



**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

Director 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

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