

# Columbia Gateway Urban Renewal Agency Advisory Committee Meeting Minutes

## Special Meeting Tuesday, February 26, 2013 5:30 PM

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

*Conducted in a handicap accessible room.*

### CALL TO ORDER

Vice Chair Grossman called the meeting to order at 5:30 PM.

### ROLL CALL

Members Present: Gary Grossman, Jennifer Botts, Linda Miller, Mike Zingg, Richard Elkns, Greg Weast, Steve Kramer

Members Absent: Chris Zukin

Staff Present: City Manager Nolan Young, City Attorney Gene Parker, Administrative Fellow Garrett Chrostek, Administrative Secretary Carole Trautman

Vice Chair Grossman introduced two new committee members, Steve Kramer (Wasco County Representative) and Linda Miller (City Council Representative).

### APPROVAL OF AGENDA

City Attorney Parker requested the addition of agenda item #8 regarding a recommendation to the Columbia Gateway Urban Renewal Agency (the Agency) for the approval of a Third Addendum to the Memorandum of Understanding (MOU) between the Agency and Rapoza Development Group, LLC (Rapoza) for the Granada Block Redevelopment project.

It was moved by Weast and seconded by Botts to approve the agenda as amended. The motion carried unanimously, Zukin was absent.

### PUBLIC COMMENT

None.

ACTION ITEM – Purchase Contract, Sunshine Mill Winery

City Attorney Parker presented the Staff Report regarding the existing Lease Agreement between the Agency and Discover Development for the Sunshine Mill property. Parker reported that the current Lease Agreement expires April 13, 2014. The proposed Land Sale Contract sets out a closing deadline of May 15, 2015. Parker explained that, if the purchase was not completed by the deadline date, the Agency would need to develop a short term Lease Agreement with Discover Development until the purchase closes. Although the Lease holds a provision for a five-year extension, James Martin, principal to Discover Development LLC, believes it is advantageous at this time to proceed with the Land Sale Contract in order to secure necessary financing for the property purchase and future developments, Parker reported.

Robin Miles asked if the total payback amount was \$905,000. City Attorney Parker confirmed that amount.

Discussion followed regarding the history of Agency monies loaned to Discover Development. In summary, the Agency loaned \$600,000 to Discover Development which included \$100,000 for the cleaning of the facility's exterior. The recent renovation of the warehouse was part of an \$80,000 grant, originally designated for demolition, which later shifted to a renovation project. Discover Development has paid the property taxes on the property over the course of time. There is a current amount owing of \$4,152.79.

Linda Miller asked if Discover Development was paying interest on the \$600,000 loan. City Attorney Parker said Discover Development was paying 1% interest and will pay 1% interest on the balance of the property purchase price from the date of the Land Sale Contract until closing.

City Manager Young stated that the City would sell the property to Discover Development for the same price that the City paid for the purchase of the mill and the piece of railroad property.

Vice Chair Grossman called for a motion. It was moved by Weast to recommend to the Agency to approve the proposed Land Sale Contract with Discover Development, LLC for the Sunshine Mill Property. A second to the motion and vote was delayed for further discussion.

Mike Zingg asked if Discover Development's plan was to pay off the \$600,000 loan in October of 2014. City Attorney Parker stated that he believed the plan was to secure financing to pay off the Agency loan, purchase the property, and pursue further property developments. City Manager Young clarified that the intent of the Land Sale Contract language was to keep the loan payoff up front and in the mind of the purchaser along with the land purchase.

Linda Miller asked if Mr. Martin felt he was close to securing financing. City Attorney Parker explained that Mr. Martin believed that, with the property purchase, he would probably have a stronger possibility of securing financing.

Dick Elkins asked what would happen if the contract was not completed. City Attorney Parker stated the City would try to take a cooperative approach with the purchaser and not proceed with

foreclosure actions. However, if necessary, the Agency would be obligated to proceed with the foreclosure process to protect its interests.

Jennifer Botts seconded the motion.

Mike Zingg asked if the City would be able to see a property purchase appraisal if it was required for securing financing. City Attorney Parker said the City could try to review it and possibly share it in executive session with the Advisory Committee and Agency. Zingg stated it could possibly save the City from having to seek an appraisal if there was a default on the property. City Attorney Parker reiterated the fact that the City has had a cooperative relationship with Discover Development.

Vice Chair Grossman called for the vote, the motion carried unanimously, Zukin was absent.

Natasha Martin, Events and Sales Manager for Sunshine Mill, presented a statement from James Martin. The highlights of Mr. Martin's statement were as follows:

- Mr. Martin thanked the Agency for its support in this project.
- The partnership between the Agency and Sunshine Mill (SMW) began in 2006 when the Agency sought to improve the East Gateway to The Dalles.
- The company currently employs 64 employees. The East Gateway/Brewery Grade project, through job creation, has acquired 3.8 million dollars in federal funding. Outside investments of over four million dollars for the winery project have been acquired.
- The vineyard development will almost double the quantity of vineyards in the Columbia Gorge region. The vineyard employs 15 people and is projected to increase to 25 full time employees. This project is also bringing in over eight million dollars in outside investments.
- Media attention is accelerating.
- The growth of the winery has led to the restoration of the Old Wasco Mill Warehouse that now houses Copa Divino's production lines.
- Future plans include the purchase of an adjacent property for production expansion.
- SMW anticipates an early summer preliminary painting of the Mill structure.
- Because of shortness of funding and future plans for the exterior of the silos/hotel project, SMW does not believe it is the right time to paint the silos. SMW has also struggled with the difficulties of cleaning the silos. Mr. Martin would entertain ideas regarding loan opportunities in the interim to begin the silo improvements if it is of interest to the community.
- It has always been SMW's goal to make The Dalles a destination location.

At the conclusion of Mr. Martin's statement, Natasha Martin clarified that SMW plans on power washing and painting the mill and a portion of the warehouse only. They hope to complete the work by the end of this summer, it will be a four to eight month process. SMW has purchased scaffolding to do the work.

Jeremy Reding, Sunshine Mill's architect, gave a powerpoint presentation highlighting the SMW master plan that consists of three phases: Phase 1 – the purchase of the old Tum-A-Lum property for the redevelopment of a shipping center, some administrative offices, and a side parking lot. Phase 2 – expansion of the Copa Divino production line to include a new building adjacent to the current warehouse; and Phase 3 – development of a round-room hotel/winery in the silos.

Following Mr. Reding's presentation, Robin Miles expressed a concern regarding fire and rescue protection for 10 floors. Mr. Reding stated SMW would be meeting soon with the fire marshal to discuss the master plan.

ACTION ITEM - Granada Block Redevelopment Project, Proposed Third Addendum to the Memorandum of Understanding between the Columbia Gateway Urban Renewal Agency and the Rapoza Development Group, LLC.

City Manager Young presented a draft addendum to the MOU for the Granada Block project outlining a 45-day extension to the signing of the Disposition and Development Agreement (DDA). Young reported that substantial progress had been made on the DDA, but challenges occurred with the archaeological investigation that has incurred an additional \$350,000 in costs for the hotel parking. Young highlighted two points 1) the 45-day extension would affect the signing of the DDA, but would not affect the purchase date of August 30, 2013 with the possibility of a 120-day extension; 2) there has been significant progress on the project. The original extension was granted due to issues related to the demolition of the Recreation Building. Rapoza has resolved those issues, Young stated.

City Manager Young introduced Michael Leash, Rapoza representative. Leash reported that the developers managed to bring the cost estimate for the Recreation Building demolition down from \$500,000 to approximately \$200,000. The current challenge, Leash stated, was the added incremental cost that resulted from the archaeological study. The parking spaces designated for the hotel's underground parking, totaling 52 parking spaces, would result in costs increasing an additional \$8,500 to over \$10,000 per parking spot from what was originally figured. Rapoza, Leash commented, now needed to redesign the lower level of the hotel and relocate parking spaces to the City's parking structure so that costs would be fixed.

Greg Weast asked Leash if he was confident the project would happen. Leash said he was confident of that. Leash said half of the 52 underground parking spaces would be relocated to the parking structure at a cost of approximately \$13,500 per parking space. Leash explained that the developers would scout the hotel property to determine what underground space at the hotel site, if any, was usable. Any areas deemed archaeologically significant would be capped with cement so as not to disturb archaeological findings. The north side of the property was deemed archaeologically significant, Leash reported.

Linda Miller asked what the plan would be if archaeological objects were found at the Recreation. Leash said Rapoza would be required to conduct an archaeological investigation, but the plan was to go only to the footing level on the south side of the existing building, which would be an adequate amount of space. City Manager Young clarified that there would be an Urban Renewal Advisory Committee

archaeologist on site for the demolition of the concrete floor, and there would probably be some preliminary drilling into the concrete floor to determine what was immediately underneath the structure. Young stated the Agency had invested between \$100,000 and \$120,000 in archaeological investigation, including the parking structure site. Young reported that the parking structure site was not identified as a significant archaeological site.

Great Weast asked if there would be an increase in parking spaces in the City's parking structure. City Manager Young stated that the original plan for the parking structure was for a minimum of 120 public parking spaces. The design calls for a total of 142 spaces on three floors. If an additional 25 parking spaces needed to be moved to the parking structure, the City could build another half floor to the structure. The City would build the structure, and Rapoza would reimburse the City for costs per parking spot, Young reported.

Greg Weast suggested that, if the URAC chose to recommend approval of the Third Addendum, a provision could be added to the recommendation for Rapoza to give the City some sort of a bond for \$20,000 that could be used as part of the purchase payment at the time of the sale. If the purchase did not happen, Weast said, the City would keep the money. Weast commented that public perception makes committee members look bad, and that a security bond would send a message to the public that the developers had "skin in the game" on the project. Michael Leash stated he believed Rapoza already had "skin in the game" by engaging in a hotel study and hiring professional consultants to research the feasibility of bringing a name brand hotel to The Dalles.

City Manager Young reminded the committee members that they could make additional recommendations to the Agency, and the Agency could decide whether or not to accept the additional recommendations. Young expressed a concern about tying up cash just as a show of good faith when the funds could be used to move the project forward. Young said the City had seen a show of good faith by expenditures Rapoza had made thus far. If the committee chose to make that recommendation, Young asked that the dollar amount be minimal. Robin Miles asked how much money had been spent so far by the City. Young said the property purchase cost 1.3 million dollars and would eventually come back to the Agency. To date, Young said the City has spent approximately \$100,000 to \$150,000 and the total budgeted amount is \$912,000. Young clarified that the City felt those expenditures were necessary to make the property marketable.

Linda Miller asked how Rapoza was able to lower demolition costs. Michael Leash explained that they divided up the abatement work into separate projects such as asbestos removal, lead paint removal, and the demolition and obtained bids for each specific project rather than getting a bid from one contractor for all of the work. Miller asked if any of the work would be done prior to the developer's purchase. City Manager Young said removal of some items inside the structure and the removal of the lead based paint and asbestos could happen prior to the purchase date of August 30. The demolition would take place just prior to construction, Leash said. Young said the design work on the parking structure would begin prior to the purchase so that the per-space cost could be determined. Miller asked if there was any other "up front" money commitment prior to purchase. Young said the expenditures are primarily the remaining \$20,000 expense for archaeological and the first \$100,000 on the Recreation demolition. The City's designated first \$100,000, Young said, could be met by the removal work of the environmental Urban Renewal Advisory Committee

hazards. Miller asked if the Blue Building was scheduled for demolition. Leash said the architects are still determining whether or not the structure has to come down. They still need to look at the engineering, Leash said.

Dick Elkins asked if the hotel and parking structure projects were separate. City Manager Young said the City would build the parking structure, and the developers would build the hotel. The City would not work on the parking structure until a commitment was received from Rapoza, other than the design work.

Discussion followed where various committee members expressed their frustration over the difficulty and challenges of considering several delays. Some are concerned about Rapoza's lack of investment into the project. City Manager Young reassured the committee members that the project has moved along as timely as possible. Jennifer Botts commented that she did not want to be personally responsible for dropping this project, because The Dalles needs the project.

Vice Chair Grossman called for a motion. It was moved by Botts and seconded by Miles to recommend to the Urban Renewal Agency approval of a 45-day extension for the signing of the Disposition and Development Agreement of the Granada Block Redevelopment project between Columbia Gateway Urban Renewal Agency and Rapoza Development LLC.

Gary Grossman commented that both the Advisory Committee and the Agency need to be careful about the thought process of saying "we are too far in." Grossman also stated that it had been the experience of some of the committee members that there is a level of discomfort caused by public comments, and another delay would leave committee members "hanging out there."

Greg Weast asked Michael Leash if all the funding was in place. Leash said not all the funding was in place.

Vice Chair Grossman stated a motion was on the table for a recommendation to the Agency for a 45-day extension on the signing of the DDA, and he called for a question. Steve Kramer called for the question.

Botts and Miles voted in favor; Elkins, Weast, Zingg and Miller opposed; Kramer abstained; Zukin was absent. The motion failed.

City Manager Young asked if there were any additional recommendations the committee wished to consider. Vice Chair Grossman suggested that a recommendation to the Agency for approval could be made with a provision for a deposit of some kind.

It was moved by Weast and seconded by Zingg to recommend to the Agency the approval of the Third Addendum to the Memorandum of Understanding between the Columbia Gateway Urban Renewal Agency and Rapoza Development Group, LLC with the provision that there is a performance bond in the amount of \$20,000, that is non-refundable but that can be used against the capital expenditures of the purchase of the property should it come to fruition within the guidelines of the Memorandum of Understanding. Vice Chair Grossman asked for a call for the Urban Renewal Advisory Committee

question. Steve Kramer called for the question. Weast, Zingg, Botts and Grossman voted in favor; Miles, Elkins and Miller opposed; Kramer abstained; Zukin was absent. The motion carried.

#### ONGOING URBAN RENEWAL PROJECTS

- Property Rehabilitation Applications – Four applications were received from The Dalles Art Center, St. Peter’s Landmark, The Dalles Mural Society, and the Civic Auditorium. Those requests will go before the URAC on March 19, 2013.
- Flour Mill “Heck Hole” – The City was able to decommission the wells. The project cost \$14,000 and has been completed.
- Granada Block “Hot Tank” – Located behind the Granada, the tank had product inside. The tank caused contamination, so the soil was removed, and the tank will be removed with the decommissioning of a sewer line located underneath the tank.
- Mill Creek Greenway – Administrative Fellow Garrett Chrostek has been working with Friends of the Mill Creek Greenway to submit a grant application for two bridges. Next year’s budget will include \$40,000 for the engineering design on the project.

It was moved by Weast and seconded by Elkins to adjourn the meeting. The motion carried unanimously, Zukin was absent.

Vice Chair Grossman adjourned the meeting at 7:17 PM.

Respectfully submitted by Administrative Secretary Carole Trautman.

  
Chris Zukin, Chairman