



City of McMinnville
Planning Department
231 NE Fifth Street
McMinnville, OR 97128
(503) 434-7311

www.mcminnvilleoregon.gov

MINUTES

April 4, 2017

4:00 p.m.

McMinnville Urban Renewal Advisory Committee
Regular Meeting

Community Development Center
McMinnville, Oregon

Members Present: Chair Walt Gowell, Kyle Faulk, Kelly McDonald, and Marilyn Worrix

Members Absent: Cassie Sollars, Ed Gormley, and Wendy Stassens

Ex-Officios Present: Kem Carr and Rebecca Quandt

Staff Present: Marcia Baragary – Finance Director and Heather Richards – Planning Director

Guests Present: Jeff Knapp, Kellie Menke, Erin Stephenson

1. Call to Order/Introductions

Chair Gowell called the meeting to order at 4:00 p.m.

2. Citizen Comments

None

3. Action Items

- Property Assistance Program – Atticus Hotel

Planning Director Heather Richards said the City received a property assistance request from Oddfellows Building LLC for \$100,000 for the Atticus Hotel project. The request was in the form of a \$100,000 grant to go towards the SDCs (System Development Charges) assessed to the project, currently estimated to be approximately \$102,000. The project is a 23,000 square foot four-story building with 36 luxury rooms as a boutique hotel in downtown McMinnville. This would be built on an unimproved lot on 4th and Ford Streets. There would also be a restaurant and bar, library, private dining space, conference room, exercise facility, and staff offices. The total project budget is \$8.3 million. It would create 50 jobs and would contribute \$4 million annually to the local economy.

The City Code allows for a payment plan for SDCs. The Urban Renewal Agency could enter into a payment plan with the City for \$100,000 and at the same time enter into a

forgivable loan contract with Oddfellows for the \$100,000 the Agency was paying the City. The SDCs incurred on commercial projects were transportation and wastewater. Those SDC funds were healthy and the five year payment plan would not impact any future capital improvement projects.

Due to cash flow constraints and to be able to do other projects over the next several years, staff recommended the Agency enter into a payment plan with the City for \$100,000 plus interest at the LGIP rate plus 1% over the next five years and a five year forgivable loan with Oddfellows. The performance matrix for the loan would be a successful construction project and continued operation of the hotel. Agency staff would verify every year that the milestones had been achieved and would release 20% of the forgivable loan. They would be asking for a personal guarantee from one of the members of the Oddfellows. It would be recorded against the deed of the property and a payback provision would be put into the development agreement that said it would be paid in full if the building was sold in five years. The first payment would be due prior to occupancy in Fiscal Year 2017-18 and future payments would be due in Fiscal Years 18-19, 19-20, 20-21, and 21-22.

MURAC needs to make a recommendation to the Urban Renewal Board who are the final decision makers.

Chair Gowell clarified the loan would be secured by a trust deed against the property.

Committee Member Worrix asked if the interest had been calculated for the life of the loan. Chair Gowell said the interest would be around 2.5% per year or \$10,000 in interest.

Committee Member McDonald said if they were to default on the loan, he would like the interest to have to be paid back as well. Planning Director Richards said that could be added to the development agreement.

Ex-officio Member Carr asked if this was setting a precedent for this type of request. Planning Director Richards said no each project should be evaluated on its own merit. What separates this project is that the request was only 1.8% of the total hard construction costs and 1.2% of the overall project costs. It was a small request proportionately to the project. It was also creating a significant number of jobs and economic benefit.

Committee Member Worrix asked how many parking spaces would be lost. Erin Stephenson, applicant, said there were 38 spaces in the lot, and 13 were used on a daily basis. There would be a private parking lot with this project that could fit 16 cars from the hotel and there would be two spots in front for valet parking and then they would lease some parking spots off site.

Chair Gowell said the person proposed to be the personal guarantor was married to one of his partners. He had no personal financial interest in this project and did not represent this business venture. He thought he could make an unbiased decision. He agreed that setting precedent was a concern. There was a reason they were calling it a forgivable

loan and not a grant. There was a performance expectation as part of the commitment in exchange for Urban Renewal support.

Ex-officio Member Carr thought the message would be that the SDCs were being eliminated, which would be hard for people to understand due to the City's budget constraints. Chair Gowell said the SDCs would be paid by Urban Renewal, and all this did was defer the payment.

Kellie Menke thought the amount of tax revenue this would generate helped to justify the forgivable loan.

Planning Director Richards said the message was that this was stop gap financing for the hotel to be a complete project and it was a methodology for the Agency to pay the City for the SDCs. These were typical tools for Urban Renewal to use.

Committee Member Faulk thought there were enough protections built into this agreement that he was not concerned about future requests. His bank was providing the financing for this project, but he did not have any personal interest in whether this was approved or not.

Committee Member McDonald asked if the project would go forward if this was not approved. Ms. Stephenson said it would go forward, but they would have to incur more debt which could impact operations. This project brought great value to McMinnville and to Urban Renewal.

Committee Member Worrix moved to recommend to the Urban Renewal Board approval of the five year forgivable loan for \$100,000 plus \$10,000 in interest to the Oddfellows Building LLC for the Atticus Hotel project for the terms and structure that were outlined in the staff report. The motion was seconded by Committee Member McDonald and passed 4-0.

Planning Director Richards said this would be taken to the Council on April 25. She suggested meeting on April 18 to refine the messaging that would be taken to Council.

4. Discussion Item(s)

- Parking Study Kick-Off – April 24, 3-5 pm

Planning Director Richards said this would be the first community meeting on the Parking Study. The consultants would be there to discuss what the study would entail.

- UR Proposed Budget

Planning Director Richards reviewed the proposed Urban Renewal budget for next fiscal year. The Urban Renewal Fund was where projects were funded. There would be about \$1.4 million in the fund. Some of the expenditures would be administrative costs, legal consulting, and a transfer into the General Fund for staff support. She would be changing the professional services costs to be project specific. There would be funding for the

parking study, Alpine Avenue project, 3rd Street improvements, and development assistance programs.

Finance Director Marcia Baragary said at the end of FY 2017-18 all but \$50,000 of the loan proceeds would be spent.

Planning Director Richards said there was a little less than \$52,000 in contingency. She then discussed the Urban Renewal Debt Service Fund. The beginning fund balance was \$300,000. They were anticipating property tax revenue being about \$175,000 which was an increase from last year. They reserved enough money in this fund to be able to pay the debt the following year if needed.

5. Committee Member Comments

Ex-officio Member Carr gave an update on the Alpine Avenue project including water lines would soon be installed.

Chair Gowell said he received a comment from the owner of Amcraft about parking. He would be losing parking in front of his business due to the Alpine Avenue project and he asked if the area that was supposed to be used for landscaping could be used for parking instead. It was an industrial zone next to the railroad track, and he thought it might be a good option for that area.

6. Staff Comments

None

7. Adjournment

Chair Gowell adjourned the meeting at 4:47 p.m.