



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.

June 19, 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/371898153358126942>

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 May 22, 2024.

Lindsey White
City Recorder

REPORTS & UPDATES

4. URBAN RENEWAL AGENCY PLAN REVIEW & FINANCIAL ANALYSIS

Elaine Howard from Elaine Howard Consulting, LLC will give an urban renewal basics presentation and provide an overview of the Urban Renewal Agency Plan to prepare for the future of the Agency.

Erin Reynolds
City Manager

5. CITY MANAGER REPORT

Erin Reynolds
City Manager

FURA CALENDAR

All meetings are held in person with a virtual option unless otherwise indicated

Date	Time	Description
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
November 20, 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 (June 19, 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 (June 19, 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
May 22, 2024**

CALL TO ORDER - ROLL CALL

Meeting called to order at 5:30 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, and Ken Henderson.

Directors Absent: Director Susy Lacer arrived at 5:31 p.m.

Staff Present: City Manager Erin Reynolds, City Recorder Lindsey White, Assistant City Manager Megan Messmer, and City Attorney Ross Williamson.

Guests Present: None.

1. APPROVAL OF THE AGENDA

Start Time: 5:31 p.m.
Action: Approval of the May 22, 2024 meeting agenda as presented.
Motion: Director Moore
Second: Director Ward
– 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: 5:31 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 March 20, 2024.

Start Time: 5:32 p.m.
Action: Approval of March 20, 2024 FURA meeting minutes.
Motion: Director Ward
Second: Director Meyer
Roll Call Vote: Director Ross – “Aye”
Director Wantz – “Aye”
Director Braley – “Aye”
Director Ward – “Aye”
Director Meyer – “Aye”
Director Henderson – “Aye”
Director Lacer – “Aye”
Director Moore – “Aye”
Chairperson Webb – “Aye”
– Unanimous Consent–

REPORTS & UPDATES

4. QUINCE STREET HOTEL DEVELOPMENT UPDATE

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

Start Time: 5:32 p.m.

Declarations: The Florence Urban Renewal Agency declared...

- Director Moore:
 - Declared a potential conflict of interest regarding the Quince Street Development.
 - Chairperson Webb asked if Director Moore could still make a decision in an impartial manner. Director Moore answered ‘yes.’
- No other declarations by Directors were made.

Start Time: 5:33 p.m.
Discussion: ACM Messmer presented the staff presentation.
Handouts: Presentation

Discussion: The Florence Urban Renewal Agency discussed...

- Director Moore – Why was the BOLI letter needed to move forward with the project? **ACM Messmer – BOLI considers contributions from the public entity. There is a threshold where if the contribution is beyond that threshold, it becomes subject to prevailing wages, which substantially increases the cost of the project. Urban Renewal is not building this project. It is a public/private partnership so the BOLI letter was important to show it is truly a contribution project and that our contributions that fall underneath that threshold.**
- Director Moore – Were there other interested parties who wanted to pay cash for the property and place a hotel on it? **ACM Messmer – We had an initial response to the RFEI (Request for Expressions of Interest). There were two different respondents. The Urban Renewal Board selected Sycan B Corp who later decided their model wasn't going to work for their longer stay model. Urban Renewal opened up for developers to respond to the existing RFEI. Braun Hospitality presented a proposal and we also received a letter of interest from Hoagland properties that offered to purchase the property with the potential of building a hotel with a buyback option several years down the road for Urban Renewal. Urban Renewal reviewed those two proposals. I will turn it back to Chair Webb to talk about why the Urban Renewal and Subcommittee chose the proposal they did.**
- Chairperson Webb – Braun's proposal seemed more shovel ready.

Start Time: 5:52 p.m.

Discussion: Matt Braun introduced his partner Steve Anderson and presented the Braun presentation.

Handout: Presentation.

Discussion: The Florence Urban Renewal Agency discussed...

- Director Ward – What do you mean by non-recourse construction loan? **Mr. Braun – It means in the event it goes into receivership; it would go to the bank directly. The lender would have the ability to go after either Steve or I or anyone who guaranteed the loan personally.**
- Director Wantz – Who is LP Equity? **Mr. Braun – Limited partners who have passive money who do not have a say in how the business is run.**
- Director Ross – The GP Equity is \$750,000, \$250,000 Steve is holding back for design? **Mr. Braun – That is correct.**
- Director Ross – LP Equity commitments are just verbal and non-committal? **Mr. Braun – Yes.**
- Director Ross – Available hard cash is \$500,000? **Mr. Braun – Yes.**
- Director Moore – Could you have negotiated fees with Wyndham instead of taking key money? **Mr. Braun – No, it was not a possibility.**
- Director Ross – What is key money? – **Mr. Braun – Key money is a contribution the brand makes.**

- Director Henderson – Is it fair to say that \$520,000 is Wyndham’s contribution? **Mr. Braun - Key money is a twenty-year guarantee, in a sense it is prorated. Wyndham is not an owner of this property.**
- Chairperson Webb – What are the conditions of the financing? You have a dollar amount equity contribution as a percentage, is that based on cost or appraisal? **Mr. Braun – It’s 65%, cost based on cost. They will do an appraisal as two parts. They’ll look at the land similar to what we looked at with ACM Messmer and they will do something similar to what HVS did. They’ll also do another independent appraisal.**
- Director Ward – If you walk away from this right now, you are leaving \$589,000 on the table? **Mr. Braun – Yes, that is the investment we would be walking away from.**
- Director Ross – Six months ago, we asked what your investors are talking about, the inflation, the interest rates and what’s going on in the economy. You have worked diligently hard to get money. You haven’t really gained any traction in six months. And to your letter, you said you want eight more months to get traction. We’ve gotten worse over the last six months rather than better. Why do you want to stay in this? **Mr. Braun – I’m very stubborn. I see this as a really cool opportunity and something that would be great for the community. From a practical perspective, we have hit a place where we can pause putting money in while we are raising money. We have some key pieces in place. We are not asking the Agency for more money.**
- Director Braley – Over the next eight months, what is going to happen in the world to change? **Mr. Braun – We are asking for a year overall, but we’re recognizing there’s probably worth of finalizing, GMP procurement, and permitting. We have some float in there too. That is why we asked for a year.**
- Director Wantz – Dealing with the fear of the unknown. I am highlighting number one – no one can predict the future with one hundred percent certainty. I would like to see a breakdown of these limited partner people, entities who they are. **Mr. Braun – It’s a mix that ranges from \$200,000 to a little over \$2 million.**
- Director Wantz – Can you share how you can save on construction costs? **Mr. Braun – One example is using a different window system, piping, and electrical.**
- Director Ross – You have worked really, really hard. I think what you are up against is of no fault of yours whatsoever. We are in a bad situation as in the economy. If things were different, the hotel would be open.
- Director Ward – I’ve been trying to rationalize in my mind about the one-year extension. Everybody’s disappointed including you. What makes me feel a little better about it is seeing the amount of money you have in, as you could call it, skin in the game that’s on the table. That tells me you’re committed to making this happen and not going to wait it out a year and say it didn’t work. **Mr. Anderson – If I can for a moment, I love the Oregon coast. This project, when Matt came to**

- me two years ago, it was an easy yes. When we put the money in, yes, it's my money, but I really feel I'm doing the right thing.**
- Director Henderson – What do you hear from your suppliers in terms of availability of materials? **Mr. Braun – Toughest ones are electrical equipment that feed power and elevators are constrained. The common building materials such as wood, concrete, pipe, wood are available. The constraints that we saw at the end of Covid have largely passed through the system.**
 - Chairperson Webb – I've seen other circumstances where people have the first right of refusal, but they allowed the bidding to go out again? How would that impact your ability to raise money if something like that were included or considered? Essentially it means the property remains for sale, but you would have the right to say I'm going to buy it. **Mr. Braun – I think it would definitely make it a little more difficult.**
 - Chairperson Webb – Is a USDA loan available? **Mr. Braun – The interest rates are really high. The biggest challenge is that it is a recourse loan. The Feds would be guaranteeing the loan, if it defaults, they would go after Matt and Steve personally.**
 - Director Moore – I appreciate all the work that you have done. Doing some commercial real estate business myself, I understand a little bit about the complexities and the difficulty that you're going through. I commend you for putting forth the effort that you have. My questions revolve around three topics: one, trying to determine how we have gotten to where we are; two, what needs to happen to get the project completed; three, the likelihood of completion with any time extension we might give you. I'm going to ask some questions. Basically, they're intended for me to get a clear grasp of what's happening here. Do you mind? **Mr. Braun – No, of course not.**
 - Director Moore – In your letter to the FURA Board, you stated that there were aggressive dates to be met and unforeseen challenges. Have you completed any construction projects since September 2021? **Mr. Braun – Have I as a developer finished any? Yes.**
 - Director Moore – So, you have not done any construction projects from 2021 to 2024? **Mr. Braun – This has been my focus since 2022. This is the only thing I have been working on as a developer.**
 - Director Moore – What aggressive dates and unforeseen challenges have been caused by the City of Florence? Or have we been responsible for over the past three years when you received your Exclusive Negotiation Agreement? **Mr. Braun – I don't know that I would word it quite like that. I'm not going to say it was anybody's fault. I will say the DDA negotiation itself took; Director Wantz pulled up a schedule. Obviously, schedules are plans and plans are subject to things that are outside of our control. Our earliest and most aggressive perspective was much sooner. We didn't appreciate how long the DDA negotiation was going to take. Is it the City's fault? Is it Braun's fault? It just takes longer to work these things through. The**

- land use took a bit of time. The BOLI letter took much, much, much longer than we expected it to. Those things are all things that until they are settled, until they are negotiated, until they are in place; it's really difficult to go out and say we have a deal. It's not to say we weren't having those conversations, but there's no deal until you have those contracts and those determinations in place.**
- Director Moore – Without the BOLI letter, you could have still constructed the project. It would have been about 30% more expensive. Correct? **Mr. Braun – That's a lot of money, I would say feasible.**
 - Director Moore – Whether it's feasible or not, you still have that option? **Mr. Braun – Sure.**
 - Director Moore – How many potential investors did you have lined up when you submitted your proposal to the City? How many investors were soft committed during that first year you had the ENA? **Mr. Braun – Two, and both of them have decided to go different directions with their money.**
 - Director Moore – Are delays, interest rate fluctuations, natural and political events pretty common, or pretty common as unknown variables when it comes to development? **Mr. Braun – Yes, there are hiccups that come along the way. There are boom investment cycles and boom construction cycles and there's times when things slow down a bit. If you had a perfect crystal ball for prognosticating those cycles, then you'd be there. We don't have that. We understand they're out there, then we adapt and overcome based on the relationships we have. Maybe we buy a little bit more time with extending various pieces like land use in this case. Maybe you go get a little bit more money through your LP or GP partnership, maybe you increase your loan; in some conditions you put the project on hold. But absolutely, everything from labor strikes, to force majeure, to catastrophic weather events, to earthquakes, to downturns in the cycles cause at any given point, a tremendous amount of upheaval in the markets. It's considered a risky business, both construction and development. Those types of unknowns that folks in the construction and development business understand and try to manage.**
 - Director Moore – You stated in your letter to FURA, that you see the financial viability of the project still as solid. You've addressed some of that today. When did you complete your private placement memorandum (PPM) speaking for outside investors? **Mr. Braun – The PPM is a contractual tool, so to say, complete. It's not complete until all negotiations are done and it's signed.**
 - Director Moore - It's a legal document required by the SEC. You have to have it done to present to investors. So, when was that completed? Last fall? **Mr. Braun – Probably, I'm trying to remember. Sometime in October 2023.**

- Director Moore – We were two years into the project before we even fully completed the Private Placement Memorandum? Is that accurate? **Mr. Braun – I would say we were about seven or eight months after the DDA was signed.**
- Director Moore – We didn't complete the DDA because we were waiting for BOLI. Correct? **Mr. Braun – Right, so just lining up all the sequential things.**
- **CM Reynolds – We can go back to the scheduled timeline since we did provide that timeline.**
- Director Moore – Those answers are perfectly fine with my line of questioning right now. It gives me a timeline; it doesn't have to be exact.
- Director Moore – If you had broken ground in 2022 and it was being completed today, how would the changes that you've talked about, the Fed fund rate changes, the interest rate changes, the supply changes, how would those be impacting both the financing and the local Florence lodging community? **Mr. Braun – To repeat what I think you said, if we had been able to negotiate the DDA, get the BOLI determination letter, complete the PPM, get through land use, have a building permit, after completing construction and secure the original construction agreement, what that has arisen since then would be affecting us today?**
- Director Moore – You would be completing the hotel right now as Director Wantz has pointed out. So, my question is, if you were completing the hotel right now, you'd have to have a loan. If you had started in September 2022, that we'd be completing right about now. We've had a lot of variations; it would have affected both your loan to cost and your loan to value or whatever you were using at that time. I just want to know how much that change would have created in terms. **Mr. Braun – It's really difficult to answer the question. I think anything that has arisen since then would probably be behind us. For example, the construction loan that we're looking at and have negotiated with them is a two-part construction loan. There is a construction phase and then there is a what they call a perm loan, so it reverts to a different rate because the risk of construction is behind you. That's set when you execute the agreement. Whatever we would have negotiated then is what we would be living with today. As far as the other components we're talking about. If we were open, that vagaries we would be most subject to are the draws that Florence has to folks who want to come and stay here. Then we would be dealing not with construction risk, but with tourist risk, which is kind of what all hotels deal with. I think those would be behind us.**
- Director Moore – You did fine. So, the next area, what needs to happen to get the project completed? You mentioned three unknown factors. One of them was both the national politics and the upcoming presidential election that really wouldn't have been on investors' minds at the end of 2022 or the beginning of 2023, you know it is now. But the other two,

inflation and interest rates. What do your investors consider normal inflation rates? That's the term you used in your document. **Mr. Braun – Historically, three to six is what most people consider a normal range, above that, things start to get squeezed. We were sitting a couple of years ago in construction costs. I'm not talking, I'm talking escalation, not strictly the economic definition of inflation. We were seeing escalations of fifteen percent per year in construction costs. From their perspective when we're chatting, it's back to what Director Wantz said which is the unknown is what the challenge is. I think when it settles out at eight, as long as we're not talking double, triple, double high, double digits, as long as it settles out at something and we understand the way it is going, people can plan accordingly. The feeling I get from investors is we can live with six percent; we can live with seven percent. We can't live with these other ones because we cannot plan around that. The unknowns are too significant. I'm not sure I fully answered the question. I also don't sit around and say if we get inflation down to six percent, then will you give me money?**

The Directors took a break from 7:00 p.m. to 7:07 p.m.

Start Time: 7:07 p.m.

Discussion: The Florence Urban Renewal Agency continued discussing...

- Director Moore – I noticed in your letter to FURA, you indicated that construction costs, I believe since the beginning of January were ten percent. That's substantially higher than the CPI and PPI numbers, which is what the general public looks at as far as inflation costs. What makes you think construction costs won't continue on higher than the normal person's view of inflation? **Mr. Braun – I don't know for sure. I will say in construction pricing, there's a number of things that come together in developing a price and different points in time and different methods of achieving that price and settling it, impact what that price is. So, in no particular order, the first is I have almost \$750,000 worth of contingency to deal with issues like that on top of the number that they gave me. Then they have contingency in their number to deal with some of those unknowns. So that's part one. The second is construction price.**
- Director Moore – Who has the contingencies? **Mr. Braun – I have about seven. I have in my number \$750,000 worth of contingencies. They have three percent in their number to deal with contingencies, anything that related to these unknowns. There's a dollar amount that's assigned to the overall budget to help deal with unknowns. The second thing related to construction financing understand the one very significant part of construction pricing is just the development of the documents. As the drawings are developed, there's more certainty around what the pricing will be. The general**

agreement is that you price a little high at the front end and hope the details as they come out drive towards a direction that's more suitable for the number you're trying to hit. That's called design contingency. What that means is the design evolves and that risk associated with design is eliminated. It's not a contingency for unknowns, it's a contingency for the evolution of the design. The third piece that goes into construction pricing is a bidding process. You solicit a bid package from trades where you actually pit competition against each other. And then you go through a buyout process to ensure you're comparing apples to apples. When you get to the cheapest bunch of apples that you're confident can do the job, you sign them up and the price is established. The whole process is what we go through from the time construction documents are issued to when the final GMP (guaranteed maximum price) or fixed lump sum cost is established with the contractor. That begins as that first set of permit drawings are being issued to the City.

- Director Moore – I may not have asked my question correctly. You stated that the construction prices rose about ten percent since the original benchmark in January 2023. And yet the during that same period of time, PPI and CPI have not increased nearly ten percent year over year. What makes you think construction costs will not continue to increase faster than PPI and CPI?
- Chairperson Webb – I've been through three of these wonderful cycles in my career of thirty plus years. What we typically see is an escalation at a fairly steep rate of construction costs, then we see a leveling out, then we see a little downtick, and then we go through it all over again. I believe we are, Director Moore to answer your question, for the next year, I believe we're in that flattening spot right now. We don't expect a downtick, you never expect a downtick in construction costs. Because I believe the pipeline of projects is on hold, I believe that subcontractors and material suppliers are looking for work over the next six to twelve months for the right project. So, prices, when they go up, they never go up forever. They have to level out. I truly believe the next eight to twelve months we're at a leveling out point. To think that we are going to increase another ten percent over the next year would be really, really unlikely in my opinion, having been through it several times, I'm no expert, I can't guarantee it.
- Director Moore – When Sycan B Corp had their CBRE report come back, value of the property at completion was going to be substantially less than the cost of construction. I think you said earlier that you don't believe that will be the case with your Microtel here in Florence. Can you tell me why you believe that to be the case? – **Mr. Braun – Just to compare apples to apples, because HVS did a comparable study on the model, we presented and came up with a different solution. We can go to expert hotel consultant to expert hotel consultant and**

place them side by side. They looked at two different products. They came with two different answers. This is why we brought forward the Microtel, construction fundamentals and hotel fundamentals and Mereté Hotel Management. The business folks there are really, really smart people. Very experienced. I am trusting them to run this hotel. They do have the hotel types they deal with. They don't do these more efficient mid-rise level hotels. We're looking at their Wyndham products like La Quinta which is top of the line. They were looking at an extended stay hotel for a room that is two to three times as big as what we are looking at with a much larger bathroom. It will typically have a kitchen and some appliances. All of those are costs that can drive the direct construction costs up pretty substantially, seventy-five to two hundred percent on a room-by-room basis. When you have all these additional square footages and amenities that are in the room, the issue is you don't get to charge seventy-five percent to two times more as much in this market. So that's part one and two. And the third is when you look at STAR reports, the amount of extended stay into your corridor hotels that would match that, there is just no data.

- Mr. Braun continued – So the CBRE was pulling from a lot of very disparate and very unlikely comparisons. When I read the CBRE report, my takeaway was they didn't have a great database to compare against. They depressed their long-term projections. They were looking at a completely different product than the one that we are looking at. That means the ADRs times occupancy were quite a bit different, which leads to RevPAR was quite a bit different than what we are looking at. Most importantly, it was a much more expensive product. At that time, if I remember correctly, their construction costs were something like 24 million dollars. That was in 2019. 2020. My construction costs for an eighty-six-room hotel, just raw construction is like 11 million dollars. I would say the weakness of data was probably a contributing factor to how CBRE modeled it. All of this is conjecture, all of this is my guesswork, and kind of how we analyzed it.
- Director Moore – The last category is the likelihood of completion who means you are going to have to attract investors. I'm going to ask you a series of questions being in the business. I don't need to know your specifics as to what you are offering to investors. I am going to give you some ranges and just ask whether you fit within those ranges.
- Director Moore – You are seeking investors. A preferred rate of return typically in a hotel project is between seven and ten percent for preferred rate of return. Are you within that range for preferred rate of return for your investor? **Mr. Braun – For the preferred return? Yes.**
- Director Moore – Typically an IRR in a hotel project is between fifteen to twenty percent. Are you within that range? As projected investor IRR? **Mr. Braun – Yes, dead center.**

- Director Moore – Usually the return of capital on a project of this nature is between four and six years. Is the investor return of capital within this range? Mr. Braun – **Yes, the lower end. But I want to be clear that is from day of investment, not from day of operation.**
- Director Moore – Usually, these projects are not held long term. They're held four to six years. And then sold after they are stabilized. Is your plan or your paperwork to investors showing a sale of the property and/or a loan refinance in that four to six year period? **Mr. Braun – A refi for cashback.**
- Director Moore – A sale within that four to six year range? **Mr. Braun – No.**
- Director Moore – Are you planning on selling the property? **Mr. Braun – We model it both ways.**
- Director Moore – Sometimes you don't have a choice because the market changes. You might have to hold it longer or you can get rid of it earlier. I understand that. Usually, there's a waterfall structure for those that are unfamiliar. A waterfall structure is that after you give the investors their preferred rate of return, the sponsor or the founding member of the LLC or the GPs receive a certain percentage of every dollar that's made over and above that. Do you have a waterfall structure where you take something out of the package every time for once you get above the preferred rate of return? **Mr. Braun – It is a waterfall structure. It's not quite what you described, but it is a waterfall structure. So, there's what is called a promote, meaning if the hotel performs as promised, everybody's happy. If it performs less, not as well as we hope, then Steve and I are penalized. And if it performs better than we project, then Steve and I get to share in the proceeds at a promoted rate. So, we are putting our skin in the game first, and the waterfall protects the investors. The investors get the first preferred return and they get their money back. Then they get the majority of shares.**
- Director Moore – Obviously some of the key metrics are important to have at least close to the local market. What is the rev part that you are using in your projections going forward? **Mr. Braun – 2025 cast forward, we're 103 or 105. It's right in there.**
- Director Moore – What is the anticipated NOI as a percentage of gross revenue? **Mr. Braun – I don't know that number off the top of my head. NOI as a percentage of gross revenue?**
- Director Moore – Typically it's between 20 and 30%. **Mr. Braun – After our DNA, I think we are sitting at about 20%; before DNA, we are sitting at about 35%.**
- Director Moore – What multiplier of gross revenue are you using to value the project? **Mr. Braun – We're using a cap rate of 8.5%.**
- Director Moore – That's where the NOI number would become important. The other metric would be a multiplier of gross revenues. Typically, right now in hotel sales is between 3.75- and 4.5-times gross revenue. Are you

- more or less than that? **Mr. Braun – I don't have that memorized. You're right in the same page as I am.**
- Director Moore – In your letter, you stated that the final drawings, estimates, and permitting would be done after the investments are in place. Why can't that be done concurrently with obtaining your financial commitments from investors? **Mr. Braun – There are a number of gates we want to get through. And you know, we've made significant investments. And before we continue, we want to see that we are being joined by partners. A leader, somebody who when they're out in front, look back and see there's a group of people behind them; a fool looks behind and nobody's there. We want to be leaders, not fools. As we are moving forward, we've put our money in, we've put our time in; we're at a point where we think it's a critical inflection point. We want to see 1 million dollars of LP money brought into the project. At that point, we'll turn back to Woodblock (Architect) and have them continue the design process. That would be the first metric. And then moving through to building permit. If we've got a 4-million-dollar LP raise, we'd want to be at 3.5 million dollars of executed or close to executed. The reason for that, there is one hundred thousand dollars' worth of permits fees at risk. Until we've closed the deal or getting close to closing the deal, we want to understand that we have the rest of the package in place.**
 - Director Moore – Final two questions. Since the Request for Interest in 2021, we are about almost three years into this, which means that you have had three years of exclusivity in negotiating on this property. You are asking for an extra year. Would you be willing to pay the City for that option? **Mr. Braun – I think if we wanted to talk about an earnest money agreement, we could have that conversation. That would be over and above. If the City felt like there was some security that they needed to demonstrate further interest from Braun Hospitality, I'm not going to say no, but it would be a negotiation.**
 - Director Moore – It's a little bit interesting to me from the letter that you read and, in the numbers, I saw tonight, the letter that you sent earlier showed the City contribution at 1.47 million dollars, You have it substantially lower, and the City has it even less than that. If the deal goes really, really well, you stand to make a little bit of money from the waterfall structure. You also didn't have key money used in the letter you originally wrote. You did show it tonight, which was good. Would you be willing to kickback any of your waterfall structure or your key money to the City for the ability to be granted an extension? **Mr. Braun – I would never use the word "kickback."**
 - Director Moore – Would you be willing to make an arrangement? It's not a kickback. You already have the deal signed, sealed, and delivered, if you can perform on it. **Mr. Braun – We can absolutely. We can negotiate; we're open to negotiation. We are business people. And if there's something that the City believes would help them sweeten**

the deal, then it's a conversation we would enter into to the degree that staff has been authorized to do so.

- Director Ward – On your 1 million LP, any guesses as to when you might achieve that? **Mr. Braun – I'd like to see it this summer. I'd really like to finish up the 6.5 and get that behind us, and pivot to another medium sized investor. I promise I'll do my best to continue to attract people who want to invest in the City.**
- Director Ward – Like you've mentioned, you have over one half million-dollar investment that this project moves forward. I would think that definitely would be motivating to keep the project going to completion.
- Director Wantz - Do you currently have or has anybody approached you to be a limited partner who resides in Florence? **Mr. Braun – I have approached folks here. Nobody from Florence has approached me. I approached Director Moore the last time I was here.**
- Director Moore – I was going to mention that; but this is a public meeting and discussing hotel business in a public meeting would be a conflict of interest for me. The door is not closed.
- Director Wantz – Director Moore, I am asking the question of Matt. **Mr. Braun – We've talked to a few business folks here. We are looking for someone who is a hometown hero. Somebody who has the money and believes in the viability of the town. They understand the financial structure. They're comfortable with Mereté and the capabilities that Mereté has. They understand that between Steve and I have two billion dollars' worth of construction experience. And they say they believe in the town, we believe in the builders, we believe in the architect, we believe in the operator. My money is just sitting here, give me a return. So that hometown hero. It would actually be pretty sweet to us. We haven't found that person yet, but we are all ears.**
- Chairperson Webb – I suggest we move into Executive Session.

Recess Open Session: 7:33 p.m.

Florence Urban Renewal Agency convened to Executive Session per ORS 192.660 (2)(e) to discuss real property transactions.

Return to Open Session: 8:43 p.m.

All Directors are present.

4. QUINCE STREET HOTEL DEVELOPMENT UPDATE

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

Start Time: 8:43 p.m.

Action: Approve the request for a one-year extension on the Disposition and Development Agreement (DDA) with Braun Hospitality to be negotiated by FURA Executive Director Erin

Reynolds to include a condition that on a quarterly basis the FURA Board will receive updates as to the progress that includes financial updates relating to achieving the goals that have been outlined by Matt Braun.

Motion: Director Ward
Second: Director Meyer
Roll Call Vote: Director Ross – “Aye”
Director Wantz – “Aye”
Director Braley – “Aye”
Director Meyer – “Aye”
Director Henderson – “Aye”
Director Lacer – “Aye”
Director Moore – “Nay”
Director Ward – “Aye”
Chairperson Webb – “Aye”
Motion Passes 8-1

REPORTS & UPDATES

5. CITY MANAGER REPORT

- Board Member Update
- 2024 Florence Community Survey

Start Time: 8:45 p.m.

Discussion: CM Reynolds and ACM Messmer discussed...

- Recognizing formally on behalf of Mayor Ward and the City Council along with staff going through the recruitment process for the Urban Renewal Agency Board positions that were open. A decision was made to reappoint Dave Braley and Ken Henderson and for the Councilor position to reappoint Sally Wantz. The announcement was made by Mayor Ward at the meeting on Monday night at the City Council meeting.
- Update on National Community Survey. The National Community Survey is a community livability survey to find out what the community thinks of Florence, why people live here, why people came here, and why people stay. Encouraging community to take survey.
- Upcoming walking tour on June 15th with the Public Arts Committee to view six new art pieces that have been placed along the Revision Florence corridor.

Comments: All Directors present.

Meeting adjourned at 8:54 p.m.

ATTEST:

Mike Webb, Chairperson

Lindsey White, City Recorder