

CITY OF LA GRANDE

Urban Renewal Agency Regular Session

July 6, 2016

Immediately following the City Council Regular Session

Council Chambers
La Grande City Hall
1000 Adams Avenue

MINUTES

AGENCY MEMBERS PRESENT:

Steve Clements, *Mayor*
Gary Lillard, *Mayor Pro Tem*
John Bozarth, *Agency Member*
Wayne Brown, *Agency Member*
John Lackey, *Agency Member*
Troy Pointer, *Agency Member*
Justin Rock, *Agency Member*

AGENCY MEMBERS ABSENT EXCUSED:

STAFF PRESENT

Robert Strope, *District Manager*
Angelika Brooks, *City Recorder*
Kim Hulse, *Finance Director*
Christine Jarski, *Economic Development Director*
Kayla Nichols, *Assistant to the District Manager*
Norm Paullus, *Public Works Director*
Heather Rajkovich, *Accountant*
Stu Spence, *Parks and Recreation Director*
Gus Bryant, *Fire Chief*

ROLL CALL

DISCUSSION/DISPOSITION

Mayor CLEMENTS called this Regular Session of the Urban Renewal Agency to order at 6:53 p.m.; Roll Call was taken; and a quorum was determined to be present.

STROPE listed the items on the dais: an email that listed questions that the Mayor had presented with answers from STROPE and a corrected memo regarding the amortization schedule.

CONSENT AGENDA

- a. **Consider:** Approving Regular Session Minutes; *May 4, 2016*
- b. **Consider:** Accepting "Exhibit A" for Fiscal Year 2016-2017; *Urban Renewal District/City Intergovernmental Agreement*

The following Motion was introduced by LACKEY; ROCK providing the Second:

MOTION: I move that we accept the Consent Agenda as presented. **MSC.** (unanimous)

PUBLIC COMMENTS

None

PUBLIC HEARINGS

None

UNFINISHED BUSINESS

None

NEW BUSINESS

a. Consider: Funding Requests; *Urban Renewal Business Assistance (Loan) Program*

DECLARATIONS

LACKEY declared that he had a conflict of interest due to his participation in the Business Plan for Le Bebe's Cakes and Thai Fresh and would not be participating in the discussion and would not be voting.

STAFF REPORT

Mayor CLEMENTS requested the Staff Report.

Christine JARSKI, *Economic Development Director*

JARSKI stated that the program policy for the Business Development Assistance program was passed unanimously in April 2015. A one-time set aside of \$150,000 was budgeted for this program. An application was developed in accordance with the program policies. Additionally, a committee selected by the URA District Manager was established to review applications and provide recommendations to the District Manager and Staff regarding each application. The committee consists of local business owners and a lender. Submission of completed applications began in March 2016.

Purpose of this program is to:

- Assist new or expanding businesses.
- Provide loan or forgivable loan assistance to business for start-up costs, cooperative marketing, retention, expansion and recruitment activities, and can include equipment.
- NOT provide funding for start-up businesses.
- Program designed for clients that are "nearly bankable."
- Loans can be combined with other loans and financing.

General Criteria for the Program are:

- Property must be within URD.
- For profit business employing workers in La Grande.
- Operational for at least three years or five years of business with similar operation.

- Must meet one of the UR Plan Goals.
- If in downtown, projects must include ground-floor “storefront.”
- To assist new or expanding businesses.
- 1:1 Match.
- Maximum Loan capped at \$50,000.
- Funding may be in form of loan with some or all of the loan forgivable.
- Funds MAY OR MAY NOT be combined with: Other URA Programs including the Façade Grant program and the Revitalization Incentive Program (Call for Projects).

Preference is given to projects that:

- Create new jobs.
- Help revitalize downtown through investment in CBZ or development of commercial or industrial parts of URD that support the CBZ.
- Mitigate or reduce blight.
- Higher ratios of private to public investment.
- Fulfill an underserved or unmet local or regional market demand.

JARSKI stated that the three completed applications had been submitted and reviewed by the committee since March 2016. All applicants requested forgiveness of the loan and varied terms for repayment. One of the applicants revised her request into a phased project, requesting funding for Phase II. Based on the three applicants’ stated project values, the total value for these three projects is \$226,971. Staff reviewed the applications and had determined the eligible grant request amount was \$80,702. A fourth application was submitted and was on hold at the request of the applicant. Staff had received additional inquiries regarding the program.

JARSKI noted that the Council had received Staff Reports for the three completed applications, as well as the original loan applications, revised application for one applicant and copies of the business plans for each business. (Financial information, including credit reports, tax returns, and projections for each business were reviewed by the Committee and Staff. Some of the documents provided to the Agency were redacted to protect private information).

JARSKI stated that the projects were listed, with the recommended funding amounts for each. The Agency was under no obligation to approve funding for any of the projects and had the discretion to determine the amount to approve. Each funded applicant would be required to enter into a funding agreement based on the terms and conditions set by the Agency.

JARSKI explained that additionally, for all three applicants if there were late payments, there may be a \$30 late payment fee imposed and the applicant risked having any or all of the loan forgiveness cancelled.

JARSKI noted that the applicants were also encouraged to continue to receive business development and/or mentoring assistance.

JARSKI noted that the Agency would be asked to select from two recommended options for potential forgiveness, which should have been determined as part of the Agency approval for each application. Staff recommended that the Agency select the same option for all applicants. These two options were discussed in great detail with the Committee. Essentially one provides for complete recovery of the Agency's investment plus a modest amount of interest; the second provides for the majority of the Agency investment to be recovered. Staff recommends any proceeds be used to continue the program as a revolving loan program.

Forgiveness of principal option selected would be applied at the halfway point provided the specified conditions were met:

- Option 1—100 percent of remaining principal is forgiven.
- Option 2—50 percent of remaining principal is forgiven and remaining balance is refinanced at 5% interest for the balance of the term; applicant has the option of repaying the remaining balance at that time.

AGENCY DISCUSSION

BOZARTH stated that he was in favor of option 1 to help expand the business and the creation of new jobs.

Mayor CLEMENTS stated that he was in favor of adding a third option of no loan forgiveness due to the Agency absorbing the risk through offering a lower interest rate. POINTER agreed with Mayor CLEMENTS' opinion.

STROPE reviewed the consensus of the Loan Committee and their recommendation of the option to the Agency.

A brief Agency discussion was held regarding the funding process.

In response to LILLARD's question, STROPE stated that the review committee was not an advisory committee to the Agency they review the applicants in great length.

MOTION

The following Motion was introduced by BOZARTH; LILLARD providing the Second:

Motion: I move the Agency select Option 1 for principal forgiveness for all approved funding requests.

AGENCY DISCUSSION

Mayor CLEMENTS stated that he believed that the Program would need to make a profit in order for the program to sustain itself in the future.

LILLARD stated he believed that the program was intended to create economic development and job creation and the program's goal was not to make a profit.

PUBLIC COMMENT

None

AGENCY DISCUSSION

A brief discussion was held regarding the scoring and the need for possible future revisions to the policy pertaining to the scoring criteria.

VOTE

MSF. THREE (3) voted in the affirmative; CLEMENTS, POINTER and ROCK voting against. Councilor Lackey abstained due to a conflict of interest.

MOTION

The following Motion was introduced by CLEMENTS; ROCK providing the Second:

Motion: I move the Agency select Option 2 for 50 percent of remaining principal forgiveness, and the remaining balance to be refinanced at 5% interest for the balance of the term; applicant has the option of repaying the remaining balance at that time.

VOTE

MSF. THREE (3) voted in the affirmative; BOZARTH, BROWN and POINTER voting against. Councilor Lackey abstained due to conflict of interest.

AGENCY DISCUSSION

POINTER stated that he was in favor of an option of no forgiveness, due to his belief that the program would not be able to sustain future funding.

JARSKI reviewed the details for Option Two in regards to the generation of profits to the program.

Bob KAVANAUGH, Loan Review Committee member, stated that he was honored to serve on the Loan Review Committee. He reviewed the intent of the Loan Review Committees purpose as it pertained to the program. He stated that the program was not originally designed to be sustainable; he was concerned about the perception to the community and didn't want to make the program look like a

bank. He explained the way the options were determined and the loan amortization schedule.

MOTION

The following Motion was introduced by BOZARTH; BROWN providing the Second:

Motion: I move the Agency select Option 1 for principal forgiveness for all approved funding requests.

VOTE

MSF, THREE voted in the affirmative; CLEMENTS, POINTER and ROCK voting against. Councilor Lackey abstained due to conflict of interest.

Due to the lack of a successful motion, the motion was tabled until after the applicant presentations.

The applicant information was as follows:

THAI FRESH:

Dara Sitthideth, Thai Fresh: Business expansion of an existing business currently located in Pendleton, Oregon into the Market Place Underground.

Staff recommended approval of up to \$27,967 in total funding contingent upon the applicant providing an equal amount of cash match and the applicant signs a General Asset Lien. Staff recommended that this loan have a term of 10 years at 5% interest with the payments for the first year of the loan being interest only. At the end of the halfway point for the loan or 5 years, the Agency may provide principle forgiveness if the following conditions are met:

- 1) Still in business at the end of 5 years
- 2) Minimum of 3.0 FTE hired and currently employed for at least 24 months immediately prior to forgiveness
- 3) Positive cash flow (profitable) for the 12 months immediately prior to forgiveness
- 4) Payments and any late fees are paid and current at the time of forgiveness

APPLICANT PRESENTATION

Dave MESSENGER, representative for Ms. Sitthideth, spoke in regards to the business history and potential benefits and profit; he believed it would bring people into the community and would bring revenue to the City.

COMMUNITY MERCHANTS:

Jenny Bartell, Community Merchants: Relocation and expansion of an existing business to include the addition of a food stand serving gelato ice cream and specialty teas such as bubble tea.

Staff recommended approval of up to \$32,235 in total funding contingent upon the applicant providing an equal amount of cash match and the applicant signed a General Asset Lien. Staff recommended that this loan have a term of 15 years at 5% interest with the payments for the first year of the loan being interest only. At the end of the halfway point for the loan or 7.5 years, the Agency may provide principle forgiveness if the following conditions are met:

- 1) Still in business at the end of 7.5 years
- 2) Minimum of 1.5 FTE hired and currently employed for at least 36 months immediately prior to forgiveness
- 3) Positive cash flow (profitable) for the 12 months immediately prior to forgiveness
- 4) Payments and any late fees are paid and current at the time of forgiveness

APPLICANT PRESENTATION

Jenny BARTELL, Community Merchants, stated she was ready to move into a new location, due to the increase of vendors and the customer demand. She noted that the move will be happening regardless of funding approval.

LE BEBE CAKES:

Spring Roberts, Le Bebe Cakes; The original application included an Event Center and has been revised to request funding for the Phase II expansion. The business is in Phase I at this time. This funding request (Phase II) would include purchasing equipment for the opening of the Grande Lumiere Café and Tea House in the Market Place.

Staff recommended funding up to \$20,500 in total funding contingent upon the applicant providing an equal amount of cash match and the applicant signs a General Asset Lien. Staff recommended this loan have a term of 10 years at 5% interest with the payments for the first year of the loan being interest only. At the end of the halfway point for the loan or 5 years, the Agency may provide principle forgiveness if the following conditions are met:

- 1) Still in business at the end of 5 years

- 2) Minimum of 3.0 FTE hired and currently employed for at least 24 months immediately prior to forgiveness
- 3) Positive cash flow (profitable) for the 12 months immediately prior to forgiveness
- 4) Payments and any late fees are paid and current at the time of forgiveness

APPLICANT PRESENTATION

Spring Roberts, Le Bebe Cakes, stated that her business has grown 130 percent in a one-year time. She stated that her business needed the funds from the Business Assistance Loan Program in order to further grow the business. She noted that at least three and half employees would be hired upon the opening of the Grande Lumiere Café and Tea House.

PUBLIC COMMENTS

None

AGENCY DISCUSSION

A lengthy discussion was held to try to come to an Agency consensus regarding the level of forgiveness options. STROPE stated that Option 4 would be interest only for the first year, the next half inclusive of that first year and time frame, would be identical to option 1 and option 2, and would forgive 75 percent of the remaining principal of the loan and recalculate.

MOTION

The following Motion was introduced by LILLARD; CLEMENTS providing the Second:

Motion: I move the Agency select Option 4 for principal forgiveness for all approved funding requests.

AGENCY DISCUSSION

None

VOTE

MSF. TWO (2) voted in the affirmative; BOZARTH, BROWN, POINTER and ROCK voting against.

PUBLIC COMMENT

AI ADELSBERGER spoke in support of economic development in the community and his support of the three applicants.

MOTION

The following Motion was introduced by CLEMENTS; ROCK providing the Second:

Motion: I move to approve funding for all projects as presented, at the levels recommended by Staff, with forgiveness to be determine, contingent upon all City approvals.

AGENCY DISCUSSION

None

VOTE

MSC. SIX (6) of the Councilors present voted in the affirmative; Councilor Lackey abstained from voting due to a conflict of interest.

MOTION

The following Motion was introduced by CLEMENTS; BOZARTH providing the Second:

Motion: I move the Agency select Option 1 for principal forgiveness for all approved funding requests.

AGENCY DISCUSSION

Mayor CLEMENTS stated that he understood the role of economic development in the community and Mr. Adelsberger's comments were well taken. He believed that the program should be sustainable, but in order to move forward he decided to compromise.

VOTE

MSC. FOUR (4) in affirmative; ROCK and POINTER voting against. Councilor Lackey abstained from voting due to a conflict of interest.

a. Consider: Funding Requests; Side A Brewing, proposed Brew Pub in Fire Museum

DECLARATIONS

Mayor CLEMENTS declared a conflict of interest due to his investment in the project and would not be participating or voting on this agenda item.

STAFF REPORT

Mayor Pro Tem LILLARD requested the Staff Report.

Robert STROPE, *District Manager*

STROPE stated that the proposed request was submitted seeking Agency funding for improvements to the building which currently houses the Eastern Oregon Fire Museum. The City of La Grande owns the building and currently had a lease agreement with Rescue Hose Company No. 1, which provided use of the facility as a fire museum with the office space available for rental for commercial purposes. The proceeds from such rentals were used to maintain the facility.

STROPE noted that over the past several months, Rescue Hose Company No. 1 had been seeking a permanent tenant that would convert the majority of the museum space into a brew pub, with the intent of using some of the displays as decorations which would be rotated. One of the recent surveys of Eastern Oregon University (EOU) students included a desire to have a local brew pub in our downtown, which would benefit our downtown businesses and strengthen the linkage between the City and the University. Additionally, Rescue Hose Company No. 1 would continue

to pursue occupants for portions of the commercial office space throughout the building.

STROPE stated that Side A Brewing and Rescue Hose Company No. 1 have developed a short-term sublease for the property which enabled Side A Brewing to pursue required licenses and to further their fund raising efforts. The parties were working on a long-term sublease which would necessitate the City entering into a new lease with Rescue Hose Company No. 1 that extended the term to 20 to 25 years, and specifically allowed for the sublease with Side A Brewing. Proceeds from the sublease would be used not only to maintain the building, but also to provide for a secondary location to store the unused Museum Fire Apparatus, equipment and display items. The District Manager had been involved in the discussions regarding the leases, but the terms of the sublease were being negotiated by Rescue Hose Company No. 1 and Side A Brewing.

STROPE explained that the Agency had the authority to provide funding for projects within the District. This request would exceed the currently budgeted funds for FY 2016-2017 that were available under the Revitalization Incentive Program (Call for Projects). The Agency received 12 applications under that program, and provided funding for five. The agency adopted a budget with \$250,000 for the program with \$224,380 awarded to those five projects. This request, if approved, would require the Agency to approve the use of the remaining \$25,620 and access contingency funds. The adopted budget included \$100,000 of contingency.

STROPE suggested the Agency consider the following factors when evaluating this request:

- This request was one which best fit with the Revitalization Incentive Program. Normally the Agency considered these requests on an annual basis. The request as submitted was outside this process and was before the Agency at the request of an Agency member given the timing of the project and the unique aspects which included the situation with the current lease and lack of tenants.
- Based on the request, it appeared Side A Brewing would meet the match requirement for the Revitalization Incentive Program. The Agency may want to require Side A Brewing to complete the application process for the Revitalization Incentive Program prior to making a funding decision.
- The request indicated that Side A Brewing was moving forward with fund raising and had not secured all of the required resources but the

improvements could be used for their project or other projects. The Agency may want to consider whether or not to condition any approval on the execution of a long-term sublease between Side A Brewing and Rescue Hose Company No. 1 or structure the agreement to require Side A Brewing to repay some or all of the cost of the improvements if they do not open the business as anticipated.

- Absent the Side A Brewing project, would the Agency make the investment in the property in an effort to make it ready for development at this time?

STROPE stated that Rescue Hose Company No. 1 had been unable to find tenants over the past several years, depleting their funds and calling into question the viability of continuing to maintain the lease agreement and operation of the Museum. Should Rescue Hose Company No. 1 not be able to continue, the responsibility for the property and its maintenance would revert to the City.

In response to BOZARTH's question, STROPE stated that Rescue Hose Company No. 1 was not faring well with the current expenses with the lack of a tenant in the building.

LACKEY stated that the building was a City owned building and it was the responsibility of the City to maintain the building and this would be an opportunity to create funds to properly maintain the building.

In response to BOZARTH's question, STROPE stated that currently there was an extension to the lease with Rescue Hose Company No. 1 in place. He stated that the lease would need to be extended with Rescue Hose Company No. 1 to specifically agree to allow the sublet and to extend the lease out to twenty to twenty-five years.

JARSKI spoke in regards to the expenses for Rescue Hose Company No. 1.

APPLICANT PRESENTATION

Scott MCCONNELL spoke in regards to his project for the Side A Brewing. He stated that he was currently working on receiving licenses for the business. He noted that they would be hiring twelve to fifteen people upon opening. He stated that they have invested \$75,000 into the business and presented a floor plan for Side A Brewing.

Nicholas FAIRBANKS spoke regarding the structure and the current needs of the facility.

Scott MCCONNELL spoke again, and noted that the improvements made to the building by Side A Brewing

would be improvements that the City would own, and which could be used for any future tenants.

AGENCY DISCUSSION

In response to BOZARTH's question, STROPE stated that the City would craft the lease agreement in a way that the improvements would be the rights of the City.

After receiving a consensus from the Agency, STROPE stated that at the August meeting, the Council would be presented with a motion to grant approval to the City Manager to sign and approve the lease agreement with Rescue Hose Company No. 1.

LACKEY stated that he believed the project was a win, win for the City and he was in favor of approval of the improvements.

PUBLIC COMMENTS

Bob KAVANAUGH, and a member of the Financial Committee, stated that he supported the brew pub from a financial standpoint. He noted that he had read the business plan and could not find any flaws in it.

AGENCY DISCUSSION

None

MOTION

The following Motion was introduced by BOZARTH; LACKEY providing the Second:

Motion: I move that the request to provide funding be approved with the understanding that the Agency may need to access contingency to fund the project to not exceed \$40,300.

AGENCY DISCUSSION

LILLARD stated he was concerned with going outside of the regular process for the Revitalization Business Program (Call for Projects).

STROPE stated that the program provided for exceptions and there were still call for project funds that had not been awarded. STROPE stated that the project was a unique circumstance.

VOTE

MSC. SIX (6) of the Councilors voted in the affirmative; CLEMENTS abstained from voting due to a conflict of interest.

STAFF COMMENTS

None

DISTRICT MANAGER COMMENTS

None

AGENCY MEMBER COMMENTS

None

ADJOURN

There being no further business to come before this Regular Session of the Agency, CLEMENTS adjourned the meeting at 8:55 p.m.

ATTEST:

APPROVED:

Kayla M. Nichols
Assistant to the District Manager

Stephen E. Clements
Mayor

APPROVED: _____