

From: [Heather Richards](#)
To: [Stephenson, Garrett H.](#)
Cc: [Carrie Richter](#)
Bcc: [Gary Langenwalter](#); [Sidonie Winfield](#)
Subject: FW: Cost estimates - decision document hl 6-22
Date: Friday, March 3, 2023 7:33:00 PM
Attachments: [Seismic Upgrades, Response from Stuart Ramsing, 03.01.23.pdf](#)
[image003.png](#)

Hi Garrett,

Below is the request from Commissioner Langenwalter for additional information for the consideration of the demolition requests for 609, 611, and 619 NE Third Street. I am also attaching an email from Stuart Ramsing, McMinnville Building Official, about what would trigger a seismic upgrade as a response to a planning commissioner question.

Have a great day!

Heather



Heather Richards
Community Development Director
503-474-5107 (phone)
971-287-8322 (cell)
www.mcminnvilleoregon.gov

From: Gary Langenwalter <Gary.Langenwalter@mcminnvilleoregon.gov>
Sent: Friday, March 3, 2023 1:54 PM
To: Heather Richards <Heather.Richards@mcminnvilleoregon.gov>
Cc: Sidonie Winfield <Sidonie.Winfield@mcminnvilleoregon.gov>
Subject: Cost estimates - decision document hl 6-22

Good afternoon, Heather,

I'm interested in the probable cost to renovate the three existing buildings so that the second floor can be rented as office space, as cited in the decision document hl 6-22, page 60. I'm looking for two sets of numbers – and rounding to the nearest \$1000 is fine. I understand that these are

estimates.

1. With seismic remediation
 - a. Pessimistic – “bad” surprises, coming in over budget (10% probability of this level of cost occurring) – what will have occurred to make this happen? List these assumptions
 - b. Realistic – coming in on budget (50% probability of this level of cost occurring) – list these assumptions
 - c. Optimistic – “good” surprises, coming in under budget (10% probability of this level of cost occurring) – what will have occurred to make this happen? List these assumptions
2. Without seismic remediation
 - a. Pessimistic – “bad” surprises, coming in over budget (10% probability of this level of cost occurring) – what will have occurred to make this happen? List these assumptions
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Defining these three scenarios is standard practice in project management for large projects.

Please forward this request to the applicant.

Thank you.

Gary Langenwalter

Vice-Chair, McMinnville Planning Commission

From: [Stephenson, Garrett H.](#)
To: [Heather Richards](#)
Cc: [Carrie Richter](#)
Subject: RE: Cost estimates - decision document hl 6-22
Date: Monday, March 13, 2023 1:17:20 PM
Attachments: [image001.png](#)
[Hotel with Seismic \(Base Case\) - Financial Model.pdf](#)
[Hotel with Seismic \(Highest Case\) - Financial Model.pdf](#)
[Office without Seismic - Financial Model.pdf](#)

This message originated outside of the City of McMinnville.

Heather:

Here are three cost estimates concerning seismic scenarios for different development scenarios of the existing buildings. I know we had wanted to get these to you by Thursday, but we were not able to start working on the Commissioner's specific question until last weekend (given that we received it on Friday evening). We would ask that the Planning Commission allow this into the record and, as the PC will be meeting at the first meeting in April to adopt findings, are fine with leaving the record open if any other party wishes to offer testimony responding to these estimates.

Finally, I note that, since this matter is almost certainly going to City Council, any procedural issue that this might cause would be cured at the hearing. Regardless, we would appreciate your forwarding these to Commission Langenwalter, as we took his question seriously and worked hard to answer it.

Thanks,

GS

Garrett H. Stephenson

Shareholder

Direct: 503-796-2893

Mobile: 503-320-3715

gstephenson@schwabe.com

Schwabe Williamson & Wyatt

[Please visit our COVID-19 Resource page](#)



From: Heather Richards <Heather.Richards@mcminnvilleoregon.gov>

Sent: Friday, March 3, 2023 7:34 PM

To: Stephenson, Garrett H. <GStephenson@SCHWABE.com>
Cc: Carrie Richter <crichter@batemanseidel.com>
Subject: FW: Cost estimates - decision document hl 6-22

Hi Garrett,

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Thank you.

Gary Langenwalter

Vice-Chair, McMinnville Planning Commission

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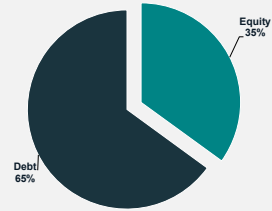
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News Register/Wild Haven Hotel

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Updated Model

Financing Mix



Total Project Cost \$ 26,109,316

Financing Mix	
Debt	\$ 16,971,055
Equity	\$ 9,138,261
Total	\$ 26,109,316

Sale Price \$ 10,989,722

Cap rate 6.9%

Loan Assumptions	
Construction loan	\$ 16,971,055
LTC	65.0%
Interest Reserve	\$ 935,393
Refinancing Loan	\$ 5,417,001
LTV	65.0%

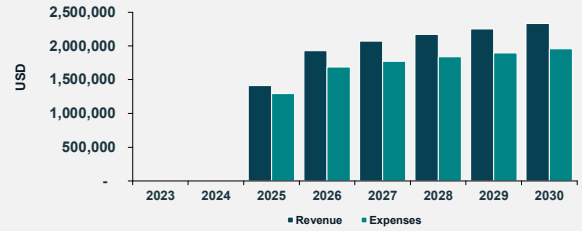
Project Cost Breakdown

Land Cost	\$ 3,475,000
General Hard Cost	\$ 11,815,360
Seismic Work	\$ 2,667,000
Soft Cost	\$ 6,059,670

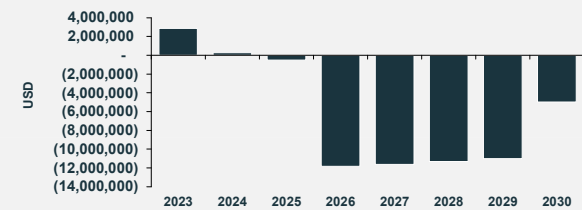
Go to:

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Results



Closing Cash balance



Project Returns		Base Case
Levered IRR	%	0.00000037%
Unlevered IRR	%	-9.6%
DSCR	Ratio	1.85
Cash on Cash	%	0.6%

GP Returns	
Equity Contribution	USD \$ 1,800,000
Net Profit	USD (\$379,429)
GP - IRR	% -3.5%
GP - Equity Multiple	times 0.79x

LP Returns	
Equity Contribution	USD \$ 7,338,261
Net Profit	USD (\$1,546,861)
LP - IRR	% -3.5%
LP - Equity Multiple	times 0.79x

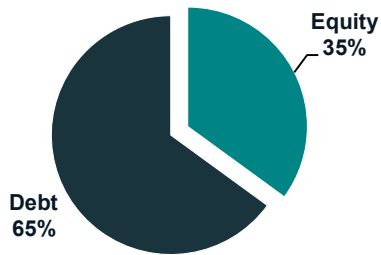
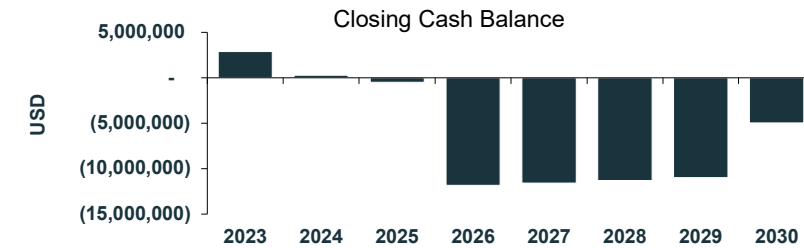
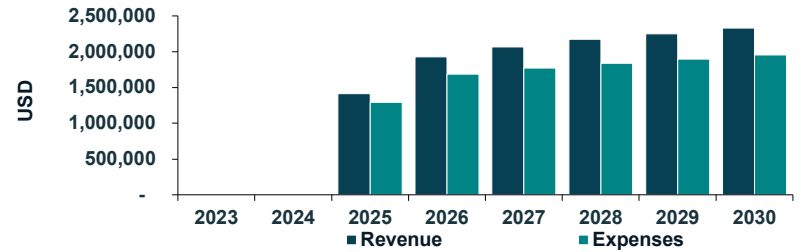
Key Information		
Project Returns		
Levered IRR	%	0.0%
Unlevered IRR	%	-9.6%
DSCR	Ratio	1.85
Cash on Cash	%	0.6%
Project Cost		
Land Cost	USD	3,475,000
General Hard Cost	USD	11,815,360
Seismic Work	USD	2,667,000
Soft Cost	USD	6,059,670
Total Finance Cost	USD	2,092,285
Total Project Cost	USD	26,109,316

Financial Statements				Half Year	Full Year	Full Year	Full Year	Full Year	Full Year
Description		FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Income Statement									
Total Departmental Revenue	USD	-	-	1,411,353	1,928,714	2,068,835	2,172,698	2,250,696	2,331,899
Total Retail Revenue	USD	-	-	318,519	392,725	404,507	416,642	429,142	442,016
Net Operating Income (NOI)	USD	-	-	470,559	583,369	649,590	696,408	726,700	758,291
Interest Expense	USD	-	-	(1,200,769)	(1,467,368)	(297,935)	(297,935)	(297,935)	(297,935)
Net Profit	USD	-	-	(730,210)	(883,998)	351,655	398,473	428,765	460,356
Statement of Financial Position									
Total Assets	USD	9,138,261	23,593,006	25,379,106	14,271,550	14,505,400	14,784,331	15,093,042	(4,983,197)
Cash Balance	USD	2,859,575	281,054	(496,870)	(11,837,766)	(11,603,915)	(11,324,984)	(11,016,273)	(4,983,197)
Total Liabilities	USD	-	14,454,745	16,971,055	5,417,001	5,417,001	5,417,001	5,417,001	-
Net Asset	USD	9,138,261	9,138,261	8,408,050	8,854,548	9,088,399	9,367,330	9,676,041	(4,983,197)

Loan Assumptions		
Construction loan	USD	16,971,055
LTC	USD	65%
Interest Reserve	USD	935,393
Refinancing Loan	USD	5,417,001
LTV	USD	65.0%

Timeline			
Project Start Date	Date		1-May-22
Renovation Start Date	Date		1-May-23
Renovation Duration	Months		14
Stabalization Months	Months		9
Operations Start Date	Date		1-Jul-24

Area Plan			
Number of Hotel Rooms	SF		13
Retail Shell	SF		5,600
Retail Restaurant	SF		3,800
Roof Terrace Lease	SF		4,800
Roof Terrace No-Lease	SF		4,800
Site Area (SF)	SF		18,188
Hotel Gross Square Feet	SF		38,100
Hotel Net Square Feet	SF		22,150



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News Register/Wild Haven Hotel

HOTEL SEISMIC WORK (HIGHEST CASE)

ORIGINAL BRICK
AND STOREFRONT

Mixed Use Property

Total Building Gross SF: 38,100 SF
Hotel Guestrooms: 13

REMOVE STUCCO.
REPAIR/RESTORE ORIGINAL
BRICK DETAILING

REPAIR/RESTORE ORIGINAL
BRICK AND STOREFRONT



3RD STREET ELEVATION
P-23'



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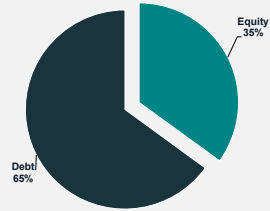
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News Register / Wild Haven Hotel

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Updated Model

Financing Mix



Total Project Cost \$ 28,629,254

Financing Mix

Debt	\$ 18,609,015
Equity	\$ 10,020,239
Total	\$ 28,629,254

Sale Price \$ 10,989,722

Cap rate 6.9%

Loan Assumptions

Construction loan	\$ 18,609,015
LTC	65.0%
Interest Reserve	\$ 1,025,672
Refinancing Loan	\$ 5,417,001
LTV	65.0%

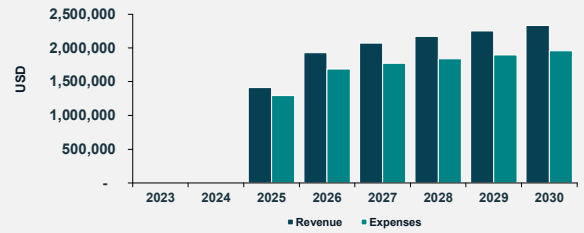
Project Cost Breakdown

Land Cost	\$ 3,475,000
General Hard Cost	\$ 13,872,760
Seismic Work	\$ 2,667,000
Soft Cost	\$ 6,350,031

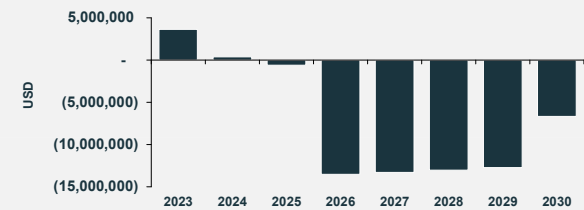
Go to:

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Results



Closing Cash balance



Project Returns

		Base Case
Levered IRR	%	0.00000037%
Unlevered IRR	%	0.0%
DSCR	Ratio	1.84
Cash on Cash	%	0.1%

GP Returns

Equity Contribution	USD	\$ 1,800,000
Net Profit	USD	(\$504,467)
GP - IRR	%	-4.8%
GP - Equity Multiple	times	0.72x

LP Returns

Equity Contribution	USD	\$ 8,220,239
Net Profit	USD	(\$2,303,801)
LP - IRR	%	-4.8%
LP - Equity Multiple	times	0.72x

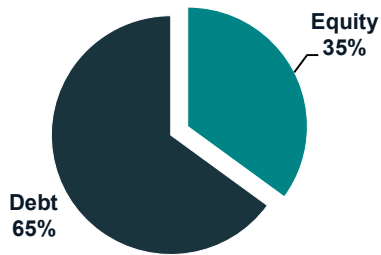
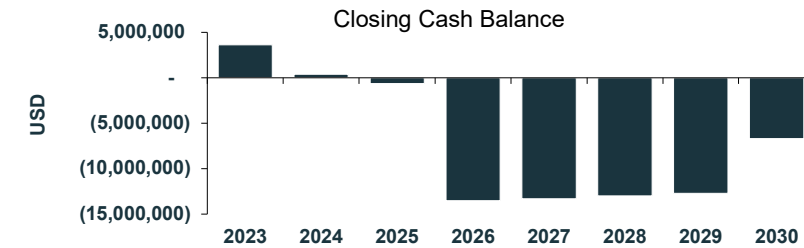
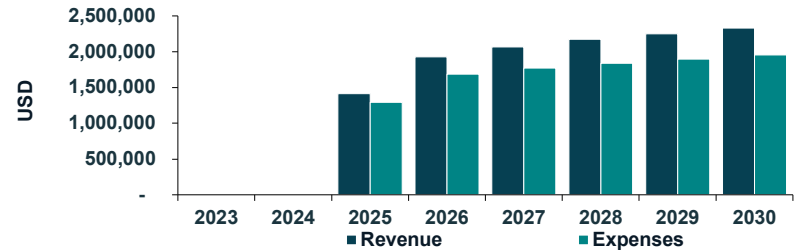
Key Information		
Project Returns		
Levered IRR	%	0.0%
Unlevered IRR	%	0.0%
DSCR	Ratio	1.84
Cash on Cash	%	0.1%
Project Cost		
Land Cost	USD	3,475,000
General Hard Cost	USD	13,872,760
Seismic Work	USD	2,667,000
Soft Cost	USD	6,350,031
Total Finance Cost	USD	2,264,463
Total Project Cost	USD	28,629,254

Financial Statements				Half Year	Full Year	Full Year	Full Year	Full Year	Full Year
Description		FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Income Statement									
Total Departmental Revenue	USD	-	-	1,411,353	1,928,714	2,068,835	2,172,698	2,250,696	2,331,899
Total Retail Revenue	USD	-	-	318,519	392,725	404,507	416,642	429,142	442,016
Net Operating Income (NOI)	USD	-	-	470,559	583,369	649,590	696,408	726,700	758,291
Interest Expense	USD	-	-	(1,316,662)	(1,606,594)	(297,935)	(297,935)	(297,935)	(297,935)
Net Profit	USD	-	-	(846,102)	(1,023,225)	351,655	398,473	428,765	460,356
Statement of Financial Position									
Total Assets	USD	10,020,239	25,870,082	27,783,151	15,085,014	15,318,864	15,597,795	15,906,506	(6,689,670)
Cash Balance	USD	3,615,673	370,709	(612,762)	(13,544,240)	(13,310,389)	(13,031,458)	(12,722,747)	(6,689,670)
Total Liabilities	USD	-	15,849,843	18,609,015	5,417,001	5,417,001	5,417,001	5,417,001	-
Net Asset	USD	10,020,239	10,020,239	9,174,136	9,668,012	9,901,863	10,180,794	10,489,505	(6,689,670)

Loan Assumptions		
Construction loan	USD	18,609,015
LTC	USD	65%
Interest Reserve	USD	1,025,672
Refinancing Loan	USD	5,417,001
LTV	USD	65.0%

Timeline		
Project Start Date	Date	1-May-22
Renovation Start Date	Date	1-May-23
Renovation Duration	Months	14
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Operations Start Date	Date	1-Jul-24

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HC

MCMINNVILLE
MAIN STREET
10.11.22



News Register/Wild Haven Hotel

OFFICE WITHOUT SEISMIC WORK

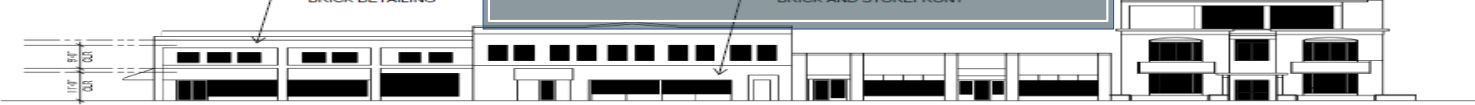
ORIGINAL BRICK AND STOREFRONT

Commercial Office Property
Total Building Gross SF: 24,251 SF



REMOVE STUCCO.
REPAIR/RESTORE ORIGINAL
BRICK DETAILING

REMOVE STUCCO
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BRICK AND STOREFRONT



3RD STREET ELEVATION
P-23'





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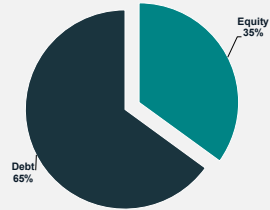
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News Register/Wild Haven Hotel

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Updated Model

Financing Mix



Total Project Cost \$ 15,351,110

Financing Mix

Debt	\$ 9,978,222
Equity	\$ 5,372,889
Total	\$ 15,351,110

Sale Price \$ 6,952,689

Cap rate 6.9%

Loan Assumptions

Construction loan	\$ 9,978,222
LTC	65.0%
Interest Reserve	\$ 547,883
Refinancing Loan	\$ 3,664,882
LTV	65.0%

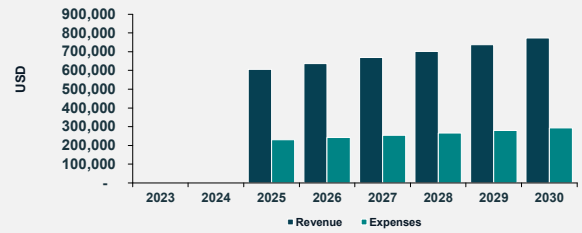
Project Cost Breakdown

Land Cost	\$ 3,475,000
General Hard Cost	\$ 8,107,216
Seismic Work	0
Soft Cost	\$ 2,448,802

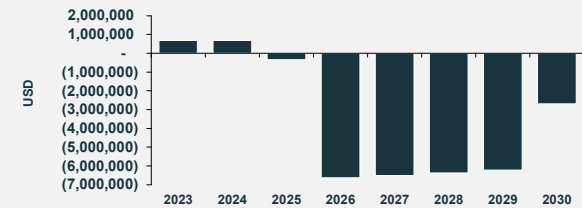
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Results



Closing Cash balance



Project Returns

		Base Case
Levered IRR	%	0.0%
Unlevered IRR	%	-8.1%
DSCR	Ratio	1.39
Cash on Cash	%	1.2%

GP Returns

Equity Contribution	USD	\$ 1,800,000
Net Profit	USD	(\$419,364)
GP - IRR	%	-3.9%
GP - Equity Multiple	times	0.77x

LP Returns

Equity Contribution	USD	\$ 3,572,889
Net Profit	USD	(\$832,412)
LP - IRR	%	-3.9%
LP - Equity Multiple	times	0.77x

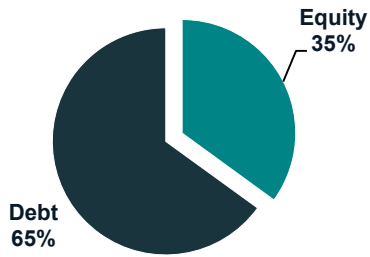
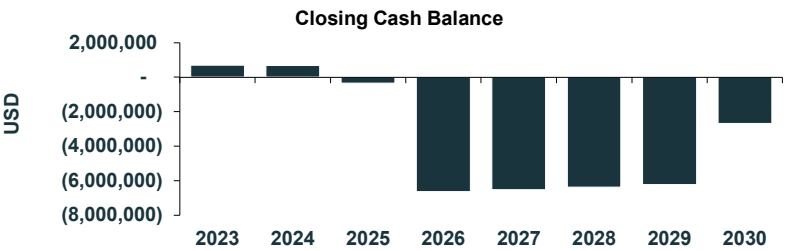
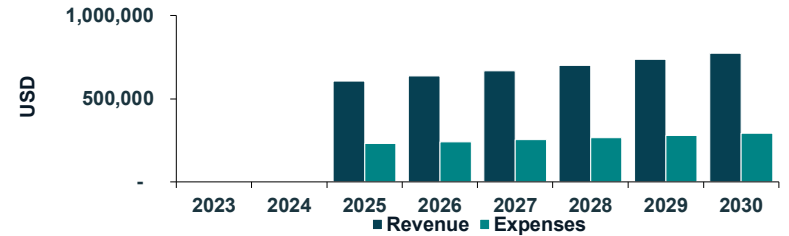
Key Information		
Project Returns		
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Unlevered IRR	%	-8.1%
DSCR	Ratio	1.39
Cash on Cash	%	1.2%
Project Cost		
Land Cost	USD	3,475,000
General Hard Cost	USD	8,107,216
Seismic Work	USD	0
Soft Cost	USD	2,448,802
Total Finance Cost	USD	1,320,092
Total Project Cost	USD	15,351,110

Financial Statements			Half Year	Full Year	Full Year	Full Year	Full Year	Full Year	Full Year
Description		FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Income Statement									
Office Rent	USD	-	-	606,267	636,580	668,409	701,829	736,921	773,767
Office Expenses	USD	-	-	(230,381)	(241,900)	(253,995)	(266,695)	(280,030)	(294,031)
Net Operating Income (NOI)	USD	-	-	375,885	394,680	414,414	435,134	456,891	479,736
Interest Expense	USD	-	-	(909,596)	(917,891)	(238,217)	(238,217)	(238,217)	(238,217)
Net Profit	USD	-	-	(533,710)	(523,212)	176,196	196,917	218,674	241,518
Statement of Financial Position									
Total Assets	USD	5,372,889	15,646,847	14,817,400	8,719,507	8,836,678	8,974,520	9,131,965	(2,689,820)
Cash and cash equivalents	USD	687,040	672,952	(335,413)	(6,631,603)	(6,514,432)	(6,376,590)	(6,219,145)	(2,689,820)
Total Liabilities	USD	-	10,273,959	9,978,222	3,664,882	3,664,882	3,664,882	3,664,882	-
Net Asset	USD	5,372,889	5,372,889	4,839,178	5,054,625	5,171,796	5,309,638	5,467,083	(2,689,820)

Loan Assumptions		
Construction loan	USD	9,978,222
LTC	USD	65%
Interest Reserve	USD	547,883
Refinancing Loan	USD	3,664,882
LTV	USD	65.0%

Timeline		
Project Start Date	Date	1-May-22
Renovation Start Date	Date	1-May-23
Renovation Duration	Months	12
Stabilization Months	Months	12
Operations Start Date	Date	1-May-24

Area Plan (Office Space)		
Site Area (SF)	SF	18,188
Gross Building Square Feet	SF	24,251



Confidentiality Disclaimer

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