



Florence Urban Renewal Agency (FURA) Regular Meeting

In Person & Videoconference
250 Hwy 101
Florence, OR 97439
541-997-3437
www.ci.florence.or.us

- Meeting materials including information on each agenda item are published at least 24 hours prior to the meeting, and can be found of the City of Florence website at www.ci.florence.or.us/urbanrenewal.
- Items distributed during the meeting and meeting minutes are posted to the City's website at www.ci.florence.or.us/urbanrenewal as soon as practicable after the meeting.
- To be notified of Urban Renewal meetings via email, please visit online at www.ci.florence.or.us/newsletters/subscriptions.

May 22, 2024

AGENDA

5:30 p.m.

FURA Directors:
Vice-Chair Dave Braley
Graham Ross

Chairperson, Mike Webb
Bill Meyer
Ron Moore
Rob Ward
Susy Lacer

Sally Wantz
Ken Henderson

With 48-hour prior notice, an interpreter and/or TTY: 541-997-3437, can be provided for the hearing impaired.
Meeting is wheelchair accessible.

Proceedings will be available after the meeting on the City's Vimeo Site.

In addition to attending in person, members of the public can listen and view the meeting through the 'GoToWebinar' platform at the following link:

<https://attendee.gotowebinar.com/register/425132107729641309>

Citizens wishing to express their views may submit comments in writing or verbally. For more information, please see the end of this agenda.

CALL TO ORDER – ROLL CALL

5:30 p.m.

1. APPROVAL OF AGENDA

2. PUBLIC COMMENT

This is an opportunity for members of the public to bring to the Florence Urban Renewal Agency's attention any item not otherwise listed on the agenda. Please see the end of this agenda for methods to provide comments on items that are not on the agenda.

Mike Webb
Chairperson

ACTION ITEMS

Please see the end of this agenda for methods to provide comments on action items.

3. APPROVAL OF MINUTES

Consider approval of the Florence Urban Renewal Agency meeting minutes of March 20, 2024.

Lindsey White
City Recorder

4. QUINCE STREET HOTEL DEVELOPMENT UPDATE

A. Matt Braun will provide an update on the progress of the hotel development.

Megan Messmer
Assistant City Manager

Recess Open Session

EXECUTIVE SESSION PER ORS ORS 192.660(2)(e)

Real Property Transactions

Convene to Executive Session per ORS 192.660(2)(e) to discuss real property transactions.

Return to Open Session

4. QUINCE STREET HOTEL DEVELOPMENT UPDATE CONTINUED

B. Provide direction to staff regarding the Quince Street Hotel Development.

Megan Messmer
Assistant City Manager

REPORTS & UPDATES

5. CITY MANAGER REPORT

- Board Member Update
- 2024 Florence Community Survey

Erin Reynolds
City Manager

FURA CALENDAR		
<i>All meetings are held in person with a virtual option unless otherwise indicated</i>		
Date	Time	Description
June 19, 2024	5:30 p.m.	FURA Meeting
July 24, 2024	5:30 p.m.	FURA Meeting
July 26, 2024	Save the Date	Block Party
August 6, 2024	Save the Date	National Night Out
August 28, 2024	5:30 p.m.	FURA Meeting
September 18, 2024	5:30 p.m.	FURA Meeting
October 23, 2024	5:30 p.m.	FURA Meeting

PUBLIC MEETINGS PROCEDURES

Expressing Views to the Agency: Citizens wishing to express their views to the Florence Urban Renewal Agency may do so in both written and verbal formats.

1. **Written Testimony:** Citizens wishing to express their views to the Florence Urban Renewal Agency are encouraged to submit written testimony in one of the following ways:
 - a. Submit written comments via email to City Recorder at Lindsey.white@ci.florence.or.us;
 - b. Mail written comments to Florence City Hall, Attn: FURA, 250 Hwy 101, Florence, OR 97439
 - c. Drop off written comments at Florence City Hall (250 Hwy 101) during regular office hours (Monday through Friday (8 a.m. – 12 p.m., 1 p.m. – 4 p.m.)) or at the City of Florence drop box located at Florence City Hall to the right of the main entrance.

**** Note:** Written comments received at least 2 hours prior to the meeting (May 22, 2024 at 3:30 p.m.) will be distributed to the Florence Urban Renewal Agency, posted to the City of Florence website, and made part of the record.

2. **Verbal Testimony:** Citizens wishing to express their views to the Florence Urban Renewal Agency may participate in the meeting at Florence City Hall or via GotoWebinar. To do so, please complete a speaker's card online at <https://www.ci.florence.or.us/urbanrenewal/request-address-fura-speakers-card> at least 1 hour prior to the meeting (May 22, 2024 at 4:30 p.m.). City staff will then contact the speaker to let them know the process to participate in the meeting.
 - a. **Public Comments on items not on the agenda:** General public comments (on items not on the FURA agenda) will be allowed at each Florence Urban Renewal Agency meeting during the public comment agenda item. Comments will be limited to three (3) minutes per person, with a maximum of 15 minutes for all items. In practicality, this means no more than five individuals will be allowed to comment verbally. There is no limit on written public comments.

- b. Public Hearing Testimony: Testimony on public hearing items will be allowed when a public hearing is held. Verbal comments will be allowed on public hearing items after staff has given their report and have allowed time for initial Agency questions. In general (with some exceptions for Land Use hearings), comments are limited to five minutes per person with no limit on the number of speakers.
- c. Public Comments on Action Items: Public Comments will be allowed on each action item on the Florence Urban Renewal Agency agenda. Verbal comments will be allowed on action items after staff has given their report and have allowed time for initial Agency questions. Comments will be limited to three (3) minutes per person, with a maximum of 15 minutes for all comments on each action item. In practicality, this means no more than five (5) individuals will be allowed to comment verbally. There is no limit on written public comments.

For more information on the City of Florence's Public Meeting Policies, visit the City of Florence website at <https://www.ci.florence.or.us/council/rules-procedure>.

This document is supplemented by agenda packet materials, meeting materials distributed and electronic audio / video recordings of the meeting and may be reviewed upon request to the City Recorder.

**Florence Urban Renewal Agency Meeting
Florence City Hall
250 Hwy 101
Final Action Minutes
March 20, 2024**

CALL TO ORDER - ROLL CALL

Meeting called to order at 5:40 p.m.

Directors Present: Chairperson Mike Webb, Vice-Chair Dave Braley, Directors
(in person and via videoconference) Bill Meyer, Rob Ward, Sally Wantz, Graham Ross, Ron Moore, Susy Lacer, and Ken Henderson.

Directors Absent: None.

Staff Present: City Manager Erin Reynolds, City Recorder Lindsey White, Assistant City Manager Megan Messmer, Administrative Services Director Anne Baker, and Finance Manager Lezlea Purcell.

Guests Present: None.

1. APPROVAL OF THE AGENDA

Start Time: 5:45 p.m.
Action: Approval of the March 20, 2024 meeting agenda as presented.
Action: Director Wantz
Second: Director Henderson
– Unanimous Consent–

2. PUBLIC COMMENT

This is an opportunity for members of the audience to bring to the Council’s attention any item not otherwise listed on the Agenda. Comments will be limited to three (3) minutes per person, with a maximum time of 15 minutes for all items. Speakers may not yield their time to others.

Start Time: 5:45 p.m.
Discussion: No speaker's cards or written comments received.

ACTION ITEMS

3. APPROVAL OF THE MINUTES

Consider approval of the Florence Urban Renewal Agency meeting minutes of February 28, 2024.

Start Time: 5:45 p.m.
Action: Approval of February 28, 2024 FURA meeting minutes.
Motion: Director Wantz
Second: Director Henderson
Roll Call Vote: Director Henderson – “Aye”
Director Ross – “Aye”
Director Wantz – “Aye”
Director Braley – “Aye”
Director Ward – “Aye”
Director Meyer – “Aye”
Director Lacer – “Aye”
Director Moore – “Aye”
Chairperson Webb – “Aye”
– Unanimous Consent–

REPORTS & UPDATES

4. AUDITED FINANCIAL STATEMENTS

A. MERINA & CO AUDITOR PRESENTATION

Merina & CO Auditor Presentation on the Audited Financial Statements for Fiscal Year 2023.

Start Time: 5:50 p.m.
Discussion: ASD Baker presented the staff presentation.
Handouts: Presentation
Discussion: The Florence Urban Renewal Agency discussed...

- Verifying no changes were recommended by auditors.
- Understanding net position deficit.
- Understanding asset transfers to City of Florence.
- Understanding increase in debt service from 2022 to 2023.

Comments: All Directors present.

Discussion: Staff discussed...

- Elaine Howard Consulting LLC and Tiberius Solutions LLC will have a better way to show and demonstrate

investments that Florence Urban Renewal Agency has made and talk through financial analysis.

- Audit is a snapshot in time.
- Recommending reading through Management’s Discussion and Analysis section which gives financial highlights.
- Restricted debt service isn’t the total amount of debt; it is what is restricted in funding to pay for the next year’s or current year’s debt service. It also depends on the structure of the loan.

Comments: ASD Baker and CM Reynolds.

B. AUDITED FINANCIAL STATEMENTS

Receive Fiscal Year 2023 Audited Financial Statements.

Start Time: 6:05 p.m.
Action: Acknowledge and accept the receipt of the audited financial statement for Fiscal Year 2023.

Motion: Director Ward
Second: Director Ross
Roll Call Vote: Director Henderson – “Aye”
Director Ross – “Aye”
Director Wantz – “Aye”
Director Braley – “Aye”
Director Ward – “Aye”
Director Meyer – “Aye”
Director Lacer – “Aye”
Director Moore – “Aye”
Chairperson Webb – “Aye”
– Unanimous Consent–

5. QUARTERLY FINANCIAL REPORT

Review the December 31, 2023 quarterly financial report for the Florence Urban Renewal Agency.

Start Time: 6:06 p.m.
Discussion: FM Purcell presented the staff presentation.
Handout: Staff Presentation

Discussion: The Florence Urban Renewal Agency discussed...

- No discussion.

6. CITY MANAGER REPORT

- Estuary Trail Project Update
- Quince Street Hotel Development Update

Start Time: 6:09 p.m.

Discussion: CM Reynolds and ACM Messmer discussed...

- Update on Estuary Trail Project which was approved by the Planning Commission with some conditions on March 12, 2024.
- Update on Quince Street hotel development. Developer is working towards finalizing financial package.
- Florence Area Chamber of Commerce will be doing a refresh of the banners on Highway 101.
- Sprucing up the Urban Renewal District in preparation of the community wide Rhododendron Festival.
- Upcoming Public Arts Committee meeting providing updates on art selection.
- City of Florence receiving allocation from HB 1530 for housing production for infrastructure costs with gratitude to Oregon Senator Dick Anderson and Oregon State Representative Boomer Wright.

Comments: All Directors present.

Start Time: 6:20 p.m.

Discussion: The Directors discussed....

- Who is able to appeal the decision of the Planning Commission regarding the Estuary Trail? **CM Reynolds - Anybody who testified as well as anybody who has jurisdiction or referral comments.**
- Understanding the partitioning of property on Quince Street into three parcels and one parcel was returned to the City of Florence for the Estuary Trail. Will there be reimbursement for that expense to FURA? **CM Reynolds - Assets for the Estuary Trail and the trailhead were both intended to be Urban Renewal costs share of the estuary project. Those were policy decisions made years ago. It was included in the last biennial budget process. Partitioning was not brought in until an agreement with Braun Development was made. It was more beneficial for Braun Hospitality development to only develop on that size of parcel. It was an option to include it for Braun Hospitality.**

- Understanding interest rates for the Braun development and their final decision? **ACM Messmer - Currently not able to share publicly details of Braun Hospitality’s financial package, specifically spelled out as a confidential item.**
- Understanding \$1.9 million infrastructure funding from the state bill, what infrastructure does this refer to? **CM Reynolds - Clarification that \$1.9 million is not strictly for Homes for Good. Homes for Good was successfully earmarked in the legislature funding.**
- We very much appreciate Boomer Wright’s efforts in obtaining those funds for the City of Florence.
- When is deadline for application for Homes for Good? **CM Reynolds - Application process may be opened in mid-April and we do not know when deadline will be.**

Comments: Directors Meyer, Moore, Braley, and Ward.

Meeting adjourned at 6:32 p.m.

ATTEST:

Mike Webb, Chairperson

Lindsey White, City Recorder

Florence Urban Renewal Agency

Memorandum:

To: Florence Urban Renewal Agency
From: Megan Messmer,
Assistant City Manager
Meeting Date: May 22, 2024
Subject: Quince Street Project Update



Current Updates from Last Meeting:

The Florence Urban Renewal Agency is engaged in a Disposition and Development Agreement (DDA) with Braun Hospitality to develop a hotel on parcel two of the Quince Street property on July 27, 2022. Per the DDA, the Executive Director processed an extension and executed an amendment to the DDA on September 11, 2023. Based on the terms of the agreement, the 180 Day Extension was granted and results in June 5, 2024, as the new closing or termination date.

The DDA allowed for the Executive Director to execute a single extension as outlined above. Any further extensions would need to be approved by the Board of Directors and any terms provided to staff to incorporate into the extension.

Matt Braun, representing Braun Hospitality and his partners, has provided the attached letter as an update to the project. Agency staff have been in contact with the developer to establish a list of questions that were answered in the letter on the progress and prospects of the project. Braun Hospitality is requesting a one-year extension in order to finalize the financial package and begin construction, as outlined in the letter.

At the FURA Board meeting on Wednesday, May 22nd, Matt Braun will be present to provide a verbal update to the Board of Directors, review the written report he provided, and to answer questions from the Board of Directors on his request. The Board will have the opportunity to recess into executive session to review this item as a property transaction with the City Attorney. The Board will also have the opportunity to provide direct to staff on next steps.

For the meeting, staff wanted to provide an overview of the meeting logistics as this meeting will be different than a normal Board meeting in agenda sequencing. For this item, the FURA Board will have an opportunity to hear any public comment per the Board's public comment policies. After public comment, staff will introduce the agenda item followed by Matt Braun providing his update. The FURA Board will

have the opportunity to ask Braun questions if there are any. The Board will recess the regular session and enter executive session in a separate room where they will discuss the real property transaction per 192.660(2)(e). Once concluded, the Board will adjourn the executive session and reconvene into the regular meeting to provide any updates or direction as a result of the executive session.

For reference, this history of this project is outlined below, including the long-term goals for the project and site as developed by the FURA Board, work done to date by FURA and the developer, and meeting links.

Project Background & Overview:

Request for Expressions of Interest – On July 1, 2020, the Florence Urban Renewal Agency (Agency) released a Request for Expressions of Interest (RFEI) outlining the Agency’s aims for the Quince Street property. The Agency’s objectives for marketing the property ([as detailed in the RFEI](#)) were to attract a developer to construct and manage a 90+ room hotel or other similarly sized lodging facility. This number of rooms was based on information provided by hotel developers related to the number of rooms needed for profitability. In addition to the hotel, the Agency stated they would also consider proposals for ancillary developments including mixed-use and residential facilities.

2020 Developer Selection – On October 28, 2020, the Agency reviewed the submittals received from this effort and after a thorough evaluation selected to move forward with Sycan B. Corp. at the October 29, 2020 Agency public meeting. The Agency entered into an Exclusive Negotiating Agreement (ENA) with Sycan B. Corp executed on November 30, 2020. As part of that due diligence period, the Agency approved funding for “critical path” predevelopment work including an ALTA survey, a geotechnical survey and analysis, and a hotel market feasibility analysis.

After thorough analysis, the hotel market feasibility report indicated there is a strong demand for a hotel on the Quince Street property, including a hotel of the scale and quality that was outlined as Sycan’s brand and business model. Additionally, it indicated there is a market for more hotel rooms in Florence, and the Quince Street location has serious advantages – spectacular setting overlooking the Siuslaw River; proximity to Florence’s unique Old Town with its delightful mix of shops and restaurants; the nearby marina and Conference Center. However, the market feasibility analysis also anticipated a fairly significant gap between the cost of the hotel desired by Sycan (based on the brand and the extended stay model of hotel) and its internal rate of return value after ten years (a standard measure of financial feasibility for hotels). Based on that gap and their set style of hotel, Sycan notified the FURA staff that they would *not* be pursuing the project further and therefore did not request further extensions of the ENA.

Acceptance of New Proposals – At their meeting on Wednesday, July 28, 2021, the FURA Board received an update from staff related to the Quince Street development progress. After discussion by the FURA Board, it was determined that any unsolicited proposals for development of the Quince Street property would be accepted at least through August 31, 2021. The Board reactivated the Selection Advisory Committee to review any proposals that may be received during that time. Any developers interested in submitting a proposal were directed to review the information outlining the Board’s objectives for the development offering and follow the criteria outlined in the previously published Request for Expressions of Interest. This information was sent out in a press release, posted on the website, and sent to any hotelier/developer that inquired about the project.

Exclusive Negotiating Agreement with Braun Hospitality – On Wednesday, September 1, 2021, the FURA Board accepted the proposal submitted by Braun Hospitality, LLC, to develop a hotel on the Quince Street property across from the Florence Events Center. An Exclusive Negotiating Agreement (ENA) was negotiated and signed on September 27, 2021, during which Braun Hospitality and FURA staff have worked through negotiations on a Disposition and Development Agreement (DDA) for the site.

Disposition and Development Agreement with Braun Hospitality – On June 22, 2022, the FURA Board authorized its Executive Director to proceed with executing the Development and Disposition Agreement (DDA) with Braun Hospitality and proceed with the public-private partnership that includes the transfer of a 3.12-acre portion of the property.

The hotel development will result in a four-story, 86-room Wyndham Microtel-branded hotel located on Quince Street across from the Florence Events Center. The site plan provides parking, trailer parking, outdoor green space, two vehicular egress paths and stormwater detention. The hotel fronts Quince Street with pedestrian circulation throughout the site and to the adjacent Florence Events Center.

Extension of the Disposition and Development Agreement (DDA) – At the August 23, 2023, FURA Board meeting, staff presented information on the extension request received by Braun Hospitality for the DDA. The original DDA had a closing or termination date of December 7, 2023. This date was outlined as 365 days after the receipt of the favorable BOLI letter, which was received on December 7, 2022.

The Extension Terms of the DDA are as follows:

- *Section 1.11 allows the Developer to extend deadlines by 180 days for achieving the conditions outlined in the DDA simply by providing written notice to the Agency. Financial feasibility is one of the conditions addressed.*
 - *Section 1.11.5 provides: “If Developer or Agency, as applicable, is diligently pursuing the satisfaction of the conditions precedent set forth above, Developer may deliver written*

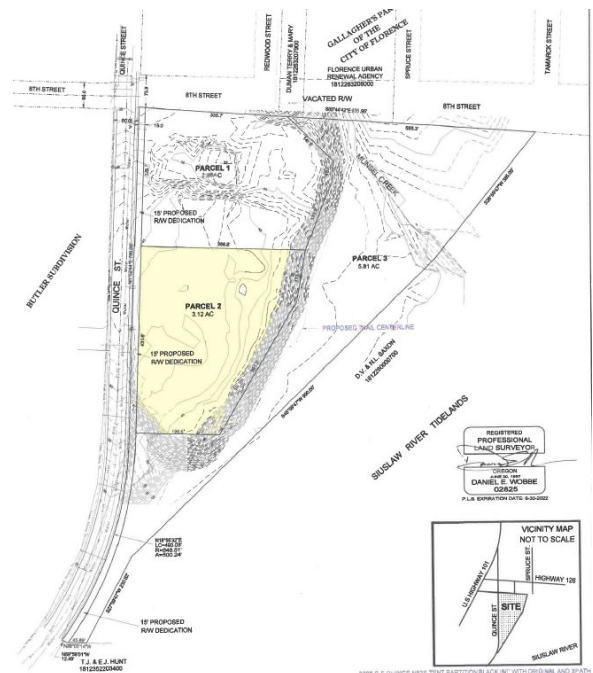
notice to Agency on or before the Termination Date extending the term of this Agreement for an additional one hundred and eighty (180) days.

- DDA Section 10.20 allows “administrative” amendments between Developer and Agency within the Executive Director’s authority. Administrative amendments include updates to deadlines of 180 days or less.
 - Developer and Director would agree on a revised Schedule 3.4.3 (critical date summary) in writing based on the terms up to 180 days.

Matt Braun formally submitted his extension request on August 24, 2023. The Executive Director reviewed the request, and after determining the developer has satisfied the conditions for extension as discussed last month and below, worked with the City Attorney to process the extension and execute an amendment to the DDA. It was signed and executed on September 11, 2023. Based on the terms of the agreement, the 180 Day Extension was granted and results in June 5, 2024, as the new closing or termination date.

Land Use Approval – Braun Hospitality received their land use approval for the hotel development from Planning Commission on August 23, 2022. In addition to the land use approval, Braun Hospitality submitted their Traffic Impact study on June 7, 2023, which was a condition of approval. Since land use approvals are good for up to one year to start construction, they filed for an extension on June 29, 2023, and are scheduled for Planning Commission on September 26, 2023.

Land Partition Process – FURA completed partitioning the Quince Street property into three parcels. The partition information can be found [HERE](#). The Quince Street lot was partitioned into three parcels, and processes by Lane County, to include: Parcel 1 – future FURA development opportunity, Parcel 2 – hotel development property to be considered with DDA terms, and Parcel 3 – Siuslaw Estuary Trail property to be transferred to the City of Florence.



Items Available for Reference:

- **November 20, 2019 Florence Urban Renewal Agency Meeting Materials**
(Approval of Strategy for Development of the Quince Street Site)
 - <https://www.ci.florence.or.us/urbanrenewal/florence-urban-renewal-agency-meeting-29>
- **January 22, 2020 Florence Urban Renewal Agency Meeting Materials**
(Approval of Tentative Marketing Process and Establishment of Selection Advisory Committee)
 - <https://www.ci.florence.or.us/urbanrenewal/florence-urban-renewal-agency-meeting-30>

- **February 26, 2020 Florence Urban Renewal Agency Meeting Materials**
(*Report on Selection of Professional Development Team*)
 - <https://www.ci.florence.or.us/urbanrenewal/florence-urban-renewal-agency-meeting-31>
- **May 27, 2020 Florence Urban Renewal Agency Meeting Materials**
(*Report on Status of Project since COVID-19*)
 - <https://www.ci.florence.or.us/urbanrenewal/florence-urban-renewal-agency-meeting-32>
- **June 30, 2020 Florence Urban Renewal Agency Meeting Materials**
(*Update on decision to begin marketing opportunity July 1, 2020*)
 - <https://www.ci.florence.or.us/urbanrenewal/florence-urban-renewal-agency-meeting-33>
- **August 26, 2020 Florence Urban Renewal Agency Materials**
(*Update on Site Tours, Submittals Received, and Submittal Review Process*)
 - <https://www.ci.florence.or.us/urbanrenewal/florence-urban-renewal-agency-meeting-34>
- **October 29, 2020 Florence Urban Renewal Agency Materials**
(*Selection of Project Development Team*)
 - <https://www.ci.florence.or.us/urbanrenewal/florence-urban-renewal-agency-meeting-35>
- **January 13, 2021 Urban Renewal Agency Materials**
(*Consideration of Costs for Predevelopment Studies*)
 - <https://www.ci.florence.or.us/urbanrenewal/florence-urban-renewal-agency-meeting-36>
- **March 31, 2021 Florence Urban Renewal Agency Materials**
(*Review of FURA Work Plan*)
 - <https://www.ci.florence.or.us/urbanrenewal/florence-urban-renewal-agency-meeting-38>
- **July 28, 2021 Florence Urban Renewal Agency Materials**
(*Reestablishment of Quince Street Selection Advisory Committee*)
 - <https://www.ci.florence.or.us/urbanrenewal/florence-urban-renewal-agency-meeting-41>
- **September 1, 2021 Florence Urban Renewal Agency Materials**
(*Selection of Project Development Team*)
 - <https://www.ci.florence.or.us/urbanrenewal/florence-urban-renewal-agency-meeting-42>
- **September 22, 2021 Florence Urban Renewal Agency Materials**
(*Professional Services Contract Amendments*)
 - <https://www.ci.florence.or.us/urbanrenewal/florence-urban-renewal-agency-meeting-43>
- **November 17, 2021 Florence Urban Renewal Agency Materials**
(*Braun Hospitality Development Presentation & Introduction*)
 - <https://www.ci.florence.or.us/urbanrenewal/florence-urban-renewal-agency-meeting-44>
- **January 26, 2022 Florence Urban Renewal Agency Materials**
(*Quince Street Project Update*)
 - <https://www.ci.florence.or.us/urbanrenewal/florence-urban-renewal-agency-meeting-45>
- **February 23, 2022 Florence Urban Renewal Agency Materials**
(*Quince Street Development Presentation from Braun Hospitality*)
 - <https://www.ci.florence.or.us/urbanrenewal/florence-urban-renewal-agency-meeting-46>

- **March 23, 2022 Florence Urban Renewal Agency Materials**
(Exclusive Negotiating Agreement Extension)
 - <https://www.ci.florence.or.us/urbanrenewal/florence-urban-renewal-agency-meeting-47>
- **June 22, 2022 Florence Urban Renewal Agency Materials**
(Consideration of DDA Deal Terms and Contract Execution)
 - <https://www.ci.florence.or.us/urbanrenewal/florence-urban-renewal-agency-meeting-48>
- **January 18, 2023 Florence Urban Renewal Agency Materials**
(Quince Street Project Update)
 - <https://www.ci.florence.or.us/urbanrenewal/florence-urban-renewal-agency-meeting-52>
- **August 23, 2023 Florence Urban Renewal Agency Materials**
(Quince Street Hotel Update from Matt Braun and Timelines)
 - <https://www.ci.florence.or.us/urbanrenewal/florence-urban-renewal-agency-meeting-55>
- **September 27, 2023 Florence Urban Renewal Agency Materials**
(Quince Street Hotel Update)
 - <https://www.ci.florence.or.us/urbanrenewal/florence-urban-renewal-agency-meeting-57>



4520 NE Mason St, Portland, OR 97218
503.887.4538

May 17, 2024

Florence Urban Renewal Agency
Attn: Ms. Erin Reynolds, Director, and FURA Board
250 Highway 101
Florence, OR 97439

Dear Erin and FURA Board:

Since August 2021, Braun Hospitality has been engaged in pursuing the development of a new hotel at the Quince Street site, owned by your agency, FURA. From the first agreement, both parties set for ourselves aggressive dates to meet, and we have worked together to extend them to accommodate unforeseen challenges and continue our diligent work to advance the project.

Since we first began the project, economic conditions in financing, construction, and hospitality have continued to put pressure on the attractiveness of this project to outside investors. The financial viability of the project is, we believe, still solid. However, faced with other opportunities and the upcoming unknown factors, investors are lying low and being very conservative in their financial moves. These are well known to folks watching the news, and it shows up in delays to financing and project starts in all of our networks.

Toward this end, we are also requesting that this project and its development plan commitment dates be extended to accommodate the very real challenges facing the commercial construction sectors. We understand this may come as disappointing and frustrating news, and we very much feel the same way. In preliminary discussions with Erin Reynolds and Megan Messmer of City of Florence, we asked for what issues we might need to address in this request. They provided a list of questions that we have prepared answers for.

Q: How long do you want to keep trying to bring the project to completion?

A: Our network of partners and advisers have largely indicated that three significant unknown factors need to resolve in order for investment in real estate to become attractive again.

- 1) National politics and the upcoming Presidential election (and the ensuing market results);
- 2) Inflation rates back to "normal", which controls construction pricing and also available funds for clients;
- 3) Interest rates stabilizing, or preferable falling, which drives financing costs and the ability to refinance after stabilization.

Towards this end, we believe that a one-year extension is in order.



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Q: Will you be able to get the financing together? How long will it take to get there?

A: We believe we will. We believe that it will take an additional 8 months for financing. The balance of time would be needed for drawings, final estimates, and permitting.

Q: What is the current financing package?

- *What is your equity contribution needed for financing?*

A: Our current financing package is as follows:

Equity from Braun Hospitality and Steve Anderson: \$750,000

Equity from Florence Urban Renewal Agency: \$1.47M

Equity from Limited Partners: \$4M

Construction Loan: \$10.5M

- *Can you explain the cash reserve requirements and how that has changed over the process?*

The cash reserve requirements have not changed. At closing we will need \$1,000,000 in cash reserves to carry the project through the first months of operation.

- *What has been contributed by Braun Hospitality so far?*

Braun Hospitality has contributed \$375,000 in equity, Anderson has contributed \$125,000 in equity with a commitment for another \$250,000 when design efforts resume.

- *What commitment levels do you have so far?*

As described above, investors have been reluctant to commit until the factors described settle down. None have signed the Private Placement Memo, though we have had verbal, non-binding interest commitments of \$3.5M.

- *Do you have something from lender showing commitment for construction loan?*

The lending broker is unable to provide written loan commitments until the financing package is complete. They have expressed a willingness to speak on the phone with City staff. We can arrange this meeting.

Q: What work are you refreshing and what is the process?

- *Star Report*
- *Contractor Estimate*
- *Financial Model*

A: 1) The STR report is an industry subscription report that brands participate in, sharing their data with other brands. It provides a 7-year historic performance of standard metrics and covers performance up through approximately 2 months prior to the report run. It provides aggregated data from other branded hotels in the area at a comparable service level. The lack of new, interior corridor hotels in Florence makes this a challenging comparison for the



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Microtel, so we cast the net pretty far for comparable hotels. The STR report is refreshed every 6-12 months. The most recent report was run on April 23, 2024. This is provided upon request and costs about \$900 to run.

2) We are in regular touch with the selected contractor, Emerick Construction. Upon our request they ran a recent estimate refresh, delivered late last week. It showed that from our original benchmark in January 2023, construction prices rose about 10%.

3) These two data points, among others such as loan costs, are regularly maintained in the financial model and shared with potential investors who are willing to sign an NDA.

Q: What other projects are you working on? How many hotels? What is the progress on those?

A: Braun Hospitality has five franchise agreements with Wyndham. We are actively working on three, including Florence. As far as design and land use are concerned, Florence is the most advanced. The other two are also in rural, underserved markets. The general economic pressures described above are felt in all markets. Of the efforts we are advancing, our highest focus right now is on Florence, as we believe it has the best chance to move forward in the near future. Our financing work right now is focused only on Florence.

Q: What is the commitment from Wyndham and your operator?

A: Wyndham is committed to advancing their projects. They have committed key money to the capital stack that will be used to help with the cash reserves described above. They are also very eager for this project to get in the ground.

Merete is involved in fundraising and we are in regular communication about the operations of the hotel moving forward. They are closely following the progress of the project.

Q: What is your capacity to complete this project?

A: With completion of financing, this is well within the capacity of Braun Hospitality and Steve Anderson. We have over \$2B of construction experience between the two of us. The financial target described above - signing up LP investors - is our most significant hurdle.

Q: What is the extension time you are asking for?

A: As described above, we are requesting a 1-year extension.

Q: What are the benchmarks within the extension that can be tracked? Timelines for progress? Plan to get to the finish line.



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A: We are flexible on what these might look like. Considering that the biggest challenge is fundraising, we believe that tying project milestones to onboarding investors may be the best measurement of advancement. We don't anticipate significant investment until January 2025, after the election has settled down and the new year begins, though we meet weekly with potential investors. Using those two data points, we would be open to discussing with the agency how to establish measurable metrics to gauge acceptable progress.

I would like to take this opportunity to express why Steve and I remain committed to this project. The first is that we appreciate how the City of Florence continues to reinvest in itself. A city that continues to have civic pride and a commitment to improving lives for its citizens and opportunities for its businesses will always be a great place to invest.

As you know, Steve lives on the Oregon Coast, has a business focused exclusively on coastal construction, and is passionate about growth, business, and specifically construction in the central and north coast markets. We both believe that there is tremendous untapped financial and civic opportunity in Florence. First fully utilizing the Event Center, then expanding its capacity, present huge opportunities for Florence to be even more of a draw for artists, tourists, and businesses.

We love to highlight to all of the partners and investors we meet the passion, energy, and opportunity that is in Florence, and it is contagious. We love being a part of it.

Thank you for the great partnership to date, and we look forward to working on a plan moving forward.

Sincerely

Matt Braun, President