



IMPROVING OUR COMMUNITY

**COLUMBIA GATEWAY URBAN RENEWAL AGENCY**  
**CITY OF THE DALLES**

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**AGENDA**  
**COLUMBIA GATEWAY**  
**URBAN RENEWAL ADVISORY COMMITTEE**

Conducted in a Handicap Accessible Meeting Room

**Special Meeting**

**Tuesday, November 25, 2014**

5:30 pm

City Hall Council Chambers

313 Court Street

The Dalles, Oregon

- I. CALL TO ORDER
- II. ROLL CALL
- III. PLEDGE OF ALLEGIANCE
- IV. APPROVAL OF AGENDA
- V. APPROVAL OF MINUTES – NOVEMBER 18, 2014
- VI. PUBLIC COMMENT (for items not on the agenda)
- VII. ACTION ITEM – Consideration of Amendments to the DDA with Rapoza for the Granada Block Redevelopment Project
- VIII. ONGOING URBAN RENEWAL PROJECTS UPDATE
- IX. FUTURE MEETING – December 16, 2014
- IX. ADJOURNMENT

**Columbia Gateway Urban Renewal Agency Advisory Committee  
Meeting Minutes**

**Tuesday, November 18, 2014**

**5:30 PM**

City Hall Council Chambers

313 Court Street

The Dalles, OR 97058

*Conducted in a handicap accessible room.*

CALL TO ORDER

Chair Grossman called the meeting to order at 5:31 PM.

Grossman welcomed the new Urban Renewal Advisory Committee member, Jennifer Dewey.

ROLL CALL

Members Present: Gary Grossman, Jennifer Botts, Jennifer Dewey, Atha Lincoln, Linda Miller, Greg Weast

Members Absent: Steve Kramer, Robin Miles\*, John Nelson\*

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

PLEDGE OF ALLEGIANCE

Grossman led the group in the Pledge of Allegiance.

APPROVAL OF AGENDA

It was moved by Weast and seconded by Botts to approve the agenda as submitted. The motion carried unanimously; Kramer, Miles, Nelson absent.

APPROVAL OF MINUTES

It was moved by Weast and seconded by Miller to approve the September 16, 2014 minutes as submitted. The motion carried unanimously; Kramer, Miles, Nelson absent.

PUBLIC COMMENT

None

ACTION ITEM – Recommendation Concerning an Amendment to the Loan Agreement and/or Purchase Agreement Between the Agency and Discover Development LLC

\*NOTE: Miles joined the meeting at 5:36 PM. Nelson joined the meeting at 5:39 PM.

City Manager Young highlighted the main points of the staff report. It was noted by the Committee that the request for the extension of the purchase option for three years would bring the extension due date to May 15, 2018 rather than May 15, 2015.

James Martin, Discover Development representative, stated that in a perfect world all of Discover Development's goals would have been achieved. He explained that one of Discover Development's (Discover) early endeavors was to formulate a viable business that would create new jobs, one of the requirements for an approximate 1.6 million dollar federal grant to construct Urban Renewal's roundabout project. Mr. Martin said Discover met the goal and created new jobs; 50 locally and 67 nationally. He said building a company had challenges and required taking a substantial amount of risks. At the same time, trying to pay off all the loans in a short amount of time was difficult. He started in 2009 when the economy was suffering. Mr. Martin stated that through meetings with staff and the Mayor to formulate a loan payment timeline plan, he had a clear perspective on the direction of the project – where jobs would not be cut, and the company could continue to grow.

Martin explained that Sunshine Mill Winery was the dba of Discover Development. Copa Di Vino and TGE were entities of the wine business. Approximately \$900,000 had been used for property development including occupancy improvements, meeting fire code requirements, and painting the facility. Tenants paid over \$700,000 for tenant improvements to work towards a viable production winery, now the second largest in the state of Oregon. He said Discover would be unable to obtain a standard commercial loan because of the nature of the property. A special type of loan would be required.

Botts asked what the Agency's financial commitment was to the roundabout project, and would the project have happened without Discover's project. City Manager Young said he did not know the total dollar amount spent by Urban Renewal and he offered to research that information. He said the roundabout project would not have happened without the grant funds.

Regarding budget implications, Botts asked what other UR projects would be impacted if Discover's funds were not available, aside from the Agency obtaining a one million dollar loan. City Manager Young clarified that a one million dollar loan was one option, depending upon the rate of progress on the other projects. He said Urban Renewal would be spending \$200,000 for a new HVAC system in the Granada Theater. The Washington Street Undercrossing project would not begin until July 2015. Projects using existing cash included \$300,000 for the Civic (next fiscal year); \$200,000 for UR property rehabilitation; \$100,000 for the Lewis and Clark Fountain project (next spring); and \$220,000 for the Thompson Pool Project (next spring). Young said it might not be necessary to borrow, but if it was necessary, Urban Renewal would have the capacity to do so. Miller stated she did not think Urban Renewal typically borrowed money for projects. Young said the basic concept of Urban Renewal was to borrow funds for projects, then use the property tax increased revenues to pay off debt.

Miller asked if Copa Di Vino's (Copa) rent would cover the three year payments. Mr. Martin said the rent would cover approximately 50% of the \$900,000. He explained that Discover had not sought out the option of Copa (or other investors) buying into the property, because it could cause complications later on where other property investors could have different business expectations other than what the Martin family envisioned.

City Manager Young gave a detailed explanation of the proposed purchase option interest payment calculation over a three year extension period which would equal over \$16,000 a year, and \$48,000 over three years.

Miles stated she was in favor of the extension request because the property had been beautifully enhanced, and Mr. Martin's project was a great asset in the community. Discover created jobs for people in the community who need to pay bills, she said.

Dewey asked what would be the consequences if Discover's extension request was not granted. Weast said the worst case scenario would be that on December 15 Mr. Martin would walk away from the project and 50 employees would be unemployed. If the request was approved, and he could not make a loan payment later on, the worst case scenario would be that 50-70 people could possibly be unemployed.

It was moved by Miles and seconded by Nelson to recommend to the Columbia Gateway Urban Renewal Agency to accept the staff's recommendation as submitted: 1) Loan Retirement – Allow for the retirement of the debt over a two year period beginning May 15, 2015, with three principal payments as listed in staff's recommendation, and an increase in the interest rate to 5.25%; and 2) Purchase Option – Extend the purchase option for three years to May 15, 2018. Discover Development will pay interest on the purchase amount at an annual rate of 5.25%, with equal monthly payments. Grossman, Dewey, Miles, Weast, Nelson, Lincoln and Miller voted in favor, Botts opposed, the motion carried; Kramer absent.

#### ONGOING URBAN RENEWAL PROJECTS UPDATE

City Manager Young presented an update on the UR property rehabilitation grant project on the Independent Order of Odd Fellows façade restoration project. Young stated that one transom window still needs restorative work, it will be completed when the severe weather ends.

FUTURE MEETING – November 25, 2014 (Special Meeting)

#### ADJOURNMENT

Chair Grossman adjourned the meeting at 6:16 PM.

Respectfully submitted by Administrative Secretary Carole Trautman.

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Gary Grossman, Chairman



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CITY OF THE DALLES

## AGENDA STAFF REPORT

URBAN RENEWAL ADVISORY COMMITTEE

Meeting Date: November 25, 2014

**DATE:** November 19, 2014

**TO:** Urban Renewal Advisory Committee

**FROM:** Nolan Young, Urban Renewal Manager 

**ISSUE:** Consideration of Amendments to the Development and Disposition Agreement (DDA) with Rapoza Development for the Granada Block Redevelopment Project

**BACKGROUND:** The Urban Renewal Agency currently has a DDA with Rapoza Development for redevelopment of portions of the Granada Block. The agreement calls for the construction of a hotel/conference center and renovation of the Granada Theatre as an event venue. Currently, the DDA requires that Rapoza finalizes the purchase of the Blue Building and the Recreation property for a total cost of \$845,312 by December 31, 2014. Prior to being able to complete that purchase Rapoza needs to complete several tasks, including showing the Agency that they have sufficient financial resources to provide for the construction and permanent financing in an amount sufficient to allow for purchase and development of the Phase 1 parcels.

The developer has shared with us they are pursuing the current capital stack to complete the financing of this project:

- \$7 million EB 5 funding – earliest available date May to early June 2015, allowing 90-120 days for any unforeseen issues
- \$1.56 million new market tax credit State funding– earliest available late April-early June 2015, with allowance of 90-120 days for unforeseen State legislative delays
- \$7.04 million new market tax credit Federal funding – earliest available late May- early June 2015, with allowance of 90-120 days for unforeseen challenges with Congress
- \$3 million preferred equity
- \$4.5 million bank loan

In light of the promise of being able to raise these funds, but the need for an extended timeline, Rapoza has requested a nine month delay.

**STAFF RECOMMENDATION:** The City Manager formed a working sub-committee consisting of the City Manager, City Attorney, Urban Renewal Advisory Committee Chair Gary Grossman, and City Councilor Dan Spatz to meet with Rapoza to consider a plan where portions of the DDA could be amended. Staff recommends not extending the entire DDA an additional nine months.

After meeting with Rapoza, we propose the following:  
Rapoza will be allowed a nine month extension of the requirement to purchase the property if they put down a \$50,000 (\$10,000 upon signing of the extension, and \$40,000 by December 31, 2014) nonrefundable deposit and agree to pick up all carrying costs (utilities, maintenance) on the property for the extension period. In order to receive this extension, Rapoza would also need to complete the items on Attachment A by the dates identified.

One of the requirements on Attachment A is the submittal of an application for a hotel franchise by March 31, 2015. This would include paying the \$75,000 nonrefundable application fee. We propose the agency allow for \$25,000 of the \$50,000 nonrefundable deposit to be applied toward the application fee. That means that by March 31, 2015 Rapoza would have made a financial commitment of \$100,000 toward the project (the \$75,000 application fee and the remaining \$25,000 from the nonrefundable deposit that would be applied toward the purchase price).

**BUDGET IMPLICATIONS:** Under this extension, the Urban Renewal Agency would not receive the \$845,312 for the purchase of the property until fiscal year 2015-16. The current budget includes \$570,000 for additional costs associated with the Granada Block project (Recreation demolition - \$100,000, relocation of utilities in the alley - \$460,000 and delinquent taxes - \$10,000) and \$200,000 for the Granada Theatre. Those activities would likely be delayed until the purchase is complete.

**COMMITTEE ALTERNATIVES:**

1. *Staff Recommendation: Move to recommend to Urban Renewal Agency that Rapoza be allowed a nine month extension of the current DDA agreement with the required timelines as identified in Attachment A, if Rapoza puts down a \$50,000 nonrefundable deposit. The application for a hotel franchise must be made by March 31, 2015, and up to \$25,000 of the nonrefundable deposit can be applied toward the application fee for the development.*
2. Recommend an extension of the DDA after making amendments to the Staff Recommendation.
3. Recommend to the Urban Renewal Agency that they notify Rapoza that they must meet all the conditions of the DDA by current deadlines. Inform them that the Urban Renewal Agency is beginning the process of preparing a Request for Proposals for the property, to which Rapoza can submit a proposal. The Agency intends to complete this process during the first six months of 2015.

## ATTACHMENT "A"

### Required Time Lines for Extension of DDA

#### Items to be completed by December 31, 2014

- a. Developer submits Redevelopment Plan including viable business plan to complete development of Phase 1 parcels by March 31, 2017. Section 2.8.1
- b. Developer provides list of sources and timeline for obtaining necessary capital stack to complete the Redevelopment Plan submitted, with any available documentation.
- c. Developer provides proof of easements, license or other documents necessary to complete project. Sections 2.9.1(a)(4) and 2.9.1(b)(6).
- d. Developer provides proof Rapoza LLC is a legal LLC. Section 2.9.1(b)(10).
- e. Developer and Agency maintain financial and human resources to complete work tasks that are the responsibility of the Developer and Agency. Sections 2.9.1(a)(11) and 2.9.1(b)(12).
- f. No litigation is pending which prevents Agency or Developer from performing their respective obligations under the DDA. Sections 2.9.1(a)(12) and 2.9.1(b)(13).
- g. Developer notifies Agency of members of Development Team. Section 4.6.2.
- h. Agency supports Developer's request for alley vacation. Section 4.4.4.

#### Items to be completed by March 31, 2015

- i. Developer submits application for Hilton Hotel Franchise.

#### Items to be completed by June 30, 2015

- j. Developer approves method and estimated cost for remediation of archeological conditions. Sections 2.9.1(a)(10), 2.9.1(b)(11), and 4.4.1.
- k. Developer and Agency have approved cost estimate for Demolition Scope of Work for Recreation Building. Sections 2.9.1(a)(5) and 4.4.2(b).
- l. Approval of Redevelopment Plan by Agency and submission of revised Scope of Development to Agency. Sections 2.8.1, 2.9.1(a)(3), and 2.9.1(b)(3).

- m. Developer submits plans for Granada Building improvement.

Items to be completed by September 30, 2015

- n. Demolition of Recreation Building completed. Section 4.4.2(a).
- o. City has given all land use approvals and the time for appeal of any land use approval has expired. Sections 2.9.1(a)(7) and 2.9.1(b)(7).
- p. Approval of civil engineering plans submitted by Developer to Agency. Section 2.9.1(b)(8).
- q. Developer has submitted signed hotel franchise agreement with completion date of March 31, 2017. Section 2.9.1(b)(2).
- r. Developer has submitted evidence (including supporting documentation) of commitment of private equity and private financing resources to provide construction and permanent financing in an amount sufficient to allow for purchase and development of Phase 1 parcels. Sections 2.9.1(a)(2) and 2.9.1.(b)(1).
- s. Agency provides proof of marketable title and preliminary title report. Sections 2.6, 2.7, and 2.9.1(a)(1).
- t. Developer purchases Granada Theater, Hotel Site, and Blue Building. Sections 2.2.1 and 2.2.2.
- u. City is prepared to issue building permits for hotel. Sections 2.9.1(a)(8) and 2.9.1.(b)(9).
- v. Agency notifies Developer of estimated cost per parking space for parking garage. Section 3.3.3(b)(ii).
- w. Agency provides Developer with copies of all existing condition reports. Section 4.4.3.