is signed. Durow answered that money would be spent on archaeological and environmental work, all of which would be necessary for any kind of development project for that area. Zukin asked if expenditures prior to the completion of the DDA would come before the URAC. Durow said money is currently being spent on environmental work. City Attorney Parker clarified that the Agency rules are similar to the City’s rules whereby contracts over \$50,000 would go before the Agency, but if expenditures were close to \$50,000 staff would probably make a determination on whether or not it would go before the Agency for consideration. Smaller expenditures of \$10,000-\$20,000, Parker said, staff would probably proceed and advise the Committee and Agency after the fact. Durow stated the Recreation demolition contract would go before the URAC.

Scott Hege asked what the theory was behind the Agency paying up to \$100,000 towards the demolition as opposed to letting the developer pay for it. City Attorney Parker stated that one concern, as the MOU was being formulated, was the prevailing wage issue. The \$100,000 clause was part of the overall package that would prevent the triggering of the prevailing wage issue which, if not in place, could literally drive prices up and stop a project.

Director Durow pointed out that the Blue Building, the Recreation, and the Recreation Parking Lot would all be purchased by the developers for the same price that the URA paid. The Granada Theater would also be purchased, with a balloon payment in 2025. Robin Miles asked what the figure of \$167,000 for personal property was. City Attorney Parker answered that it included the chairs, fixtures, sound system and other personal items inside the theater. Miles stated, as far as taxes were concerned, it sounded like a high figure. Director Durow said the assessor would set the values.

Director Durow highlighted the details of the Granada Theater purchase. The developers, Durow stated, would be eligible for the Interest Rate Buy Down program with a cap of \$132,000 total subsidy regardless of the interest percentage. The Agency's refurbishing contribution would total \$332,000, but the total refurbishing cost was estimated at approximately \$1,000,000.

Regarding paragraph 4.2.2.b, Scott Hege asked if the Agency was selling the contract for 1% interest. Director Durow stated the Agency was selling the property at 1% interest with the balance due in 2025. Hege asked if the developers would be making payments, and Durow stated they would be making an interest payment of 1% until the balloon payment was due.

John Nelson asked for an explanation of Section 1.3.2c on page 3, the creation of a "vertical housing development zone." Director Durow indicated the City had been developing this concept for the downtown area for several years. Community Development Department's next RARE Planner will primarily be tasked with getting the vertical housing development zone in place, Durow reported. The concept, Durow said, would be to provide an incentive for downtown property owners to create second floor and above housing in an attempt to get downtown residents. The incentive outlines that for every floor of housing above commercial ground floor, owners receive a 20% tax break on the entire building value for a 10-year period, capped at an 80% tax break, Durow explained. The incentive applies to both existing and new construction.

Nelson asked if the vacating of the alley was a permanent vacation. Director Durow answered that it was a permanent vacation of a portion of the alley up to the hotel property. Durow further explained that vacating rights of way is not the City's first priority, but in this case it would be necessary in order to have a quality hotel with internal functionality.

Chair Zukin asked, regarding paragraph number 7 on pages 10-11 "contingencies," if contingencies would be explained in detail in the DDA. City Attorney Parker stated the DDA would contain much more detail concerning the contingencies.

Robin Miles asked what the tax figures would be on the total project. Director Durow answered that the developers' investment would be approximately \$20,000,000 in construction costs. The tax base is determined by the assessor's office. Durow did advise, that the developers would be eligible to apply for the Enterprise Zone, and, if approved, there would be a three-year tax exemption. Miles stated that the Mid-Columbia Fire & Rescue (MCFR) board members had a concern for stretching the emergency services and creating tax dollars for MCFR.

Scott Hege asked for an explanation of the "grand entrance" indicated on page 2, Section 1.3.1. Director Durow stated the architect's rendering-Option 1 suggested a potential extension over the roof line.

Regarding Section 1.3.2a, page 3, Scott Hege suggested a language modification might be needed in the last phrase, "as set forth in the DDA." Hege commented that the existing wording alluded to the fact that the DDA was already in existence. City Attorney Parker stated the wording could

Urban Renewal Advisory Committee

be changed. Director Durow suggested the wording, "as set forth in the proposed DDA." Hege concurred.

Scott Hege asked if there were any plans for replacement of lost parking spaces for the Commodore II Parking Lot as referenced in Section 1.3.2d. Director Durow answered that it could be taken into consideration in negotiations. Hege expressed a concern that to replace parking spaces may not be cost effective. Durow stated it could possibly be renegotiated. Zukin asked if the Commodore parking was being used. Durow said the tenants have the right to use it whether or not it is used, and the only way to remove the parking is to provide like parking somewhere else, or ask the property owner to voluntarily release that right, or perhaps reduce the amount of required parking.

In reference to Section 2.2.3, Scott Hege asked the intent and necessity of that wording. City Attorney Parker replied that the intent is to stress to the developer that whatever documentation the Agency receives the Agency is entitled to assume it is accurate and complete. Bill Dick suggested the language could be edited in the DDA.

Scott Hege asked if the conceptual design work was underway. City Manager Nolan Young affirmed that design work was underway. Director Durow added that the funds were being spent to provide visuals in the decision making process. Hege asked if the expense for the final design of the Public Garage would be defined in the DDA. Director Durow said it would be defined.

Referring to the "WAVE" document, Scott Hege asked for a profile on the developer Vic VanKoten. City Attorney Parker explained that Mr. VanKoten is an attorney in Hood River who has been working closely with Michael Leash. Hege also asked if there had been any discussion with the developers on the amount or level of equity. Director Durow said it would be determined as the developers recruited other investors. Hege asked for the meaning of "leveraging 50% through construction financing." City Attorney Parker stated that would be more thoroughly addressed in the DDA. Parker indicated attorney Launer stated that terminology is not uncommon.

Scott Hege suggested a visual overview of financial sources for the entire project would be beneficial for the public. City Manager Young stated that a chart could be formulated, but at this time some of the financial details are somewhat undetermined such as the parking structure, archaeological study, and environmental study costs. What is known, Young reported, is that the Granada improvements are capped at \$332,000, the Recreation Building demolition is capped at \$100,000, and the estimate on the entire Parking Structure is approximately \$3,000,000. The Agency's cost towards the Parking Structure could be around \$2,000,000, Young said. Gary Grossman agreed with Hege that it would be good to have something on paper that would give a financial overview of the project. After further discussion, Young stated a chart would be provided in the near future.

Scott Hege asked if an investment group was forming. Director Durow confirmed that the developers are recruiting potential investors; they are mainly focusing on Oregon investors. The developers indicated they have received significant interest in this project from the Oregon Urban Renewal Advisory Committee

investors, Durow said. City Manager Young pointed out that the MOU is the “product” the developers would use to recruit investors.

Jennifer Botts asked if the URAC and URA would have input on the design as it relates to the National Historic District. Director Durow reported that the Historical Landmarks Commission would review the project, and the intent was for the façade to be compatible with the historic district.

At this point of the meeting, Chair Zukin asked for audience questions and/or comments.

Mary Merrill, 2437 E. 10th Street, The Dalles, Oregon, stated she was delighted the project was moving forward. Merrill asked who would be the owner of the Parking Structure. City Manager Young answered that the structure would be owned by the City. Merrill asked if there would be a potential for revenues being generated from the Parking Structure. Young explained there were no plans to generate revenue from the Parking Structure, but there were plans for retail space along the Washington Street Plaza project. Merrill stated she was delighted to hear that, and she was in favor of the City providing additional retail space.

It was moved by Grossman and seconded by Weast to recommend to the Urban Renewal Agency to proceed with the Granada Block Redevelopment Project MOU as presented.

Chair Zukin called for discussion.

Scott Hege stated that everything regarding the project was contingent upon financing. Hege felt the project was a good idea, but reality could be very different. City Manager Young reported that the Agency has an exit strategy in place if needed. He reiterated that the work that is currently underway would all be enhancing, so that if this development cannot happen, the City would have a project area that would be more enhanced and prepared for another development.

Bill Dick said that the developers gave a presentation to the URA, and these developers have a great deal of experience. Dick said the developers were very confident they could raise the funds.

Mary Merrill offered the services of State of Oregon Small Business Center network experts to aid in the formulation of financial packages at no cost.

Chair Zukin commented that this was a great project. Zukin expressed that he was concerned about the financing but he was encouraged to hear that the DDA would provide more equity and financing detail. Zukin’s suggestion, on future projects, was to require developers to make a deposit as the City spends time and money negotiating. City Manager Young recommended that the URA and URAC have some good discussions along those lines in the future to set a general policy. Young reminded the group that the original intention of the URA was to remove barriers to development.

After further discussion, Chair Zukin called for the vote. The motion carried unanimously, Elkins was absent.

Director Durow thanked the Committee for all of the hard work on this project for the past two and a half years. Durow advised that the MOU would be presented for vote to the URA on August 13, 2012.

FUTURE MEETING

Tuesday, August 21, 2012

ADJOURNMENT

Chair Zukin adjourned the meeting at 6:47 PM.

Respectfully submitted by Carole J. Trautman, Administrative Secretary.

Chris Zukin, Chairman