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URBAN RENEWAL DISTRICT AGENCY BOARD

April 6, 2021
Council Chambers • 411 SW 9th Street

APRIL 6, 2021	SPECIAL MEETING AGENDA	FOLLOWING P.M. COUNCIL MEETING

BOARD MEMBERS

George Endicott
Chair

Jay Patrick
Board President

Jon Bullock
Member

Krisanna Clark-Endicott
Member

Clifford Evelyn
Member

Ed Fitch
Member

Shannon Wedding
Member

I. CALL TO ORDER / ESTABLISH A QUORUM

II. ACTION ITEMS

A. The Arch Building Project Loan Funding Request

B. URA Res. #2021-01 - A resolution approving the Nineteenth Amendment to the Redmond Downtown Urban Renewal Plan.

C. URA Res. #2021-02 - A resolution of the Redmond Urban Renewal Agency transferring certain capital assets of the Agency to the City of Redmond.

III. OTHER BUSINESS

IV. ADJOURN

Regular Council meetings are broadcast live on COTV11 – BendBroadband Channel 11 beginning at 6:00 p.m. on the 2nd and 4th Tuesdays of each month. Rebroadcasts are scheduled for the non-meeting Tuesdays at 6:00 p.m.
The City of Redmond encourages all citizens to participate in its programs and activities. This meeting location is accessible to people with disabilities. Requests for accommodation may include sign language interpreter service, assistive listening devices, materials in an alternate format or any other accommodation. If any accommodations are needed, please contact the ADA Coordinator at 541-504-3036 or access@redmondoregon.gov. Requests should be made as soon as possible, but at least 3 business days prior to the scheduled meeting.
The City of Redmond does not discriminate on the basis of disability status in the admission or access to, or treatment, or employment in, its programs or activities

CITY OF REDMOND

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STAFF REPORT

DATE: April 6, 2021
TO: Redmond City Council
Chuck Arnold, Economic Development/Urban Renewal Program Manager
THROUGH: John Roberts, Deputy City Manager
Keith Witcosky, City Manager
FROM: Meghan Gassner, Urban Renewal Program Analyst
SUBJECT: The Arch Building Project Loan Funding Request

Addresses Council Goal:

9. **Urban Renewal:** Invest resources to encourage new business investment in designated blighted areas that will grow the job base and strengthen and diversify the tax base in that area.

Downtown Urban Renewal Plan: Create a readily identifiable city center that is vibrant with a mixture of offices, specialty shops, entertainment, family amenities, housing and other commercial uses.

Report in Brief:

This item requests the Urban Renewal Agency Board authorize a Loan Agreement with Arome Holdings, LLC for an urban renewal investment of up to $98,000 in support of the rehabilitation of the Arch Building at 432 SW 6th Street (Project).

Background:

The Downtown Redmond Urban Renewal Plan includes $4.9MM in the Property Assistance Program Fund (Program) to assist in the renovation, preservation, and rehabilitation of existing commercial properties. The intent of the Program is to address blight conditions related to poor visual appearance and building vacancy due to inadequate, degraded, or obsolete building systems.

The Program supports several Redmond Comprehensive Plan 2040 goals related to business development, job creation, and the redevelopment of underutilized properties in the downtown core. Advancing these goals improves the appearance of downtown to customers and potential businesses and contributes to the overall commercial vitality of the area.

The Arch Building is in a prominent location downtown, directly under the Redmond Arch on 6th Street.

The Proposal:

The building is under contract for purchase by Arome Holdings LLC (Developer) who will hold title and be the project lead. The Developer is Nathan and Janice Bell, a husband-and-wife team who operate Arome (Store), a retail shop based in Hood River, Oregon. The Store specializes in hard-to-find spices, teas, oils, vinegars, wines, and kitchenware products.

The planned use is a mixed retail and general commercial, with a potential future residential use in the second floor of the building.

Retail:

The Store will occupy the street level floor for its retail operation. The Developer anticipates utilizing several products and services locally on an ongoing basis, including local art, gourmet foods and wine, advertising, and general supplies, as well as local services for any ongoing building maintenance and repairs.

The retail space will also feature a wine tasting area and event/demo space, encouraging community interaction and feet-on-the-street in downtown.

Examples of events at the Arome location in Hood River include specialty food tastings, wine and chocolate pairings, an annual anniversary party, First Fridays, baking contests, and holiday cookie classes. The Developer anticipates hosting 15-20 community events each year.

General Commercial.
The basement space will be utilized by the Store's eCommerce sales channel. The second floor will be available for lease for general commercial purposes; however this project is financially feasible without relying on the income from a second-floor tenant.

Benefits:
The renovated building would enable the Store to operate and add approximately six employees earning $15-25/hour.

The annual property taxes for the building are estimated to increase by 40%, with an additional $8,210 realized in annual property tax increment.

The Developer estimates $200,000 will be spent in construction costs with local construction companies, and $50,000 spent annually by the Store in the community.

The return on each City dollar invested will be $8.33. The average return of other Urban Renewal projects is $5.01 for every City dollar invested.

Loans:
Redmond Urban Renewal Agency Staff engaged the Downtown Urban Renewal Advisory Committee (DURAC) Finance Subcommittee to review this proposal, including the Developer's financial capacity. After two months of analysis and negotiation, the Finance Subcommittee successfully secured DURAC's support for a loan agreement with the following terms:

Non-forgivable/Standard Loan - up to $49,000
The standard loan would accrue interest at the Wall Street Prime rate of 3.25%. Accrual begins at the time of the final draw. The loan has a 10-year term.

Forgivable Loan - up to $49,000
Forgiveness of loan applies only when certain metrics are met. Specifically, developer guarantees that the retail component of the project will be open and operating a minimum of six days/week for five years.

Both loans will be reimbursement-based and will require a 50% match.

Developer Obligations:
- Renovate the Arch Building with active retail space;
- Provide regular reports to Urban Renewal staff on schedule, budget, and progress of the project during construction;
- Operate retail space actively open six days/week.

RURA Obligations:
- Provide access to up to $49,000 of forgivable loan funding;
- Provide access to up to $49,000 of standard loan funding;
- Urban Renewal staff engaged in project team and general contractor meetings as needed to assure project stays on schedule.

Financing:
Using the Project Confidence Level Rating Index (see attached Exhibit A), staff confidence in the project estimate at this time is moderate. The project scope and specifications are generally defined, but lack detail at this stage. It is expected as the Project moves through the engineering phase the scope will be further understood and staff confidence will increase to high-optimal.

Key Milestones:
April 2021: Funding considered for approval
May 2021: Loan and Development Agreement executed
May 2021: Demolition and construction begins
November 2021: Project completion

At the March 08, 2021 meeting, DURAC unanimously recommended that the Agency approve the loan funding request.

Note: At the time of DURAC's approval, Developer was managing this project through their company, Gorgeous Real Estate LLC. The Senior Lender on the building required to transition the project to a new LLC: Arome Holdings LLC. This was an administrative change only and does not affect the validity of DURAC's recommendation to approve the loan agreement.

Discussion:

Constructed in 1924, the building is approximately 15,000 square feet and is comprised of three 5,000 square foot stories. It was last occupied by a gym, a second-hand store, and a teen nightclub, but has been vacant for approximately ten years. Over the years, the building has suffered from significant deferred maintenance and other major systems issues associated with the long-term vacancy.

These conditions have made leasing prohibitive.

The Project would renovate a blighted property and increase activity, resulting in more "feet on the street" in the downtown core. Funding would renovate major systems of electrical, plumbing, and HVAC as well as create an ADA bathroom. The total project cost, including acquisition, is estimated at $912,000.

Urban Renewal Agency loans, totaling $98,0000, would be matched with $104,000 cash equity from the applicant. Urban Renewal would be participating in 11% of the total development costs. The Developer's formal funding request is attached to this staff report.

Fiscal Impact:

Funding is available for this project through the Property Assistance Program Fund. The Fund has $3.7MM remaining. If funded, there are no anticipated short-term impacts (1 to 5 years) to other planned projects. At minimum, at least 50% of the loan funding would be repaid to the Urban Renewal Agency to be able to reinvested in other projects.

Alternative Courses of Action:

1. Approve an urban renewal investment of up to $98,000 and enter into a loan agreement with Arome Holdings LLC for the renovation and development of the Arch Building property at 432 SW 6th Street, and to authorize the City Manager to execute the agreement.
2. Request more information.
3. Do not recommend entering into a loan agreement.

Recommendation / Suggested Motion:

"I move to authorize the City Manager to enter into a loan agreement of up to $98,000 with Arome Holdings LLC for the renovation of the Arch Building property at 432 SW 6th Street."

Project Estimate Confidence Level Rating Index Defined

COMPLETE	○ Final payment made. ○ Post project assessment completed comparing project estimate, amount of contract award and total amount of change orders issued during project. ○ Total project costs reported.

OPTIMAL	○ Project scope and specifications clearly understood and well defined. ○ Clear understanding of materials, size and quantities needed to execute job. ○ Schedule and special site conditions understood. ○ Project estimate unlikely to change (generally at 90% or greater design and engineering phase). ○ Total Project contingencies (including project management, design, engineering, plus construction) range between 10%-15%.

HIGH	○ Project scope and specifications nearly complete but still subject to change (70%–90% design and engineering phase) ○ Materials, size and quantities needed to execute job have been defined but subject to minor changes. ○ Schedule understood. ○ Total Project contingencies (including project management, design, engineering, plus construction) may range between 20%-30%.

MODERATE	○ Project scope defined but lacks details. ○ Project specifications incomplete (60%-70% design and engineering phase). ○ Total Project contingencies (including project management, design, engineering, plus construction) may range between 30%-40%.

LOW	○ Project scope is a conceptual "vision" with limited detail. ○ Project cost is an educated guesstimate. Limited technical information available and/or limited analysis performed. ○ Specifications still in infancy stage. (Less than 50% design and engineering phase). ○ Total Project contingencies (including project management, design, engineering, plus construction) may range up to or exceed 50%.

ARCH BUILDING PROJECT

FEBRUARY 26, 2021

PRESENTED BY AROME LLC AND GORGEOUS REAL ESTATE LLC

Executive Summary

The Project

The Arch Building Project seeks to revive the vacant building at 432 SW 6th St. Once renovated, this building, situated directly at the Redmond Arch, has the potential to be a catalyst for additional private investment and community engagement in the City's downtown core. The project is being led by a husband and wife team that operate both a real estate investing business and a brick-and-mortar retail business, making them ideally suited for this opportunity. The couple intends to occupy the main floor of the building with a second installment of their gourmet food and kitchenware store called Arome. The second floor will be available for lease as general commercial space well below market rate. The basement will be utilized primarily as the hub of Arome's growing online business.

The project will involve extensive remodeling to the main floor. The goal of the project is for Arome to be open in October 2021, ahead of the Christmas retail season.

ARCH BUILDING PROJECT COSTS	
SOFT COSTS	
Design Fees	$20,000
Permits	$7,000
Insurance	$3,000
Subtotal	$30,000
CONSTRUCTION COSTS	
Demolition	$8,000
Electrical	$35,500
Building Systems	$1,500
Rough Carpentry	$10,000
Plumbing	$25,000
HVAC	$12,500
Drywall	$2,000
Paint	$16,000
Finishes	$15,000
Exterior	$9,000
Subtotal	$134,500
SOFT COSTS	$30,000
RETAIL CONSTRUCTION COSTS	$134,500
CONTRACTOR PROFIT & OVERHEAD	$16,140
CONTINGENCY (25%)	$36,128
TOTAL PROJECT COST	**$216,768**
PURCHASE PRICE	**$695,000**
TOTAL INVESTMENT	**$911,768**

Request for City Support

While the owners are making a substantial personal investment in the project and have secured long-term financing through the Small Business Administration (SBA), this project will not be possible without significant public financial support. The various programs available through the Redmond Urban Renewal Agency appear to provide mechanisms for the needed support. The table below describes the overall financial structure of the project and the requested funds

Arch Building Project Financial Structure	
Owner's Equity Position	$104,000
Long-term Financing	$710,000
Total Project Cost	$911,768
Funding Gap	*$97,768*
Forgivable City Loan	$48,884
Standard City Loan	$48,884
Loan to Cost Ratio	89%
Forgivable Loan %	5.4%
Gross Income	$72,000
Operating Expenses	$18,192
Net Operating Income	$53,808
SBA Debt Service (4.5% @ 30 year am)	$43,164
City Debt Service (3% for 30 years)	$2,520
Cashflow	$8,124
DSCR	1.18

Alignment with Urban Renewal District Goals

The Downtown Urban Renewal District has been working since 1995 to deliver on the community's vision and create an active and healthy downtown that attracts and supports families and businesses. Since that time, the District has supported several key infrastructure and development projects and continues to partner with the business community to support this vision and make investment opportunities like the Arch Building Project viable. Our project seeks to build upon the great work accomplished by the District thus far and enhance the downtown Redmond experience and draw people from throughout the region to live, work, shop and play. The following section outlines the alignment of the Arch Building Project with the District's guiding principles.

Promote Redmond's Economic Development

The Arch Building's high-visibility location at the City's gateway arch will signal to residents, visitors and other investors that Redmond is a vibrant, desirable place to be. The new retail and downtown residential combination will infuse the Downtown with new people and experiences. In a bustling downtown center each shop becomes a visitor center, referring customers to nearby businesses to find what they are looking for.

The retail business will also work with and utilize the services of several surrounding businesses throughout its operation, such as:

- Artisans –locally made kitchen and home items such as hand-crafted cutting boards, pottery, gourmet foods and locally available herbs and spices will be sourced from the area for Arome
- Wineries – local wineries will be sought out for regionally sourced wine display
- Print-making – retail product labels for spices and teas, promotional materials, business cards will be printed locally
- Custom embroidery – local embroidery and screen printing shops will be used for staff uniforms
- Media – advertisements purchased in The Redmond Spokesman

Eliminate Conditions of Blight

The Arch Building is a focal point of downtown given its location directly under the Redmond arch. For ten years this building has been vacant and signs of deterioration due to a lack of maintenance and water damage are starting to show.

Existing Storefront

Proposed Retail Concept (Arome in Hood River)

Existing Ground Floor Space

Proposed Retail Concept (Arome in Hood River)

The renovation will allow the historic charm of the building to shine through by repairing water damage and addressing structural deficiencies to prevent further deterioration of the building's exterior. Vibrant retail displays that change with the seasons will adorn the street level windows and invite passersby to enjoy this historic space once again.

Stimulate Private Investment

Nate and Janice Bell are owners of Gorgeous Real Estate LLC and Arome LLC. Both businesses will bring private capital, which when paired with urban renewal funding will make The Arch Building project possible. Gorgeous Real Estate will function as the owner/developer, and Arome is the retailer who will occupy the main floor and basement. The couple is passionate about helping to revive downtown with the involvement of local firms. Arome's first and only other location is also situated in a historic 1922 building and has become a cornerstone of the Hood River retail scene.

Completion of SCP Hotel Redmond is a major factor in our decision to invest in downtown, seeing this beautiful project complete is a sign that downtown is rounding the corner. Similarly, success at The Arch Building in combination with other business activity in downtown builds confidence for other perspective businesses looking to purchase or lease vacant storefronts and upper stories in downtown, drawing additional private investment.

Create Jobs

We seek to integrate within the Redmond business community and create jobs directly through development of our retail space and indirectly through the support of the many nearby businesses. The direct job creation anticipated by Arome's retail presence is two full-time and four part-time staff. Anticipated hourly wages for these positions will range between $15/hr and $25/hr.

Focus on Families

Arome offers a unique experience-based retail environment. Our welcoming staff and locally catered selection ensure that our business remains relevant and supports community needs. In Hood River our staff have enjoyed hosting free tastings, classes and after-hours parties. We structure events specific to visitors during peak season and utilize the slower shoulder seasons to offer cooking demonstrations and allow a platform for local members of the community to share their culinary skills. We are exciting that the large footprint of the retail space will allow us to build-out a purpose built demonstration area.

Peach Caprese Tasting at downtown First Friday

City Councilor and Grand daughter testing pies at Pie Making Contest

Local pepper grower demonstrating salsa making at Spicy Pepper Night

> "What a fun shop! I love bringing friends to check out the spices, teas, oils and vinegars to sample, cooking utensils, etc. I attended the Holiday Drink Mixing workshop & had the very best time!" ~ Arome Facebook Review

Foster Partnerships

The Arch Building Project represents a significant investment in the Downtown core. As the owners have seen with their Hood River location, the new retail store will create a web of economic and life-quality benefits that ripple throughout the community. The Arch Building Project presents a public-private partnership opportunity that will achieve tangential results that reach beyond the project itself.

The Arch Building Project

Contributing to the vision for a vibrant downtown

- Construction - $200K spent with local contractors and designers
- Retail – 5,000 SF of experience-based shopping
- Jobs - 6 employees earning $15-$25/hr, $150K annual wages
- Events – 15-20/year
- Economy – $50K annual spend in the local community
- Taxes – 30% increase in real property tax revenue, $150K taxable business property

Project Plan

The section describes the condition of the existing building and the proposed project plan including type of development, and the scope and schedule of repairs and renovation.

Existing Building

The Arch building is a 15,000 square foot building constructed in 1924 in what is known locally as the Early 20th Century Commercial style. It is comprised of three 5,000 square foot stories and was last occupied by a gym, a second-hand store, and a teen nightclub, but has been vacant for approximately ten years. In that time the building has suffered from deferred maintenance and issues associated with long-term vacancy.

Building Exterior. The building's front façade is the original brick and is in generally good condition. The rear brick façade has suffered some water damage and will likely require partial reconstruction. Water damage appears to be a result of clogged scuppers that failed to direct drainage away from the building, which resulted in damage to the brick-and-mortar exterior. The building's roof is a Howe truss type and has had a secondary roof structure constructed over it, presumably to enhance drainage. The roof structure is in excellent condition.

Existing Building Front

Existing Building Rear View

Building Interior. The main floor features a large, open retail area with a drop ceiling and unusually large restroom facilities including four toilets and four showers. The second floor is comprised of a large open area with another room partitioned, both of which have drop ceilings. The southeast corner of the second floor has water damage which was caused by exterior drainage entering the building due to clogged scuppers. The windows are of mixed vintage and there is evidence of water intrusion from the ceiling and windows. The basement has a ceiling height of approximately 7.5 feet and features several partitioned areas.

Building Systems. The primary building systems include HVAC, plumbing and electrical:

- **HVAC.** The HVAC system is comprised of 90's-era gas furnace that provides heat for the main and second floors and two AHUs in the attic space for ventilation. The furnace and AHUs will be evaluated for replacement and provisions for individual heating/cooling systems in the apartments are planned.

- **Plumbing.** The water supply is comprised of three 1-inch metered water supply connections and a 2-inch fire service line. The first and second floor waste drains are directed by gravity to a 6-inch main building drain connected to the City's sewer main in the alley behind the building. The basement waste drain system is directed to a package pump station, which pumps to the existing 6-inch main building drain. Plumbing upgrades are expected as a part of this project and are described in the following sections.
- **Electrical.** The main electrical panel has been upgraded in last couple of decades. There are three existing 200 Amp service meters at the rear of the building. Multiple sub-panels in the building interior are from past eras and will need to be upgraded. The wiring is mostly modern, grounded, romex, but will require extensive replacement to serve a new floor plan.

Planned Use

This planned use is retail and general commercial.

Retail. The main-floor retail tenant, called Arome LLC, is co-owned by the developer and is a purveyor of hard-to-find spices, teas, oils, vinegars, wines and kitchenware products. The retail location will also feature a wine tasting area and event/demo space. Arome will also utilize two-thirds of the basement space for inventory storage which will benefit operation of its eCommerce sales channel.

General Commercial. The second floor will be available for lease below market rate to stimulate activity in the Downtown core. The project is financially feasible without relying on income from the second floor, so a tenant on the second floor can be carefully screened to ensure compatibility with the owners' and City's goals.

Code Study

Tekneek Architecture was hired to perform a code study to provide an understanding of how existing code requirements apply to the scope of this project and identify needed improvements to the structure and building systems. Arome has also investigated required licenses and code requirements for operation of the retail space. The code study is currently in progress and contains the following elements:

- Structural loading requirements driven by usage
  - The proposed uses are not considered a change of use and the building is therefore not subject to structural upgrade requirements
- Fire separation and suppression
  - Fire separation will not be required between the main and second floors
- Energy Code
  - The 2020 Energy Code update does not trigger any improvements.
- Water demand
  - One of the three existing 1"-inch domestic water services will be allocated to the second floor and the other two existing 1"-inch services will serve the retail uses.
  - The 2" water service currently serving the sprinkler system will remain to serve the existing sprinklers in the basement and second floor.
- Sewer loading
  - The first floor retail space will see a minor increase in water demand, but overall sewer loading will remain well within the capacity of the existing 6" sewer tap.
- Electrical loading
  - The power supply to the building is adequate, but the electrical distribution system within the first floor retail space will be reconstructed including a new 200 main breaker panel.
- Retail Food Sale Licensing
  - Arome is a Combination Facility in Oregon and anticipates being categorized under the Retail Food Establishment category due our anticipated sales from retail foods and wares being greater than 50% of our gross receipts. This requires a Retail Food Establishment license through the Oregon Department of Agriculture.

  - A three basin sink, handwashing sink, food prep sink, and refrigerator in the back of the retail space will be required for Retail Food Sale compliance.
  - The retail buildout will include a counter at the rear of the store that will be used for blending spices and for community event demonstrations.
- Oregon Liquor Control Commission (OLCC)
  - The front of the store will feature an 8-seat bar and seating area that will be used for wine tasting.
  - A handwash sink, food prep sink, and commercial dishwasher will be required for Health Department compliance.
  - OLCC will require an Off-Premises Sale License with a Tasting Privilege for wine tasting and retail wine sales and a Limited On-Premises License for full glass pours. It is expected that the wine tasting area will be sectioned off and have a controlled access to prevent minors from entering the space during wine serving hours.

Renovation Plan

The Arch Building Project will involve a complete interior renovation of the first floor and light exterior improvement of the building. All building systems, including plumbing, electrical, and mechanical will undergo major upgrades to support the new retail use. Once the building systems are upgraded, the retail space will be refinished to provide a safe, welcoming, and inspiring environment.

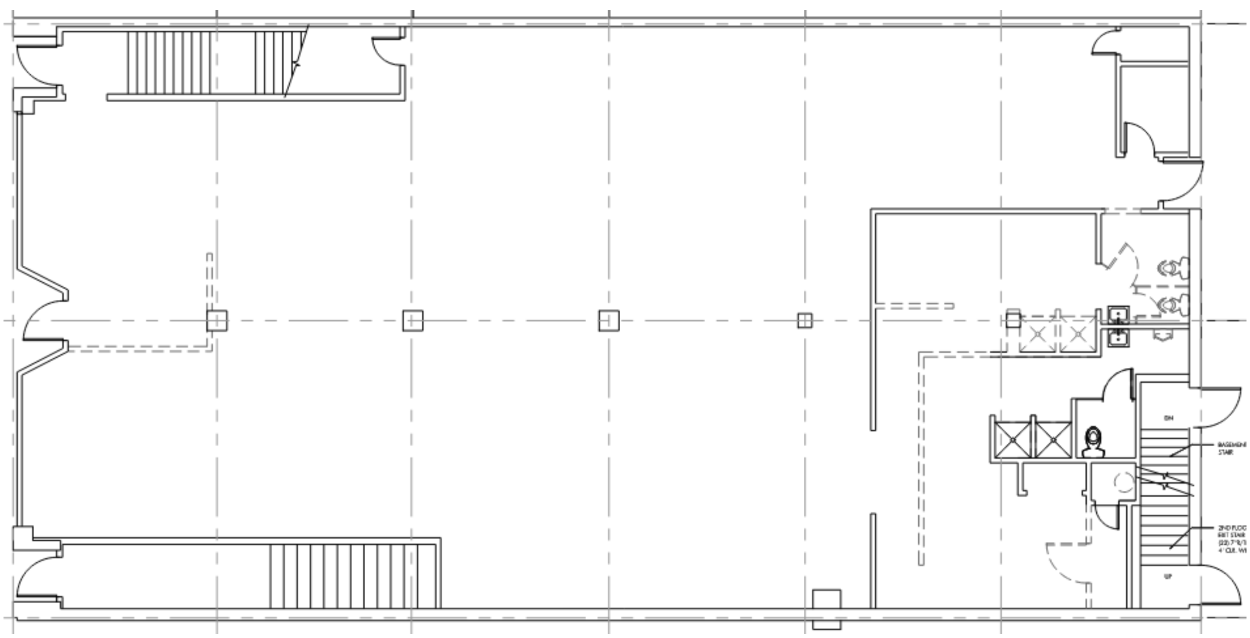
Main Floor Retail Buildout. The main floor will be completely renovated into a bright, modern, boutique retail space. Most of the existing locker room space and fixtures will be demolished, and new walls will be erected to create the following rooms:

- 3,000 SF of retail space with wine tasting area
- Administrative office
- Single, unisex, ADA-compliant bathroom
- Dishwashing/food prep area
- Storage area/breakroom

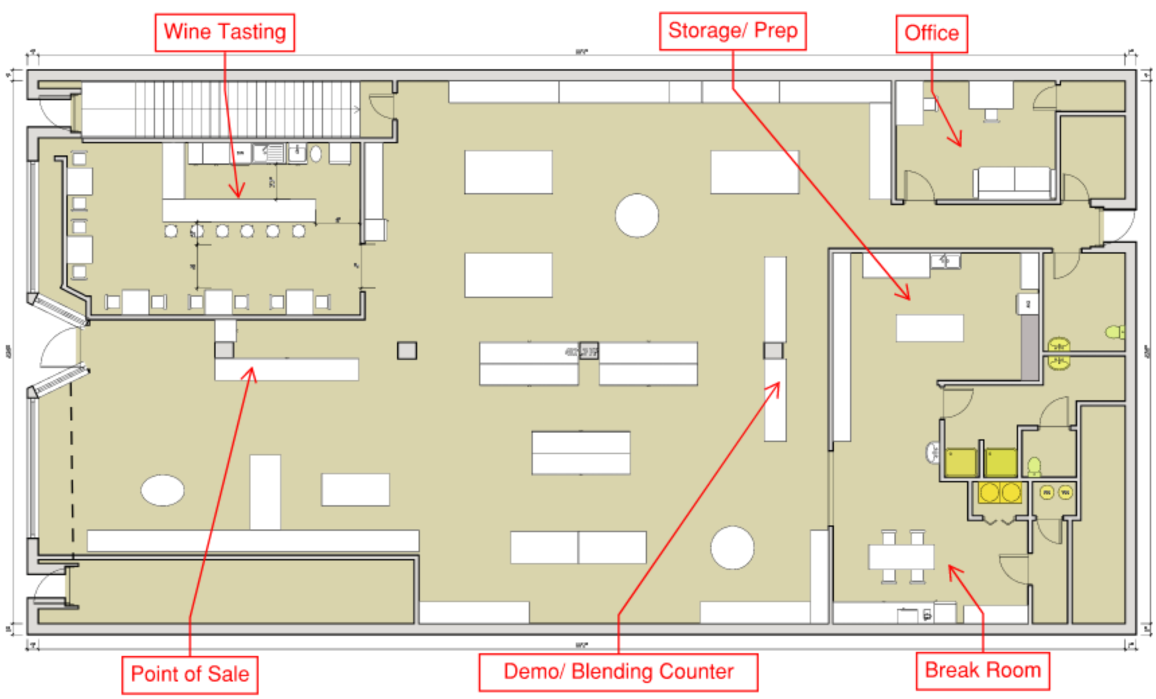
Styling of our existing retail location in Hood River is shown below. The style of the Redmond store will follow a similar warm color scheme with rustic elements incorporated throughout. For example, shelving in the Hood River location was handmade using locally sourced rough sawn timbers and the original flooring was refinished to maintain the store's historic charm.

The main floor renovation scope of work will involve the following items.

- Removal of the drop ceiling, ceiling paint
- New light fixtures throughout
- Refinishing of existing hardwood floors
- New HVAC system
- Various wall-mounted and freestanding retail displays
- Point of sale counter
- Demo/spice blending counter
- Wine tasting area with partition walls, an 8-seat bar, and wall-mounted wine rack
- Bathroom renovation
- Administrative office walls, lighting, shelving, etc
- Dishwashing/food prep plumbing, electrical and countertops
- Storage/breakroom shelving, countertops
- New electrical panel



Existing first floor with proposed demolition shown dashed.

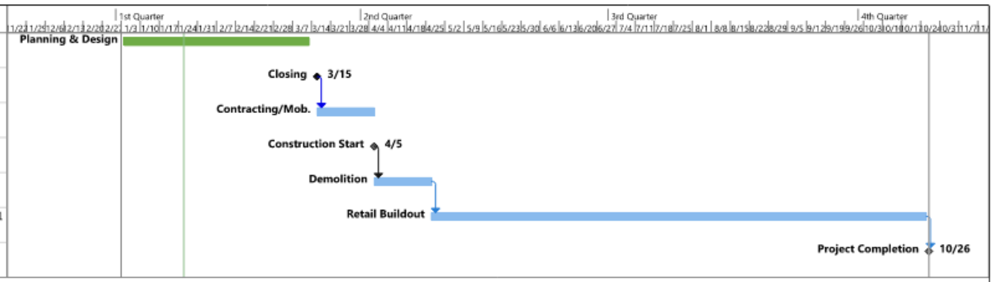


Proposed first floor retail buildout.

Schedule

The Arch Building Project will begin construction in April 2021. To capture the benefit of opening for the Christmas shopping season the retail space is anticipating opening by November 2021.

Task Name	Duration	Start	Finish
Planning & Design	50 days	Mon 1/4/21	Fri 3/12/21
Closing	1 day	Mon 3/15/21	Mon 3/15/21
Contracting/Mob.	15 days	Tue 3/16/21	Mon 4/5/21
Construction Start	1 day	Mon 4/5/21	Mon 4/5/21
Demolition	15 days	Tue 4/6/21	Mon 4/26/21
Retail Buildout	130 days	Tue 4/27/21	Mon 10/25/21
Project Completion	1 day	Tue 10/26/2	Tue 10/26/21



Construction Cost Estimate

ARCH BUILDING PROJECT COSTS	
SOFT COSTS	
Design Fees	$20,000
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TOTAL PROJECT COST	**$216,768**
PURCHASE PRICE	**$695,000**
TOTAL INVESTMENT	**$911,768**

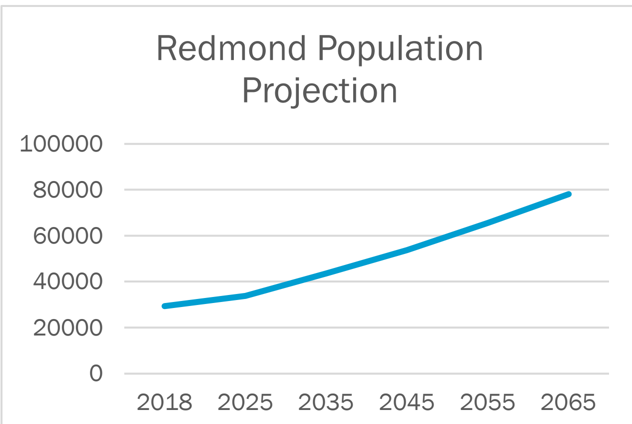
At the time of this proposal, the confidence in the cost estimate, based on the City's Cost Estimate Confidence Level Rating Index, is MODERATE. As such, we have included a relatively high 25% contingency in the project cost. We are expecting to receive more refined cost estimates from our Contractor of choice before 3/3/2021, at which time we will inform the finance subcommittee of the revised estimates and the confidence in those estimates will be HIGH-OPTIMAL. We anticipate achieving COMPLETE confidence in our cost estimate before 3/19/2021.

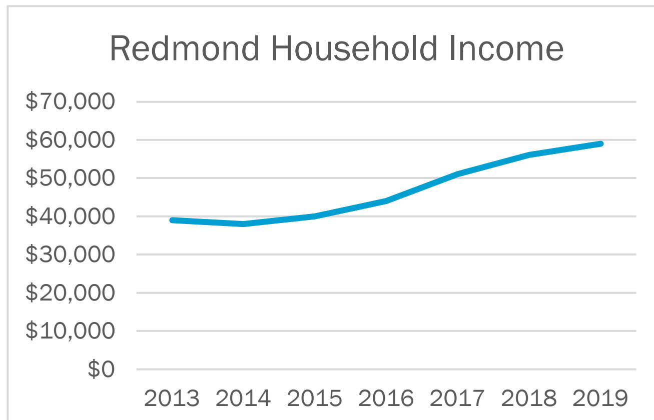
Market and Financial Analysis

The section describes the current economic environment of Redmond, the financial projections for the retail business and the proforma for the completed Arch Building Project.

Redmond Market

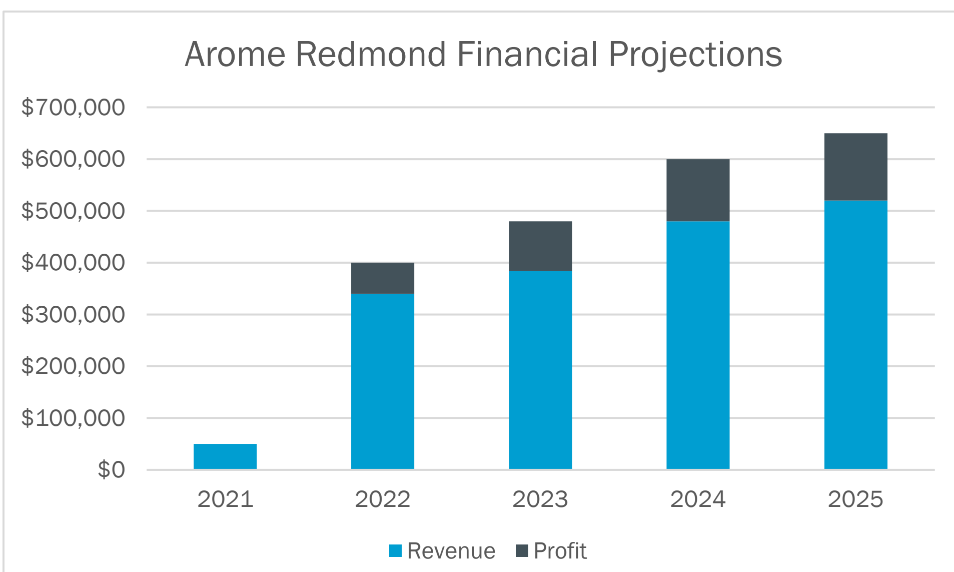
Redmond is a fast-growing, semi-rural City with several desirable attributes for investors and business owners. Population projections and rising incomes support expectations for a growing demand for retail businesses and urban housing.





Retail Projections

We have used data from Arome's Hood River location and adjusted for population, income, store size, tourism, and other factors to project the financial performance of the Redmond location. This data demonstrates that Arome's Redmond location is financially viable and can sustain long-term tenancy in the Arch Building.



Arch Building Operating Budget

The tables below show the expected gross and net income for the entire Arch Building Project for the years 2022-2024. We expect a rapid stabilization of the building due to already having a retail tenant in place. In order to demonstrate the project's solvency, the calculations below assume that no income is generated from the second floor although preliminary discussions with realtors suggest that there is a high demand for such a space. Our primary source of funds for this project is an SBA lender. That lender has performed an extensive evaluation of our balance sheet, P&L statements, and revenue projections for the Redmond locations and determined that Arome can easily sustain the debt load indicated below.

INCOME

				2022		2023		2024	
Tenant	Unit Qty	Units	$/Unit	Monthly	Annual	Monthly	Annual	Monthly	Annual
1st Floor Retail	7500	SF	$0.80	$6,000.00	$72,000	$6,000	$72,000	$6,000	$72,000
2nd Floor	5000	SF	$0.00	$0.00	$0	$0	$0	$0	$0
		Gross Income		**$6,000**	**$72,000**	**$6,000**	**$72,000**	**$6,000**	**$72,000**

EXPENSES

		2022		2023		2024	
Expense Category	Assumptions	Monthly	Annual	Monthly	Annual	Monthly	Annual
Private Debt Service	$710,000 @ 4.5%, 30 year Amor.	$3,597	$43,164	$3,597	$43,164	$3,597	$43,164
City Debt Service	$50,000 @ 3.0%, 30 year Amor.	$210	$2,520	$210	$2,520	$210	$2,520
Maintenance	5% total monthly gross rev	$300	$3,600	$300	$3,600	$300	$3,600
Taxes	$8000/ year	$666	$7,992	$666	$7,992	$666	$7,992
Insurance	$3,000/year	$250	$3,000	$250	$3,000	$250	$3,000
Cap Ex	5% total monthly gross rev	$300	$3,600	$300	$3,600	$300	$3,600
	Operating Expenses	$5,323	$63,876	$5,323	$63,876	$5,323	$63,876

OPERATING BUDGET

	2022	2023	2024
Gross Income	$72,000	$72,000	$72,000
Operating Expenses	$18,192	$18,192	$18,192
Net Operating Income	$53,808	$53,808	$53,808
Private Debt Service	$43,164	$43,164	$43,164
City Debt Service	$2,520	$2,520	$2,520
Cashflow	$8,124	$8,124	$8,124
DSCR	1.18	1.18	1.18

At an assumed Cap Rate of 6.0%, a stabilized NOI of $53,808 equates to a building valuation of $897,000.

Request for City Support

We are grateful that the Urban Renewal Agency has expressed interest in helping us achieve our goals with this project. We are requesting financial assistance in the total amount of $97,668, which is roughly equal to our cash investment in the building purchase and renovation costs. We are anticipating additional cash expenses of approximately $150,000 to open the store, which would include inventory, retail fixtures, software, supplies, advertising, and employee training. Though successful, Arome is a small business, and the scope of the required improvements to the building is substantial. The Urban Renewal Agency's assistance with funding is critical to the project's feasibility.

Proposed Financial Structure

We are proposing the following financial structure for the project:

Arch Building Project Financial Structure	
Owner's Equity Position	$104,000
Long-term Financing	$710,000
Total Project Cost	$911,768
Funding Gap	*$97,768*
Forgivable City Loan	$48,884
Standard City Loan	$48,884
Loan to Cost Ratio	89%
Forgivable Loan %	5.4%
Gross Income	$72,000
Operating Expenses	$18,192
Net Operating Income	$53,808
SBA Debt Service (4.5% @ 30 year am)	$43,164
City Debt Service (3% for 30 years)	$2,520
Cashflow	$8,124
DSCR	1.18

Proposed Loan Terms

We are proposing the following terms for the Urban Renewal Agency's loans for the project:

- Standard Loan-$48,884- 3% APR for 30 years
- Forgivable Loan-$48,884- 3% APR for 5 years
    - Up to $10,000 eligible for forgiveness each year if commercial space on street level is actively utilized (open regular business hours at least 5 days per week)
    - 3% interest will accrue, but will only be charged if metric above is not met.
- All URA funding is for permanent improvements to the building-Building systems
- All URA funding will be distributed on a reimbursable basis.
- The Standard loan funds will be utilized first. Once exhausted, Forgivable loan funds may be accessed.

Arch Building Project

Presented by Arome, LLC

Arome Business History

- Opened in April 2017 in Downtown Hood River
- Steady revenue growth
- Adapted product offering to fit the community
- Currently employ a six-person team
- Chamber member and active participant in local events
- Supporter of local schools, Next Door and the Food Bank

Arome has experienced double digit year-over-year growth since opening in 2017

Community Benefits

- Construction - $200K spent with local contractors and designers
- Retail – 5,000 SF of experienced-based shopping
- Jobs – 6 employees at $15-$25/hr.
- Events – 15-20 events/year, mostly family-focused
- Economy - $50K annual spend in the local community
- Taxes – 30% increase in real property value + $150K in taxable property

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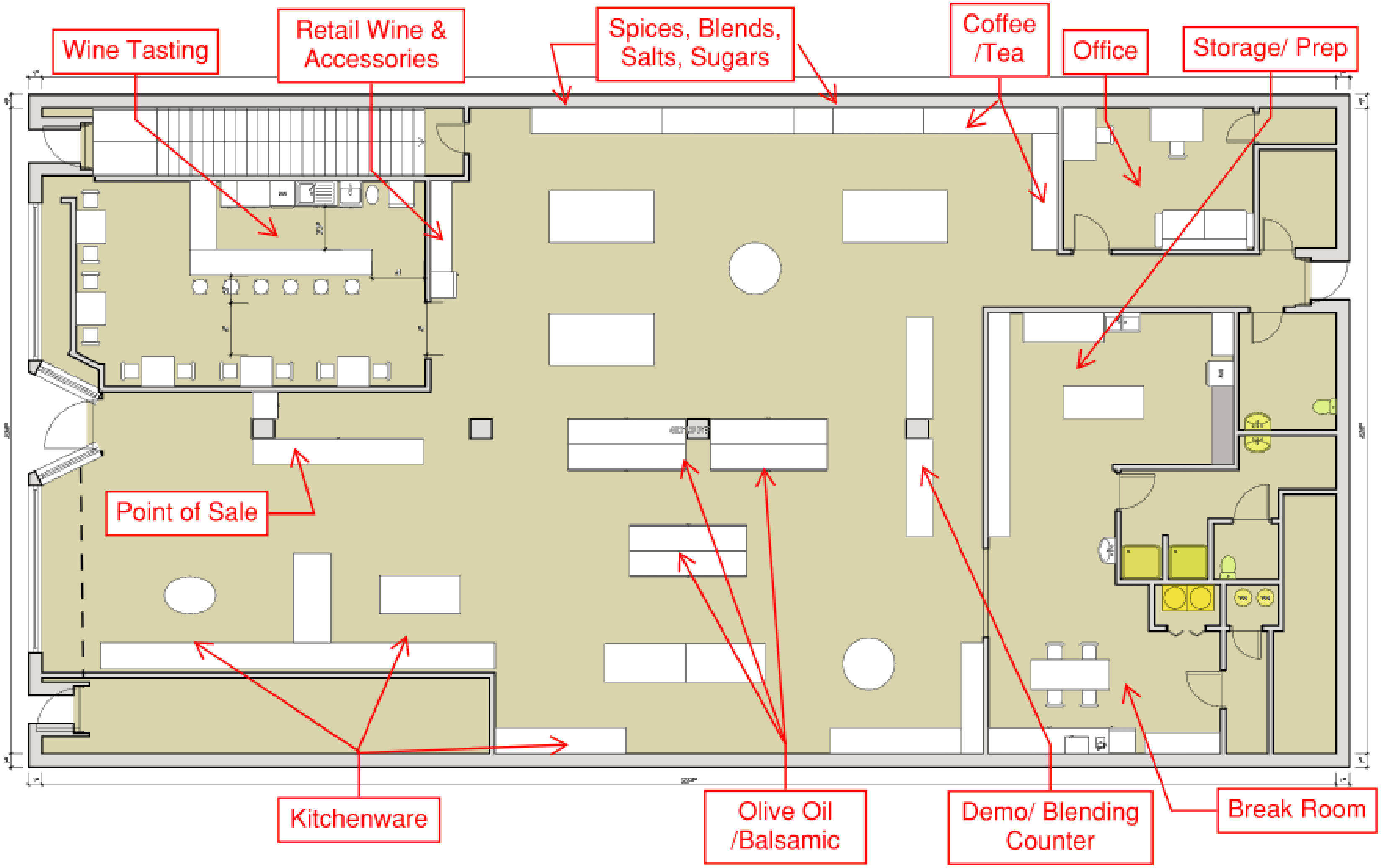
Retail Buildout



Beautiful Environment

We pride ourselves on making downtown beautiful by taking care of our building inside and out. We seasonally rotate our window displays and products to keep it fresh and in 2020 won the Le Creuset national small retailer window decorating contest. Downtown Redmond is a beautiful space that would be complimented by Arome.

Gourmet Foods

"I love the fig balsamic vinegar, the Tiki Masala spice, the huge variety of specialty spices, the Japanese inspired tea pots, I could go on and on. What a GREAT reason to shop Hood River." ~ Suzi Conklin, Facebook Review

Tea & Wine

"Definitely check this place out! It's downtown Hood River and has a fantastic selection of quality teas including multiple chai's, greens, herbals, even puerh tea. I'm so happy there is a spice shop here now, let's keep them around!" ~ polkadots888, Google Review

Kitchen Wares

We have built our inventory based on research and customer feedback and have a unique selection of quality kitchen wares. We'll build inventory in Redmond based on current experience and customer experience that is unique to the Redmond market.

Community Based Business

We provide an outlet for local home cooks who want to share their talents with the community, hosting free events such as Spicy Pepper Night, A Taste of Spain, Creole Cooking and Healthy Eating.

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A Vibrant Downtown

We actively participate in First Fridays, Safe Halloween, Annual Tree Lighting and also create our own events to draw shoppers downtown and create a unique customer experience.

CITY OF REDMOND

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STAFF REPORT

DATE:	April 6, 2021
TO:	Redmond Urban Renewal Agency / Redmond City Council
THROUGH:	Keith Witcosky, City Manager John Roberts, Deputy City Manager
FROM:	Chuck Arnold, Economic Development/Urban Renewal Program Manager
SUBJECT:	URA Res. #2021-01 - A resolution approving the Nineteenth Amendment to the Redmond Downtown Urban Renewal Plan.

Addresses Council Goal:
9. Urban Renewal: Invest resources to encourage new business investment in designated blighted areas that will grow the job base and strengthen and diversify the tax base of the area.

B. Advance objectives of the Downtown Urban Renewal Plan to maintain the vitality of the downtown core; provide sufficient parking; make productive use of land; create opportunities for new development; relieve traffic problems and improve pedestrian safety; and provide new public amenities and open spaces.

C. Invest in infrastructure projects that make a demonstrable, positive impact on job creation and encourage private investment.

Report in Brief:
This item requests the Redmond Urban Renewal Agency (RURA) approve the Nineteenth Amendment to the Downtown Urban Renewal Plan (Plan) which removing five properties from the List of Properties Acquired and transfers ownership to the City of Redmond. These properties were acquired for the purpose of constructing the Centennial Park Expansion Project as per the Plan.

A summary of the Amendment is attached hereto as Exhibit A.

Background:
In April 2011, the Redmond Urban Renewal Agency Board (Board) adopted the Twelfth Amendment to the Downtown Urban Renewal Plan. The Twelfth Amendment included the creation of the Public Open Space Fund to acquire and construct public open space to serve as a focal point for community activity. The Plan identified the expansion of Centennial Park as a catalytic public project for economic and community development.

In June 2015, the Board authorized the purchase of five properties (Tax Lots 151316AB09800, 151316AB09900, 151316AB10000, 151316AB10001, and 151316AB10100) for the expansion. The construction contract was awarded October 2018 and the work was completed August 2019. After a maintenance period, the City's Parks Division took over responsibility of the asset.

Per Section 750(B)(2) of the Plan, RURA is authorized to dispose property that assists in meeting the objectives of the Plan by dedicating a public facility specified in the Plan to the City.

Discussion:
RURA was formed in 1995 with the goals of removing blight and raising property values in Redmond's downtown core. These goals are achieved in part through funding for public projects and private development.

As per state statue, Urban Renewal is designed to assist in funding the development or improvements. After these improvements occur, urban renewal agencies typically transfer these assets to the local jurisdictions for ongoing maintenance. This is because urban renewal is not intended to serve a long-term maintenance function. Its purpose is capital improvement.

Centennial Park Expansion Project has been developed and now needs to be maintained. The City has resources and funding to perform ongoing maintenance for the public asset. The estimated annual maintenance costs are $25,000.

Fiscal Impact:
There is no fiscal impact to the Agency.

Estimated annual costs to City are $25,000. The City's Public Works Department and Parks Division has the capacity to assume maintenance of this asset.

Alternative Courses of Action:

1. Adopt URA Res. #2021-01.
2. Request more information.
3. Do not adopt URA Res. #2021-01.

Recommendation / Suggested Motion:
“I move to adopt URA Resolution No. 2021-01 approving the Nineteenth Amendment to the Redmond Downtown Urban Renewal Plan.”

REDMOND URBAN RENEWAL AGENCY
URA RESOLUTION NO. 2021-01

A RESOLUTION APPROVING THE NINETEENTH AMENDMENT TO THE REDMOND DOWNTOWN URBAN RENEWAL PLAN.

WHEREAS, the Redmond Urban Renewal Agency invested funds in projects for the benefit of the City of Redmond; and

WHEREAS, an Open Space Fund is described in the Twelfth Amendment to the Redmond Downtown Urban Renewal Plan (Plan); and

WHEREAS, funding from the Open Space Fund acquired and improved the properties is described below; and

WHEREAS, the City of Redmond has agreed to maintain the improvements made by the Redmond Urban Renewal Agency; and

WHEREAS, in order to achieve the objectives outlined in the Plan, the Redmond Urban Renewal Agency has determined it is necessary to amend Section 750(A)(3) of the Plan by removing the following property tax lots 151316AB09800, 151316AB09900, 151316AB10000, 151316AB10001, and 151316AB10100 from the List of Properties Acquired; and

WHEREAS, the proposed Minor Amendment of the Plan is economically sound and feasible; and

WHEREAS, the proposed Minor Amendment to the Plan has been prepared in conformity with the requirements of ORS 457.085, and the applicable provisions of the Plan itself.

NOW, THEREFORE, THE REDMOND URBAN RENEWAL AGENCY RESOLVES AS FOLLOWS: The Redmond Urban Renewal Agency Board hereby approves the Nineteenth Amendment to the Redmond Downtown Urban Renewal Plan, removing five properties listed above from the list of properties acquired. The text of the Nineteenth Amendment, and the accompanying amendments to the Report on the Downtown Urban Renewal Plan, are adopted as appended hereto and marked as Exhibit A.

EFFECTIVE DATE OF RESOLUTION: This Resolution shall take effect immediately upon adoption by the Redmond Urban Renewal Agency.

ADOPTED by the Board of the Redmond Urban Renewal Agency and **SIGNED** by the Board Chair this 6th day of April 2021.

CITY OF REDMOND URBAN RENEWAL AGENCY

By: ______________________________
George Endicott, Chair

ATTEST:

By: ______________________________
Kelly Morse, City Recorder

EXHIBIT A

NINETEENTH AMENDMENT TO THE REDMOND DOWNTOWN URBAN RENEWAL PLAN

SUMMARY OF NINETEENTH AMENDMENT:

This Nineteenth Amendment to the Downtown Urban Renewal Plan (Plan) for the City of Redmond is undertaken pursuant to ORS 457.085(2)(g) which provides an urban renewal plan shall include an indication of which real property may be acquired or disposed.

The Downtown Urban Renewal Plan, Section 750 (B)(2) – Property Disposition - authorizes the Urban Renewal Agency to adopt minor amendments to the Plan to dispose of property by Resolution.

This Amendment makes the following changes to the Plan:

- Identifies five properties to be disposed.

- Assists in meeting the objectives of the Plan by dedicating a public facility specified in the Plan to the City of Redmond.

TEXT OF NINETEENTH AMENDMENT

The NINETEENTH Amendment to the Downtown Urban Renewal Plan proposes the following changes to the Plan.

LIST OF PROPERTIES TO BE DISPOSED (Tax Lots):

151316AB09800
151316AB09900
151316AB10000
151316AB10001
151316AB10100

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STAFF REPORT

DATE:	April 6, 2021
TO:	Redmond Urban Renewal Agency
THROUGH:	Keith Witcosky, City Manager John Roberts, Deputy City Manager
FROM:	Chuck Arnold, Economic Development/Urban Renewal Program Manager
SUBJECT:	URA Res. #2021-02 - A resolution of the Redmond Urban Renewal Agency transferring certain capital assets of the Agency to the City of Redmond.

Addresses Council Goal:
9.URBAN RENEWAL – Invest resources to encourage new business investment in designated blighted areas that will grow the job base and strengthen and diversify the tax base in that area.

A. Maintain and manage resources to ensure consistent program delivery and sufficient financial resources.

Report in Brief:
This item requests, per the approval of the Nineteenth Amendment to the Redmond Downtown Urban Renewal Plan, the transfer of the Centennial Park Expansion Project from RURA to the City of Redmond.

Background:
On July 22, 2014, RURA and the City approved an Intergovernmental Agreement establishing procedures for transferring assets from RURA to the City (as required by state statute).

On April 6, 2021 through Res. #2021-01, RURA, approved the 19th Amendment to the Downtown Urban Renewal Plan (Plan) removing the properties listed below in this item.

URA Res. #2021-02 formally transfers all assets associated with the Centennial Park Expansion Project and includes five Tax Lots: 151316AB10100, 151316AB10000, 151316AB10001, 151316AB09800, and 151316AB09900.

The two resolutions are related as URA Res. #2021-01 amends the Plan to allow the asset transfer show in this URA Res. #2021-02.

Discussion:
While RURA plays a role in funding construction of capital assets, it does not have the long-term funding to maintain improvements other than the initial period of maintenance up to two years after project completion.

Examples of other assets that have transferred to the City in recent years include Centennial Park Phase One and the Evergreen Gateway-Welcome to Redmond monument project.

Fiscal Impact:
There is no fiscal impact to RURA.

The City Public Works Department and Parks Division has the capacity to assume maintenance of this asset. The estimated annual costs are $25,000.

Alternative Courses of Action:
1. Adopt URA Res. #2021-02
2. Request more information.
3. Do not adopt URA Res. #2021-02

Recommendation / Suggested Motion:
"I move to adopt URA Res. #2021-02."

URBAN RENEWAL AGENCY RESOLUTION
URA RESOLUTION NO. 2021-02

A RESOLUTION OF THE REDMOND URBAN RENEWAL AGENCY TRANSFERRING CERTAIN CAPITAL ASSETS OF THE AGENCY TO THE CITY OF REDMOND.

WHEREAS, the Redmond Urban Renewal Agency has invested its funds in projects that benefit the City of Redmond; and

WHEREAS, the Redmond Urban Renewal Agency does not maintain the improvements made, other than up to two years of maintenance to protect the Agency's capital construction investments; and

WHEREAS, the City of Redmond has agreed to maintain the improvements made by the Redmond Urban Renewal Agency.

NOW, THEREFORE, THE REDMOND URBAN RENEWAL AGENCY RESOLVES AS FOLLOWS:

SECTION ONE: The Redmond Urban Renewal Agency does hereby transfer to the City of Redmond a total of **$415,456** of property and **$2,414,655.28** of improvements as has been recorded in the financial records of the Agency.

SECTION TWO: The Finance Officer of the Agency is hereby directed and authorized to remove from the capital asset financial records of the Agency a total of **$2,830,111.28** which represents expenses made by the Redmond Urban Renewal Agency for the project known as the Centennial Park Expansion Project.

SECTION THREE: Since real property is to be transferred, the effective date of transfer shall be the date the deed is recorded by the Deschutes County Recorder's office.

EFFECTIVE DATE OF RESOLUTION: This Resolution shall take effect immediately upon adoption by the Redmond Urban Renewal Agency.

ADOPTED by the Board of the Redmond Urban Renewal Agency and **SIGNED** by the Board Chair this 6th day of April 2021.

____
George Endicott, Chair

ATTEST:

____
Kelly Morse, City Recorder