



REDMOND URBAN RENEWAL AGENCY
CITY OF REDMOND
 Community Development Department

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DOWNTOWN URBAN RENEWAL ADVISORY COMMITTEE
 Redmond City Hall, 411 SW 9th Street, Room 207
 Monday, October 9, 2017 / 5:00 – 7:00 PM

Agenda

DURAC MEMBERS	TIME	ITEM
	5:00 PM	CALL TO ORDER / INTRODUCTIONS
Donald Crouch, Chair	5:05 PM	I. ACTION ITEMS a. No items
Edwin Danielson, Vice-Chair	5:05 PM	II. APPROVAL OF MINUTES a. September 11, 2017 (Exhibit 1 / Pg. 2)
Neal Cross	5:10 PM	III. DISCUSSION ITEMS a. Presentation – Public Safety Initiative (Redmond Police Dept.) b. November 21 Joint DURAC/URA Meeting Agenda c. Hotel Development Update (Exhibit 2 / Pg. 6) d. Presentation – Pole Sign Update
Paul Hansen		
Tom Kemper	6:45 PM	CITIZEN COMMENTS
	6:50 PM	STAFF COMMENTS
Cheriee Perrine	6:55 PM	DURAC COMMENTS
Gib Stephens	7:00 PM	ADJOURN – URA / DURAC Joint Meeting – 6 p.m., November 21, 2017
Jay Willett		
Vacant		
Kirsten Ruben, Youth Ex Officio		

*Please note that these documents are also available on the City's website www.ci.redmond.or.us; click on Departments, Community Development, Planning Division, and DURAC (under the Urban Renewal box at the bottom). You may also request a copy at City Hall from Chuck Arnold 541-923-7761 or Troy Rayburn 923-7759

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**REDMOND URBAN RENEWAL AGENCY
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www.ci.redmond.or.us**DOWNTOWN URBAN RENEWAL ADVISORY COMMITTEE**MINUTES**September 11, 2017**Redmond City Hall, 411 SW 9th Street, Room 207, Redmond, Oregon

Advisory Members Present: Chair Donald Crouch, Vice-Chair Edwin Danielson, Neal Cross, Paul Hansen, Tom Kemper, Cheriee Perrine, Jay Willett, Gib Stephens (*1 vacancy*)

Student Ex Officio: Kirsten Ruben

City Staff: Chuck Arnold, *Economic Development/Urban Renewal Project Manager*; Troy Rayburn, *Programs Assistant*; Katie McDonald, *Assistant Planner*; Cameron Prow, *TYPE-Write II*

Visitors: Bill Schertzing, Teal Horsman

Media: Dave Morgan, *RedmondNewsToday.com*

(Agenda items appear in the order discussed. The 3 digits after a motion title show the number of committee members voting in favor/opposed/abstaining.)

CALL TO ORDER – INTRODUCTIONS

Chair Crouch called the regular session of the Downtown Urban Renewal Advisory Committee (DURAC) to order at 5 p.m. with a quorum of members (7 of 8) present. Mr. Kemper joined the meeting via telephone. Vice-Chair Danielson arrived at approximately 5:05 p.m. after approval of the minutes.

Chair Crouch asked everyone to share a moment of silence in honor of those lost on September 11, 2001, as well as to honor all those lost since then in the battle against terrorism.

I. ACTION ITEMS

A. None

II. APPROVAL OF MINUTES

A. August 14, 2017

Motion 1 (7/0/0): Mr. Cross moved to approve the minutes from August 14, 2017, as written. Mr. Kemper seconded the motion which passed unanimously.

III. DISCUSSION ITEMS

A. Housing and Community Development Committee Update

Mr. Arnold discussed the importance of coordinating DURAC activities with those of other City committees. A collaborative meeting has been held previously with the Bicycle and Pedestrian Advisory Committee.

Ms. McDonald (PowerPoint) provided an update on the role and achievements of the Housing and Community Development Committee (HCDC). Her summary covered the background, purpose of the Community Development Block Grant program, consolidated plan goals, funding received, projects completed to date, affordable housing (partnerships, policies, creating opportunities), and fair housing. She discussed policy changes the HCDC

recommended to remove barriers to affordable housing and the impact of density overlay zones on the urban renewal area. To date, the City has allocated a total of \$844,376. HCDC has been working on a substantial amendment to the 2014-2018 consolidated plan to broaden the scope for eligible projects. Once HUD (federal Housing and Urban Development) approval is received, the City will issue another Request for Proposals for unallocated funds of \$144,000.

DURAC concerns included making the best use of the unallocated funds for program year 2017-2018 and other barriers the City could remove.

B. Hotel Development Update

Mr. Arnold (staff report) summarized progress made since Alpha Wave Investors (developer) purchased the Redmond Hotel in July 2017. He reviewed terms of the Loan and Development Agreement between the developer and the Redmond Urban Renewal Agency (RURA), especially the terms needed to protect the City's investment in this project. He also discussed RURA goals, developer obligations, financing, developer's need for parking within two blocks (26 more off-street spaces and 2 on-street spaces directly in front of the hotel), and project key dates. Changes from the original proposal included upgrading the target average daily rate from \$122 to \$131 per night. The developer's final project budget is expected soon. The Inter-Creditor Agreement was received on September 11. The loan and Development Agreement will be reviewed by DURAC on October 9 and by the RURA Board on October 10. Construction could begin on November 1 and, if all goes well, the Redmond Hotel would reopen in 2019.

DURAC concerns included what would happen if the developer defaulted on the Loan and Development Agreement. Following discussion, members requested regular progress (draw) reports from Alpha Wave Investors.

C. Business and Property Owner Changes

Mr. Arnold congratulated Housing Works for its opening of Cook Crossing, a senior housing project of 48 units on top of Mosaic Medical. He (staff report) discussed new businesses (Cook Crossing, Garage Fitness, Redmond Burger Company, SI Fresh Delights, The Vault Taphouse & Westside Tacos), property transactions (New Redmond Historic Hotel), and property improvements (1st National Bank Building, Best Care, Lauri Dahl, Diamond Refrigeration, Redmond Auto Service, Redmond Burger Company, David Schalock).

DURAC concerns included status of the old Rite Aid building. Mr. Arnold said it was likely a new retail business would go in there.

D. Member Satisfaction and Terms

Mr. Arnold presented a list of DURAC members from the City Recorder, last updated August 16, 2017. Brad Smith's position is currently vacant and Mr. Kemper's term will expire on December 31, 2017. Mr. Arnold asked DURAC members to complete the annual member satisfaction survey and to help recruit new members.

E. Housing Subcommittee Update

Mr. Hansen said the subcommittee discussed a number of ideas and would meet again.

Mr. Cross said one of the topics discussed by subcommittee members was dedicating 26 spaces to the Redmond Hotel. He asked about the potential of Alpha Wave Investors to partner with the RURA to address parking concerns. Mr. Arnold said the developer had earmarked funds in its budget.

CITIZEN COMMENTS

Mr. Schertzinger said he really wanted to meet with the old city hall redevelopment committee. He reported four to five investors were interested but needed time to perform their due diligence.

Mr. Arnold said the subcommittee had discussed meeting with Mr. Schertzinger and his team and staff was coordinating the scheduling.

Mr. Cross said subcommittee members agreed unanimously that they wanted to meet with Mr. Schertzinger, but wanted to discuss this with DURAC before moving forward.

STAFF COMMENTS

Mr. Rayburn provided updates on the following topics:

- Old Evergreen Gym: The RURA entered into a contract with FFA Architecture & Interiors, Inc., on September 11 to do an initial structural assessment. The next step would be to work with the contractor for the new city hall to do more specific testing on that building. He reported many people were interested in future uses for this facility. He asked DURAC to refer all inquiries on this topic to him to ensure a consistent message. Mr. Arnold discussed potential next steps for the old gym which was zoned Public Facilities.
- Centennial Park Expansion Task Force: This project will be presented to the RURA Board on September 11, 2017.
- Parking Study: The contractor has been doing its initial assessment and will return to Redmond for further studies. RURA will convene a stakeholders advisory committee (SAC) on October 12, 11 a.m. SAC members will include DURAC representatives (Mr. Crouch, Ms. Perrine, Mr. Willett) and community members (Ken Cruse, *Alpha Wave Investors*; Suzanne, *Red Martini*; Dave Stanowick, *Polar Gas*; and Eric Sande, *Redmond Chamber of Commerce*).

Mr. Arnold discussed RURA involvement with the Bicycle and Pedestrian Advisory Committee. DURAC will support the “Deschutes Avenue Quiet Street” proposal by using a small amount of alternate mobility funds to pay for signage and paint. The bike fix-it station being added to Centennial Park as part of the “quiet street” demonstration project will be funded by donations being funneled through the Bicycle and Pedestrian Advisory Committee.

Mr. Arnold said the RURA Board had requested a joint meeting with DURAC in November to talk about long-range goals and objectives.

Mr. Kemper left the meeting at 5:56 p.m.

DURAC COMMENTS

None.

ADJOURN

Upcoming meetings:

- Monday, **October 9**, 2017, 5 p.m.
- Tuesday, November 21, 2017: joint meeting with DURAC to discuss long-range goals and objectives (replaces regular DURAC meeting on November 13).

With no further business, Chair Crouch adjourned the meeting at 5:59 p.m.

APPROVED by the Redmond Downtown Urban Renewal Advisory Committee and SIGNED by me this _____ day of _____, 2017.

ATTEST:

Donald Crouch
Chair

Chuck Arnold
Economic Development/Urban Renewal Project Manager



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MEMORANDUM

DATE: October 9, 2017
TO: Downtown Urban Renewal Advisory Committee
FROM: Chuck Arnold, Urban Renewal Program Manager
SUBJECT: New Redmond Historic Hotel Development Agreement & Financing Summary

This status report reflects more than two months of negotiation between Redmond Urban Renewal Agency staff (Agency) and the Alpha Wave Investors (Developer).

This memo is to summarize the status as we move toward the execution of a Loan and Development Agreement (“LDA”) Developer and the Agency for the New Redmond Historic Hotel redevelopment project (“Project”). The changed terms from the last memo are highlighted in **red**.

Uses of Funds	Amount	Sources of Funds	Amount
Purchase Price	\$2,018,767	Investor Member Equity	\$1,975,000
Renovation Costs	\$2,634,438	AWI Managing Member Equity	\$400,000
Operating Reserves/ Contingencies	\$871,796	Debt Financing (Senior Loan)	\$2,000,000
		Federal Tax Credits	\$400,001
		RURA Contribution	\$749,000
Total Uses	\$5,525,001	Total Sources	\$5,525,001

Developer Primary Goals:

- Renovate and operate 48-room upscale, boutique hotel (target room rate \$131/night in first year of operation 2019)
- Parking:
 - In addition to the New Redmond Historic Hotel building, the property includes an adjacent surface parking lot containing 24 stalls. Developer has stated the need to secure rights to an additional 26 off-street spaces to sufficiently park the hotel.
 - Two on-street loading stalls in front of the hotel
- Opening spring 2019

Agency Primary Goals:

- Achieve Urban Renewal Plan objectives: maintain the vitality of the downtown core; make productive use of land; create opportunities for new development
- Enter into a public/private partnership to support the renovation of the New Redmond Historic Hotel as catalytic development opportunity

What’s changed in the deal:

On September 20, RURA and Developer reached accord on final deal points. These will be reflected in the LDA expected to be ready for approval by early November. A solution has been reached regarding the additional 26 parking stalls. The solution involves a lease of the southwest portion of the Old City Hall site. The Developer will lease the stalls from the Agency for 15 years at market-rate totaling \$217,000. Developer will pay for all operating expenses of the parking lot. Expenses include, but are

not limited to, utilities, maintenance, parking enforcement, cleaning/janitorial and garbage collection, and payment of the property taxes calculated by the Deschutes County tax assessor.

The changes in the deal points affecting the budget and the RURA contribution are outlined below:

Parking (original budget)	\$500,000
Parking solution	<u>\$217,000</u>
Reduction in parking & construction budget	\$283,000
Reduction in RURA Loan	\$251,000
New total RURA Loan	\$749,000

Developer obligations:

The terms of this latest draft of the LDA set forth that, in return for a loan of \$749,000 from RURA (“Loan”), Developer shall perform the following obligations:

- Design, renovate and operate the Property as an upscale boutique hotel
- Maintain operation of hotel for not less than 10 years
- During the Design Phase, the Project design and finishes must be approved by RURA
- During the Construction Phase:
 - Provide monthly reports on schedule, budget, and progress of Project
- During the Operating Phase, Developer shall provide quarterly reports on occupancy, jobs created, and lodging tax receipts and payments

The Loan is secured by a second position trust deed and is backed by a guaranty from the managing members of Developer. The guaranty shall be joint and several among the managing members.

Upon compliance with the conditions of the LDA for the 10-year term of the Loan, the Loan shall become forgivable by RURA. If Developer defaults under the LDA, the Loan principal amount becomes repayable with all accrued and deferred interest.

Redmond Urban Renewal Agency obligations:

- \$749,000 Forgivable Loan
- RURA staff is involved in all project team, design, and general contractor meetings to assure project stays on course.
- Parking:
 - In addition to agreeing to terms for a 15-year lease for additional parking, assist Developer in securing the necessary approvals from the City of Redmond for two on-street loading stalls in front of the Hotel.

Financing:

- Developer acquired the Property for \$2,018,767 cash
- Developer is contributing a total of \$2.375 million of equity. Developer managing members are contributing \$400,000 of that amount, with the remainder from outside investors.
- Pacific Premier Bank (“PPB”) of Irvine, CA will provide \$2MM of construction financing
- PPB is the senior lender, RURA will be in second position
- Inter Creditor Agreement – agreement between PPB and RURA reviewing revisions
- Note that the Developer also intends to secure federal Historic Tax Credits (worth approximately \$400,000) and participate in the Historic Tax Abatement program, freezing the property taxes at the current rate for ten years.
- Reimbursement structure:

- Due to concern that RURA's funding/reimbursement processes may take more time than allowed under the Prompt Payment requirements required by state law, Developer and PPB have agreed that, upon closing of the senior loan, Developer will draw \$500K of funds and place that in a 'working capital' account to use for construction progress payments. PPB and RURA will simultaneously perform the necessary due diligence and process the requested monthly draws under the terms of each loan, and such funds will then be used to replenish the 'working capital' account.
- Funds will be drawn from both the senior and the junior (i.e., RURA) concurrent and pro-rata
- Example of a reimbursement submittal:
 - Contractor submits \$100K invoice to Developer
 - Developer approves work, pays invoice from the 'working capital' account, and submits reimbursement request to PPB
 - PPB forwards reimbursement request to RURA for RURA's share of the costs
 - RURA verifies work completion, pays \$27K of invoice (30% pro rata share less 10% retention) to PPB fund control account
 - PPB verifies work completion, pays Developer URA \$27K PPB pro rata share

Anticipated key dates for the Loan and Development Agreement:

- September 28 – City sent final (minor) changes to Developer
- ??? – Developer agrees to final changes
- November – RURA approves LDA

Anticipated key dates for the Project (based on input from Developer):

- August 22 – Business Plan Final Draft-received and complete
- September 25 – Final Project Budget from Developer
- ??? – Inter Creditor Agreement complete
- Late October – Development Agreement finalized
- November – RURA Board Approves Development Agreement
- December – Estimated date both PPB and RURA loans close, all necessary loan documentation, including Trust Deeds, executed and recorded as appropriate.
- December – Construction activity commences.