



IMPROVING OUR COMMUNITY

COLUMBIA GATEWAY URBAN RENEWAL AGENCY

CITY OF THE DALLES

AGENDA

Columbia Gateway Urban Renewal Agency

City Council Chamber

313 Court Street, The Dalles, Oregon

Meeting Conducted in a Handicap Accessible Room

Monday, March 11, 2013

In Conjunction With the City Council Meeting

- I. CALL TO ORDER
- II. ROLL CALL
- III. APPROVAL OF AGENDA
- IV. AUDIENCE PARTICIPATION
- V. APPROVAL OF MINUTES
 - A. Approval of November 26, 2012 Regular Meeting Minutes
- VI. ACTION ITEMS
 - A. Approval of Land Sale Contract for Sunshine Mill Property
 - B. Approval of the Third Addendum to the Granada Block Redevelopment Memorandum of Understanding With Rapoza Development Group
- VII. ADJOURNMENT

**Columbia Gateway Urban Renewal Agency Advisory Committee
Meeting Minutes**

**Special Meeting
Tuesday, February 26, 2013
5:30 PM**

City Hall Council Chambers
313 Court Street
The Dalles, OR 97058

Conducted in a handicap accessible room.

CALL TO ORDER

Vice Chair Grossman called the meeting to order at 5:30 PM.

ROLL CALL

Members Present: Gary Grossman, Jennifer Botts, Linda Miller, Mike Zingg, Richard Elkns, Greg Weast, Steve Kramer

Members Absent: Chris Zukin

Staff Present: City Manager Nolan Young, City Attorney Gene Parker, Administrative Fellow Garrett Chrostek, Administrative Secretary Carole Trautman

Vice Chair Grossman introduced two new committee members, Steve Kramer (Wasco County Representative) and Linda Miller (City Council Representative).

APPROVAL OF AGENDA

City Attorney Parker requested the addition of agenda item #8 regarding a recommendation to the Columbia Gateway Urban Renewal Agency (the Agency) for the approval of a Third Addendum to the Memorandum of Understanding (MOU) between the Agency and Rapoza Development Group, LLC (Rapoza) for the Granada Block Redevelopment project.

It was moved by Weast and seconded by Botts to approve the agenda as amended. The motion carried unanimously, Zukin was absent.

PUBLIC COMMENT

None.

ACTION ITEM – Purchase Contract, Sunshine Mill Winery

City Attorney Parker presented the Staff Report regarding the existing Lease Agreement between the Agency and Discover Development for the Sunshine Mill property. Parker reported that the current Lease Agreement expires April 13, 2014. The proposed Land Sale Contract sets out a closing deadline of May 15, 2015. Parker explained that, if the purchase was not completed by the deadline date, the Agency would need to develop a short term Lease Agreement with Discover Development until the purchase closes. Although the Lease holds a provision for a five-year extension, James Martin, principal to Discover Development LLC, believes it is advantageous at this time to proceed with the Land Sale Contract in order to secure necessary financing for the property purchase and future developments, Parker reported.

Robin Miles asked if the total payback amount was \$905,000. City Attorney Parker confirmed that amount.

Discussion followed regarding the history of Agency monies loaned to Discover Development. In summary, the Agency loaned \$600,000 to Discover Development which included \$100,000 for the cleaning of the facility's exterior. The recent renovation of the warehouse was part of an \$80,000 grant, originally designated for demolition, which later shifted to a renovation project. Discover Development has paid the property taxes on the property over the course of time. There is a current amount owing of \$4,152.79.

Linda Miller asked if Discover Development was paying interest on the \$600,000 loan. City Attorney Parker said Discover Development was paying 1% interest and will pay 1% interest on the balance of the property purchase price from the date of the Land Sale Contract until closing.

City Manager Young stated that the City would sell the property to Discover Development for the same price that the City paid for the purchase of the mill and the piece of railroad property.

Vice Chair Grossman called for a motion. It was moved by Weast to recommend to the Agency to approve the proposed Land Sale Contract with Discover Development, LLC for the Sunshine Mill Property. A second to the motion and vote was delayed for further discussion.

Mike Zingg asked if Discover Development's plan was to pay off the \$600,000 loan in October of 2014. City Attorney Parker stated that he believed the plan was to secure financing to pay off the Agency loan, purchase the property, and pursue further property developments. City Manager Young clarified that the intent of the Land Sale Contract language was to keep the loan payoff up front and in the mind of the purchaser along with the land purchase.

Linda Miller asked if Mr. Martin felt he was close to securing financing. City Attorney Parker explained that Mr. Martin believed that, with the property purchase, he would probably have a stronger possibility of securing financing.

Dick Elkins asked what would happen if the contract was not completed. City Attorney Parker stated the City would try to take a cooperative approach with the purchaser and not proceed with

foreclosure actions. However, if necessary, the Agency would be obligated to proceed with the foreclosure process to protect its interests.

Jennifer Botts seconded the motion.

Mike Zingg asked if the City would be able to see a property purchase appraisal if it was required for securing financing. City Attorney Parker said the City could try to review it and possibly share it in executive session with the Advisory Committee and Agency. Zingg stated it could possibly save the City from having to seek an appraisal if there was a default on the property. City Attorney Parker reiterated the fact that the City has had a cooperative relationship with Discover Development.

Vice Chair Grossman called for the vote, the motion carried unanimously, Zukin was absent.

Natasha Martin, Events and Sales Manager for Sunshine Mill, presented a statement from James Martin. The highlights of Mr. Martin's statement were as follows:

- Mr. Martin thanked the Agency for its support in this project.
- The partnership between the Agency and Sunshine Mill (SMW) began in 2006 when the Agency sought to improve the East Gateway to The Dalles.
- The company currently employs 64 employees. The East Gateway/Brewery Grade project, through job creation, has acquired 3.8 million dollars in federal funding. Outside investments of over four million dollars for the winery project have been acquired.
- The vineyard development will almost double the quantity of vineyards in the Columbia Gorge region. The vineyard employs 15 people and is projected to increase to 25 full time employees. This project is also bringing in over eight million dollars in outside investments.
- Media attention is accelerating.
- The growth of the winery has led to the restoration of the Old Wasco Mill Warehouse that now houses Copa Divino's production lines.
- Future plans include the purchase of an adjacent property for production expansion.
- SMW anticipates an early summer preliminary painting of the Mill structure.
- Because of shortness of funding and future plans for the exterior of the silos/hotel project, SMW does not believe it is the right time to paint the silos. SMW has also struggled with the difficulties of cleaning the silos. Mr. Martin would entertain ideas regarding loan opportunities in the interim to begin the silo improvements if it is of interest to the community.
- It has always been SMW's goal to make The Dalles a destination location.

At the conclusion of Mr. Martin's statement, Natasha Martin clarified that SMW plans on power washing and painting the mill and a portion of the warehouse only. They hope to complete the work by the end of this summer, it will be a four to eight month process. SMW has purchased scaffolding to do the work.

Jeremy Reding, Sunshine Mill's architect, gave a powerpoint presentation highlighting the SMW master plan that consists of three phases: Phase 1 – the purchase of the old Tum-A-Lum property for the redevelopment of a shipping center, some administrative offices, and a side parking lot. Phase 2 – expansion of the Copa Divino production line to include a new building adjacent to the current warehouse; and Phase 3 – development of a round-room hotel/winery in the silos.

Following Mr. Reding's presentation, Robin Miles expressed a concern regarding fire and rescue protection for 10 floors. Mr. Reding stated SMW would be meeting soon with the fire marshal to discuss the master plan.

ACTION ITEM - Granada Block Redevelopment Project, Proposed Third Addendum to the Memorandum of Understanding between the Columbia Gateway Urban Renewal Agency and the Rapoza Development Group, LLC.

City Manager Young presented a draft addendum to the MOU for the Granada Block project outlining a 45-day extension to the signing of the Disposition and Development Agreement (DDA). Young reported that substantial progress had been made on the DDA, but challenges occurred with the archaeological investigation that has incurred an additional \$350,000 in costs for the hotel parking. Young highlighted two points 1) the 45-day extension would affect the signing of the DDA, but would not affect the purchase date of August 30, 2013 with the possibility of a 120-day extension; 2) there has been significant progress on the project. The original extension was granted due to issues related to the demolition of the Recreation Building. Rapoza has resolved those issues, Young stated.

City Manager Young introduced Michael Leash, Rapoza representative. Leash reported that the developers managed to bring the cost estimate for the Recreation Building demolition down from \$500,000 to approximately \$200,000. The current challenge, Leash stated, was the added incremental cost that resulted from the archaeological study. The parking spaces designated for the hotel's underground parking, totaling 52 parking spaces, would result in costs increasing an additional \$8,500 to over \$10,000 per parking spot from what was originally figured. Rapoza, Leash commented, now needed to redesign the lower level of the hotel and relocate parking spaces to the City's parking structure so that costs would be fixed.

Greg Weast asked Leash if he was confident the project would happen. Leash said he was confident of that. Leash said half of the 52 underground parking spaces would be relocated to the parking structure at a cost of approximately \$13,500 per parking space. Leash explained that the developers would scout the hotel property to determine what underground space at the hotel site, if any, was usable. Any areas deemed archaeologically significant would be capped with cement so as not to disturb archaeological findings. The north side of the property was deemed archaeologically significant, Leash reported.

Linda Miller asked what the plan would be if archaeological objects were found at the Recreation. Leash said Rapoza would be required to conduct an archaeological investigation, but the plan was to go only to the footing level on the south side of the existing building, which would be an adequate amount of space. City Manager Young clarified that there would be an Urban Renewal Advisory Committee

archaeologist on site for the demolition of the concrete floor, and there would probably be some preliminary drilling into the concrete floor to determine what was immediately underneath the structure. Young stated the Agency had invested between \$100,000 and \$120,000 in archaeological investigation, including the parking structure site. Young reported that the parking structure site was not identified as a significant archaeological site.

Greg Weast asked if there would be an increase in parking spaces in the City's parking structure. City Manager Young stated that the original plan for the parking structure was for a minimum of 120 public parking spaces. The design calls for a total of 142 spaces on three floors. If an additional 25 parking spaces needed to be moved to the parking structure, the City could build another half floor to the structure. The City would build the structure, and Rapoza would reimburse the City for costs per parking spot, Young reported.

Greg Weast suggested that, if the URAC chose to recommend approval of the Third Addendum, a provision could be added to the recommendation for Rapoza to give the City some sort of a bond for \$20,000 that could be used as part of the purchase payment at the time of the sale. If the purchase did not happen, Weast said, the City would keep the money. Weast commented that public perception makes committee members look bad, and that a security bond would send a message to the public that the developers had "skin in the game" on the project. Michael Leash stated he believed Rapoza already had "skin in the game" by engaging in a hotel study and hiring professional consultants to research the feasibility of bringing a name brand hotel to The Dalles.

City Manager Young reminded the committee members that they could make additional recommendations to the Agency, and the Agency could decide whether or not to accept the additional recommendations. Young expressed a concern about tying up cash just as a show of good faith when the funds could be used to move the project forward. Young said the City had seen a show of good faith by expenditures Rapoza had made thus far. If the committee chose to make that recommendation, Young asked that the dollar amount be minimal. Robin Miles asked how much money had been spent so far by the City. Young said the property purchase cost 1.3 million dollars and would eventually come back to the Agency. To date, Young said the City has spent approximately \$100,000 to \$150,000 and the total budgeted amount is \$912,000. Young clarified that the City felt those expenditures were necessary to make the property marketable.

Linda Miller asked how Rapoza was able to lower demolition costs. Michael Leash explained that they divided up the abatement work into separate projects such as asbestos removal, lead paint removal, and the demolition and obtained bids for each specific project rather than getting a bid from one contractor for all of the work. Miller asked if any of the work would be done prior to the developer's purchase. City Manager Young said removal of some items inside the structure and the removal of the lead based paint and asbestos could happen prior to the purchase date of August 30. The demolition would take place just prior to construction, Leash said. Young said the design work on the parking structure would begin prior to the purchase so that the per-space cost could be determined. Miller asked if there was any other "up front" money commitment prior to purchase. Young said the expenditures are primarily the remaining \$20,000 expense for archaeological and the first \$100,000 on the Recreation demolition. The City's designated first \$100,000, Young said, could be met by the removal work of the environmental Urban Renewal Advisory Committee

hazards. Miller asked if the Blue Building was scheduled for demolition. Leash said the architects are still determining whether or not the structure has to come down. They still need to look at the engineering, Leash said.

Dick Elkins asked if the hotel and parking structure projects were separate. City Manager Young said the City would build the parking structure, and the developers would build the hotel. The City would not work on the parking structure until a commitment was received from Rapoza, other than the design work.

Discussion followed where various committee members expressed their frustration over the difficulty and challenges of considering several delays. Some are concerned about Rapoza's lack of investment into the project. City Manager Young reassured the committee members that the project has moved along as timely as possible. Jennifer Botts commented that she did not want to be personally responsible for dropping this project, because The Dalles needs the project.

Vice Chair Grossman called for a motion. It was moved by Botts and seconded by Miles to recommend to the Urban Renewal Agency approval of a 45-day extension for the signing of the Disposition and Development Agreement of the Granada Block Redevelopment project between Columbia Gateway Urban Renewal Agency and Rapoza Development LLC.

Gary Grossman commented that both the Advisory Committee and the Agency need to be careful about the thought process of saying "we are too far in." Grossman also stated that it had been the experience of some of the committee members that there is a level of discomfort caused by public comments, and another delay would leave committee members "hanging out there."

Greg Weast asked Michael Leash if all the funding was in place. Leash said not all the funding was in place.

Vice Chair Grossman stated a motion was on the table for a recommendation to the Agency for a 45-day extension on the signing of the DDA, and he called for a question. Steve Kramer called for the question.

Botts and Miles voted in favor; Elkins, Weast, Zingg and Miller opposed; Kramer abstained; Zukin was absent. The motion failed.

City Manager Young asked if there were any additional recommendations the committee wished to consider. Vice Chair Grossman suggested that a recommendation to the Agency for approval could be made with a provision for a deposit of some kind.

It was moved by Weast and seconded by Zingg to recommend to the Agency the approval of the Third Addendum to the Memorandum of Understanding between the Columbia Gateway Urban Renewal Agency and Rapoza Development Group, LLC with the provision that there is a performance bond in the amount of \$20,000, that is non-refundable but that can be used against the capital expenditures of the purchase of the property should it come to fruition within the guidelines of the Memorandum of Understanding. Vice Chair Grossman asked for a call for the Urban Renewal Advisory Committee

question. Steve Kramer called for the question. Weast, Zingg, Botts and Grossman voted in favor; Miles, Elkins and Miller opposed; Kramer abstained; Zukin was absent. The motion carried.

ONGOING URBAN RENEWAL PROJECTS

- Property Rehabilitation Applications – Four applications were received from The Dalles Art Center, St. Peter’s Mural Society, and the Civic Auditorium. Those requests will go before the URAC on March 19, 2013.
- Flour Mill “Heck Hole” – The City was able to decommission the wells. The project cost \$14,000 and has been completed.
- Granada Block “Hot Tank” – Located behind the Granada, the tank had product inside. The tank caused contamination, so the soil was removed, and the tank will be removed with the decommissioning of a sewer line located underneath the tank.
- Mill Creek Greenway – Administrative Fellow Garrett Chrostek has been working with Friends of the Mill Creek Greenway to submit a grant application for two bridges. Next year’s budget will include \$40,000 for the engineering design on the project.

It was moved by Weast and seconded by Elkins to adjourn the meeting. The motion carried unanimously, Zukin was absent.

Vice Chair Grossman adjourned the meeting at 7:17 PM.

Respectfully submitted by Administrative Secretary Carole Trautman.

Chris Zukin, Chairman

MINUTES

COLUMBIA GATEWAY URBAN RENEWAL AGENCY

REGULAR MEETING
OF
NOVEMBER 26, 2012

CITY COUNCIL CHAMBER
313 COURT STREET
THE DALLES, OREGON

PRESIDING: Chair Jim Wilcox

AGENCY PRESENT: Bill Dick, Carolyn Wood, Dan Spatz, Tim McGlothlin

AGENCY ABSENT: Brian Ahier

STAFF PRESENT: City Manager Nolan Young, City Attorney Gene Parker, City Clerk Julie Krueger, Finance Director Kate Mast

CALL TO ORDER

The meeting was called to order by Chair Wilcox at 5:50 p.m.

ROLL CALL

Roll call was conducted by City Clerk Krueger; Ahier absent.

APPROVAL OF AGENDA

It was moved by Dick and seconded by McGlothlin to approve the agenda as presented. The motion carried unanimously, Ahier absent.

MINUTES (Continued)
Urban Renewal Agency
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AUDIENCE PARTICIPATION

None.

APPROVAL OF MINUTES

It was moved by Wood and seconded by Spatz to approve the July 23, 2012 and August 13, 2012 Agency meeting minutes as presented. The motion carried unanimously, Ahier absent.

PRESENTATIONS

Presentation of Fiscal Year 2011-12 Audit

Finance Director Mast introduced Auditor Tonya Moffitt who reviewed the Executive Summary and provided a clean opinion.

It was moved by Spatz and seconded by McGlothlin to accept the audit as presented. The motion carried unanimously, Ahier absent.

PUBLIC HEARINGS

Public Hearing to Receive Testimony Regarding a Supplemental Budget for the Fiscal Year 2012-13

Chair Wilcox reviewed the procedures to be followed for the hearing.

Finance Director Mast reviewed the staff report.

Testimony

Hearing no testimony, the public hearing was closed.

Resolution No. 12-078 Adopting a Supplemental Budget for the Columbia Gateway Urban Renewal Agency for Fiscal Year 2012-13, Making Appropriations and Authorizing Expenditures From and Within the Capital Projects Fund

It was moved by Wood and seconded by Dick to adopt Resolution No. 12-078 adopting a supplemental budget for the Columbia Gateway Urban Renewal Agency for Fiscal Year 2012-13, making appropriations and authorizing expenditures from and within the Capital Projects Fund. The motion carried unanimously, Ahier absent.

ACTION ITEMS

Approval of Granada Block Memorandum of Understanding Extension of Time for Execution of Disposition and Development Agreement

City Manager Young reviewed the staff report, asking that the extension be approved through March 15, 2013.

Michael Leash, representing Rapoza, reported the development team had met on November 5 and all supported the extension. He said it had been learned that demolition costs for the Recreation Building would be much higher than originally thought and a little more time was needed to re-work their budget. He said great progress was being made on completing the Development and Disposition Agreement. Leash said the target construction start date was still August or September.

It was moved by Dick and seconded by Wood to approve the second addendum for the Granada Block Redevelopment and authorize it to be executed. The motion carried unanimously, Ahier absent.

ADJOURNMENT

Being no further business, the meeting adjourned at 6:13 p.m.

Submitted by/
Julie Krueger, MMC
City Clerk

SIGNED: _____

James L. Wilcox, Chair

ATTEST: _____

Julie Krueger, MMC, City Clerk



CITY OF THE DALLES

313 COURT STREET
THE DALLES, OREGON 97058

(541) 296-5481 ext. 1122
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AGENDA STAFF REPORT

URBAN RENEWAL AGENCY

MEETING DATE:	AGENDA LOCATION:	AGENDA REPORT #
March 11, 2013	Action Items VI, A	

TO: Urban Renewal Agency

FROM: Gene E. Parker, City Attorney

THRU: Nolan K. Young, City Manager *NP*

DATE: February 27, 2013

ISSUE: Recommendation from Urban Renewal Agency Advisory Committee concerning proposed Land Sale Contract for Sunshine Mill Property, and status report concerning cleaning of exterior of Sunshine Mill Property buildings.

BACKGROUND: On April 13, 2009, the Columbia Gateway Urban Renewal Agency entered into a Lease Agreement with Discover Development LLC and TGE, LLC, also known as Quenett, for the lease of the property commonly known as the Sunshine Mill Property. A copy of the Lease Agreement is enclosed for your information, and identified as Attachment #1. Discover Development LLC has assumed the primary responsibility for the operation of the Sunshine Mill Property.

The initial term of the Lease Agreement was for a period of 5 years, and the lease is scheduled to expire on April 13, 2014. There is a provision in the Lease for another 5 year rental period, provided that the Agency and Discover Development mutually agree upon the terms for extension of the lease. The Lease Agreement provided that the rent to be paid by Discover Development would consist of improvements to be made upon the property. Discover Development has made numerous improvements upon the property, including the warehouse,

which now houses a bottling operation. These improvements have been made in part using the proceeds of a \$500,000 loan made by the Urban Renewal Agency to Discover Development. On September 19, 2010, the Agency and Discover Development entered into a First Amendment for the Loan Agreement which provided an additional \$100,000 to the second source of funding created by the original loan agreement. This additional \$100,000 was to be used for exterior improvements, repairs, and painting of the milling building and silo building located upon the Sunshine Mill Property.

The Lease Agreement also included a provision reflecting the intent of the Agency and Discover Development to enter into a Lease with a Purchase Option upon completion of the East Gateway/Brewery Grade Intersection Project. Upon further discussion with James Martin, the principal representative for Discover Development, the parties concurred that it was in the best interests of both parties to proceed with a Land Sale Contract, rather than a Lease with a Purchase Option. One of the primary advantages for the Land Sale Contract is that it will facilitate Mr. Martin's efforts to secure the financing necessary to complete the purchase of the property, and to facilitate the purchase of additional property adjacent to the Sunshine Mill property as part of a larger master plan that Mr. Martin is considering for development of the Sunshine Mill Property. During the Advisory Committee meeting, representatives of Discover Development presented preliminary architectural drawings of the proposed master plan, which included the use of the property where the former Tum-a-Lum business was located. The plans included the proposed construction of a "destination hotel" within the existing silos, which would include an interactive winery operation.

The following is a summary of the major highlights of the attached proposed land sale contract, which is identified as Attachment #2:

1. The total purchase price is \$305,123.69, plus interest calculated at the annual rate of one percent on the purchase price until the transaction is closed. The closing date is scheduled to occur by no later than May 15, 2015. The purchase price has been allocated so that \$282,187.69 will be for the purchase of the real property acquired by the Agency, and \$22,936.00 will be for the reimbursement of costs advanced by the Urban Renewal Agency for streetscape improvements constructed in connection with the East Gateway/Brewery Grade Project. The costs for the real property reflect the actual costs that the Agency paid for the property.
2. Section 2.2 of the contract includes a provision acknowledging the repayment of the sum of \$600,000 to the Agency for loans made to Discover Development, which repayment must occur before October 14, 2014.
3. Section 3 of the contract sets forth the provisions for the allocation of costs associated with closing the purchase of the property.
4. Section 4.1 provides that the Tenant will continue to occupy the property under the terms of the April 13, 2009 Lease Agreement. This Lease Agreement will be terminated upon the recording of the deed from the Agency to Discover Development. If the property has not been purchased by April 13, 2014, the parties will likely enter into an extension of the current lease until May 15, 2015, which is the scheduled closing date for the purchase of the property.

Section 6.5 includes a provision acknowledging that the Department of Environmental Quality has issued a “no further action” letter concerning the leaking underground storage tank which was discovered upon the property. A “no further action” letter means that the hazardous material in the tank has been removed, and that no further steps are required to address the conditions presented by the presence of the underground tank.

5. The legal description of the property to be purchased in Exhibit “A” reflects the most current description of the property, and is based upon a survey conducted by Tenneson Engineering. This description is different than the legal descriptions contained in the exhibits attached to the April 13, 2009 Lease Agreement.

During the meeting with the Urban Renewal Advisory Committee, representatives of Discover Development discussed their plan to address the exterior appearance of the milling building and the silos. Their tentative plan is to power wash and paint the milling building and a portion of the warehouse. This process could take between 4 to 8 months, and the goal is to have this work completed by the end of summer. Scaffolding to do the work has been purchased. If funds in addition to the \$100,000 source of funding previously provided by the Agency are needed to complete this project, representatives of Discover Development indicated they would seek such funds. Due to the exterior condition of the silos which has inhibited the cleaning of the silos, and a current lack of funding for painting the silos, and the long term plans for aesthetic improvements to the silos, representatives of Discover Development informed the Advisory Committee they did not have any immediate plans to paint the silos. They did indicate they would be interested in discussions with the Agency whether any loan funds could be made available to improve the exterior appearance of the silos.

ALTERNATIVES: *Move to accept the recommendation of the Urban Renewal Advisory Committee, and authorize the execution of the land sale contract between the Urban Renewal Agency and Discover Development LLC for the purchase of the Sunshine Mill Property.*

Copy 4-13-9

LEASE

WHEREAS, the **Columbia Gateway Urban Renewal Agency**, hereinafter referred to as "Lessor", and **Discover Development, LLC** and **TGE, LLC, aka Quenett**, hereinafter referred to as "Lessee", entered into an Option to Purchase Real Property on July 29, 2005, for the potential purchase by Lessee from Lessor of the property commonly known as the Sunshine Flour Mill Property; and

WHEREAS, the Option to Purchase Real Property entered into on July 29, 2005, is scheduled to expire on April 30, 2009; and

WHEREAS, Lessor and Lessee have mutually agreed that it is in the best interests of both parties to allow the Option to Purchase Real Property entered into on July 29, 2005, to expire and for the parties to enter into a long term lease which includes a revised purchase option;

NOW, THEREFORE, it is mutually agreed as follows:

Section 1. Premises Let. That for and in consideration of the rent to be paid and the covenants and provisions hereof to be fulfilled, Lessor demises and lets to Lessee and Lessee hires and rents from Lessor the following described real property situated in City of The Dalles, Wasco County, Oregon:

The property described in Exhibit A, which is shown on the map attached as Exhibit B, which Exhibits are attached hereto and by this reference incorporated herein by this reference, is hereinafter referred to as the "Property".

Section 2. Term. This lease shall operate and be effective for a term of five (5) years beginning on the 13th day of April, 2009 and terminating on the 13th day of April, 2014, unless this Lease is terminated sooner as a result of the Lessee's purchase of the property under the provisions of the purchase option herein. The lease may be renewed for another five (5) year term, provided that Lessor and Lessee mutually agree upon the terms of a renewal prior to the scheduled expiration of April 13, 2014.

Section 3. Rent. The consideration to be paid by Lessee for this Lease shall be improvements to be constructed by Lessee upon the structures and buildings located upon the

leased premises, including but not limited to, improvements to the milling building including replacement of the building's roof, or improvements to the silo buildings.

Section 4. Use of Premises. During the term of this Lease, Lessee shall be entitled to enter upon the Property for the purpose of making or conducting any inspection, investigation, test, or survey reasonably related to the Lessee's decision to purchase the Property or to Lessee's prospective use thereof. Lessee shall have the right to bring potential investors and tenants upon the Property for visitations and inspections, to conduct demolition and construction research, and to place signs on the Property for purposes of marketing and identification. During the term of this Lease, Lessor shall cooperate in all reasonable respects with Lessee's efforts to inspect, investigate, test and survey the Property. The Lessee agrees, at Lessee's expense, to keep all open areas on the leased premises free and clear from snow, ice, debris and objects and to comply with all ordinances, rules or regulations of any public authority having authority to make rules and regulations concerning the premises or the occupants or the occupancy of the premises. Lessee, at Lessee's expense, will keep the premises let and not enclosed within the building in a clean and neat condition free of papers, trash and debris of every kind and shall prevent trash, papers and debris from Lessee's business from littering the sidewalks or public streets or areas adjoining the premises. Lessor and Lessee acknowledge the leased premises may be used for a variety of commercial activity under subleases authorized under the provisions of Section 9 of this Agreement.

Section 5. Strip or Waste. Lessee agrees that Lessee will not cause, suffer or permit any strip or waste of the leased premises or of any improvement situated thereon, except as authorized under the provisions of Sections 4 or 6 of this Agreement.

Section 6. Maintenance, Remodeling and Repair. Any renovation or remodeling proposed by Lessee which involves a structural change to a building or structure located upon the leased premises, and any proposed demolition of a building or structure on the leased premises proposed by Lessee, shall require the prior written approval of Lessor. In any remodeling or renovation of any kind, and in any act which Lessee performs to maintain or repair a building or

structure located upon the leased premises, Lessee shall not increase the fire hazard and shall conform with state laws, City ordinances and the regulations and rules of all political subdivisions, commissions, boards and agencies having authority over the premises in regard to safety, sanitation, fire protection and building requirements.

Section 7. Utilities. Lessee shall furnish and supply, at Lessee's own expense, all utilities and all utility services of every kind and nature for the leased portion of the premises, including but not limited to heat, light, electricity, power, water, sewage, garbage disposal and plumbing and wiring maintenance and repair without expense to Lessor whatsoever. In this respect, Lessee will provide, at Lessee's expense, the acquisition and installation of all heat, water and sewage that may be desired by Lessee.

Section 8. Liens Not Permitted. During the term of this lease in the maintenance and repair of the premises and in the event Lessee shall renovate or remodel the premises with Lessor's permission, as herein provided, Lessee shall not permit any lien or liens for labor and/or materials to attach to the premises and/or any improvements on the premises or any part of the demised premises; and Lessee shall promptly pay any and all debts for labor and/or materials.

Section 9. Assignment, Selling or Subletting. The Lessee shall not assign, sell or transfer its interest in this lease or sublet the premises or any part thereof without first having obtained the express written consent of Lessor, which consent shall not be unreasonably withheld. In the event Lessee shall attempt to assign, sell or transfer its interest in this lease or any part thereof or shall attempt to sublet the premises or any part thereof without first having obtained the express written consent of Lessor, which consent shall not be unreasonably withheld, this lease shall be null and void; and Lessor shall have a right of entry.

Section 10. Insurance. Lessee shall maintain a policy of commercial general liability insurance upon the leased premises, naming Lessor as additional insured. The terms of such policy shall provide ten (10) days notice to Lessor prior to cancellation and shall have a combined single limit coverage of \$1,000,000 aggregate and \$500,000 per occurrence. Lessee shall provide a certificate showing the coverage to the City Attorney for approval, which

approval may be withheld in the event that either the policy or the carrier are unsatisfactory to the City. Failure of the Lessee to maintain an approved policy of insurance shall cause a default of this agreement.

Section 11. Fire or Other Casualty. Lessor and Lessee acknowledge and agree the current condition of the milling building is such that if the building were to suffer damage as a result of a major casualty, including a fire causing structural damage to the building, the building could not be restored. In the event the milling building incurs significant structural damage (e.g., damage to the degree that the building is in danger of collapsing) as a result of fire or some other casualty, Lessor and Lessee have agreed that both parties shall be relieved of responsibility for repair and restoration of the milling building. In the event the milling building suffers damage as a result of a fire or other casualty which does not cause significant structural damage to the building, Lessor and Lessee agree to consult with each other in good faith to determine the extent and feasibility of repairs to the milling building, and to agree upon a time schedule for repairs to the building, which repairs shall be considered rent under Section 3 of this Agreement.

In the event of damage to the silo buildings located on the property due to a casualty, which renders the silo buildings unsafe for occupancy, this Agreement shall become null and void, and Lessor shall have a right of entry.

Section 12. Waiver of Subrogation. Both the Lessor and the Lessee shall obtain from their respective insurance carriers waiver of subrogation against the other party, their agents and employees. Neither party shall be liable to the other for any loss or damage caused by fire or any of the risks enumerated in a standard insurance policy with an extended coverage endorsement.

Section 13. Taxes. Tenant shall be responsible for payment of real property taxes assessed against the Property as a result of this Lease agreement, and for payment of any personal property taxes assessed against the Lessee's personal property.

Section 14. Personal Injury and Property Damage Incurred by Third Parties. Lessee shall and does hereby, by its own assets and insurance, agree to indemnify and hold harmless Lessor from any and all claims or actions for personal injury, death and property

damage incurred by third parties, and actions or claims of every kind which shall accrue to any person, firm or corporation, by reason of any injury or damage suffered by the third party caused by any act or omission to act on the part of Lessee, its agents, servants, employees, contractors, clients, business visitors, invitees or visitors occurring on the rented premises or on any adjacent premises, area, street, sidewalks, or ways, as a result of occupation of the premises by Lessee, or the conduct of business thereon, and Lessor shall not be liable for any such liability whatsoever, except for a liability arising from acts of Lessor or its agents on the rented premises or adjacent premises.

Section 15. Enforcement, Costs and Fees. Should Lessor by reason of any default or breach on the part of Lessee in the performance of any provision of this lease, be required to take legal action to enforce any provision of this lease or for the collection of rental or damages or to rescind this agreement by virtue of breach or default on the part of Lessee, the Lessee will pay all legal costs and expenses, including attorney's fees, expended or incurred by Lessor in connection therewith.

Section 16. Access to Premises. Lessor and its officers, agents and employees may have free access to the premises during normal business hours for the purpose of examining and inspecting the same and to ascertain whether the covenants and agreements contained in this lease are being performed by Lessee.

Section 17. Removal of Fixtures, Furniture and Equipment. Upon the termination of this lease or during the term of this lease, Lessee shall have the right to remove all fixtures, equipment and furnishings owned by Lessee and which have not become attached to the real property herein let, and all attached fixtures, equipment and furnishings which Lessor has given written consent to remove in order to allow Lessee to make necessary improvements to the structures and buildings located upon the leased premises. In the event Lessee removes any said fixtures, equipment or furnishings which Lessee is entitled to remove and by such removal causes damage or injury to the premises, Lessee agrees to repair such damage or injury to the premises immediately at Lessee's expense and to restore the premises to as good a state and

condition as the same were in at the beginning date of this lease or may be put into hereafter. The provisions of this paragraph do not extend the term of this lease and the removal of all fixtures, equipment and furnishings which Lessee may remove shall be completed by Lessee before the termination of this lease.

Section 18. Signs and Advertising. Lessee can paint business signs on the outside walls of that portion of the building in which the leased premises are situated and business signs over entry doors into the leased premises; and further, Lessee may paint, attach or erect such signs and devices which have been agreed upon in writing signed by the parties hereto and which may from time to time be agreed upon in writing between the parties hereto. Any use of signs or advertising must comply with the ordinances of the City of The Dalles, the laws of the State of Oregon, and the rules and regulations of any other agency, department or commission having authority to regulate the same. Lessee does hereby indemnify and save harmless Lessor from any loss, cost, damage or expense to property or persons resulting from the erection, maintenance or removal of any such signs.

Section 19. Limitation of Lessor's Responsibility. Lessor shall not be liable for any injury or damage of any kind to persons or property, including but not limited to Lessee's property, stock of goods, equipment, furniture, fixtures and furnishings resulting from the condition of the premises or any act or omission to act in regard to the maintenance and repair of the premises of any kind.

Section 20. Termination Upon 180 days Written Notice. Lessor and Lessee shall each have the right to terminate this agreement upon giving the other party 180 days' written notice. The notice shall be sent by certified mail, return receipt requested, to the following addresses:

Lessor
Dan Durow, Staff Coordinator
Columbia Gateway
Urban Renewal Agency
313 Court Street
The Dalles, OR 97058

Lessee
James Martin
Quenett Winery, aka TGE LLC
Discover Development, LLC
102 East 2nd Street
The Dalles, OR 97058

Section 21. Events of Default. The following events shall be defined to constitute an event of default under this lease by the Lessee.

1. Default in the due observance or performance of any other covenant, agreement, obligation or provision of this lease agreement.
2. The filing of a voluntary or involuntary bankruptcy petition on behalf of Quenett Winery, aka TGE LLC or Discover Development LLC.
3. An assignment for the benefit of creditors, or the appointment by a court of a trustee or receiver for all or a major portion of the Lessee's property.

Section 22. Remedies in the Event of Default. In the event of a default as defined herein, Lessor may take any one or more of the following actions:

1. Lessor shall have the absolute right to terminate the lease on a specified date, which date shall not be earlier than 30 days after written notice is given to Lessee. The lease shall be terminated and void, the same as if said lease had not been entered into.
2. Lessor may enter upon the premises and every part thereof at its option and repossess and have the premises fully and completely. Lessor, in case of default or breach of any of the terms hereof, may elect to use the remedy herein provided for repossession and, in addition thereto, may use such other remedy at law or in equity as it may desire. In the event it is necessary to institute a suit or action to enforce any of the covenants or provisions of this lease or to effect a re-entry upon the premises let by Lessor, the Lessee agrees to pay the Lessor its attorney's fees and expenses of such suit or action. Lessee agrees that on the last day of this lease or other sooner termination thereof, that Lessee will peaceably and quietly leave, surrender and yield the premises to the Lessor in as good a state and condition as the same are now in or may hereafter be put into, the reasonable use and wear thereof and damages by the elements excepted.

Section 23. Notices. Any notice given with respect to this Lease agreement, shall be deemed given when actually delivered personally or when deposited in the United States mail by certified mail, return receipt requested, in an envelope addressed to the addresses listed in Section 20.

Section 24. Purchase Option.

1. Lessor and Lessee acknowledge and agree that Lessee has a leasehold interest only in the Property described in Exhibit A for the term of this lease.

2. Lessor and Lessee acknowledge and agree that it is the mutual intent of both parties to enter into a Lease with a Purchase Option for the property described in Exhibits C, D, E, F, and G (which area of property includes the Property described in Exhibit A), upon completion of the East Gateway/ Brewery Grade Intersection Project.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals in duplicate this 13th day of April, 2009.

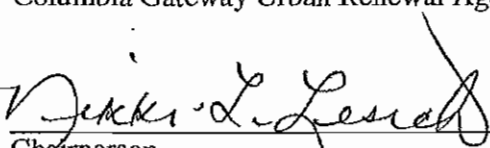
LESSEE

LESSOR

Discover Development LLC

Columbia Gateway Urban Renewal Agency

By: 


Chairperson

Title James Martin
owner

TGE, LLC aka Quenett Winery LLC

By: 

Title James Martin
owner

EXHIBIT "A"

A tract of land lying in Block 24 of Laughlin's Addition, and in Block 4 of Annex to Lord and Laughlin's Addition and in the Southeast 1/4 of Section 3, Township 1 North, Range 13 East, Willamette Meridian, City of The Dalles, Wasco County, Oregon, being more particularly described as follows.

Commencing at the Southwesterly corner of said Block 24; thence along the Westerly line of said Block 24, North $34^{\circ}18'19''$ East 26.34 feet to the true point of beginning of this description; thence leaving said Westerly line, South $60^{\circ}51'23''$ East 298.27 feet to the intersection with the Northerly right-of-way line of East Second Street; thence along said Northerly right-of-way line, South $76^{\circ}30'37''$ East 248.97 feet; thence leaving said Northerly right-of-way line, North $14^{\circ}41'29''$ East 114.16 feet to the intersection with the Southerly right-of-way line of the Union Pacific Railroad right-of-way; thence along said Southerly right-of-way line, North $76^{\circ}13'11''$ West 19.35 feet; thence along a spiral curve to the right (the long chord of which bears North $74^{\circ}40'08''$ West 168.97 feet); thence on a 999.83 foot radius curve to the right, through a central angle of $08^{\circ}02'57''$ a distance of 140.46 feet (the long chord of which bears North $67^{\circ}11'38''$ West 140.35 feet) to the intersection with Northerly line of said Block 24; thence along said Northerly line, North $56^{\circ}30'07''$ 176.84 feet to a point being 0.80 feet Northerly from the Westerly line of said Block 24, when measured at a right angle; thence parallel with and 0.80 feet distant from said Westerly line, South $34^{\circ}18'19''$ West 130.72 feet; thence South $60^{\circ}51'23''$ East 0.80 feet to the true point of beginning.

Contains 1.46 acres, more or less.

EXHIBIT "B"

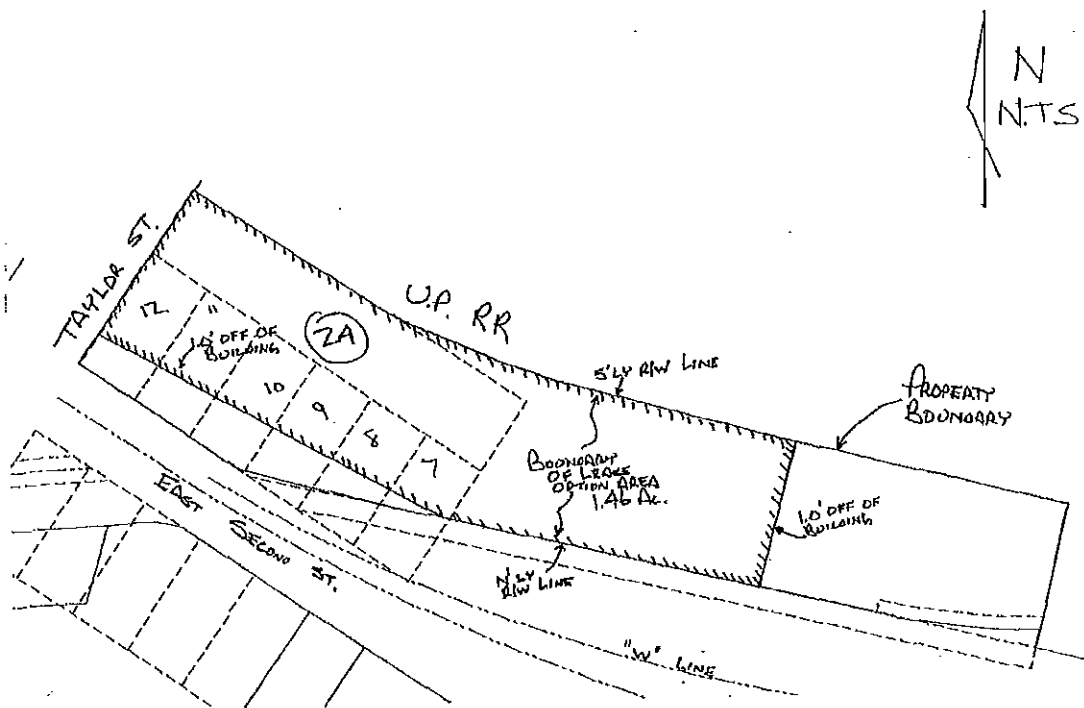


EXHIBIT "C"

Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11 and 12, in Block 24, LAUGHLIN'S ADDITION TO DALLES CITY, and Lots 1, 2 and 3, in Block 4, ANNEX TO LORD AND LAUGHLIN'S ADDITION TO DALLES CITY, in the City of The Dalles, County of Wasco and State of Oregon, EXCEPTING THEREFROM, the portions thereof conveyed to Great Southern Railroad Company by instruments recorded in Book 61, Page 521, and in Book 62, Page 169, Deed Records of said county and State, which excepted portions are bounded as follows: On the South by the Northerly line of North Second Street as shown by the plat of Annex to Lord and Laughlin's Addition to Dalles City; on the North by a line 8 feet Northerly from and parallel with the center line of the Great Southern Railroad Company's siding to the Wasco Warehouse Milling Company's elevator; on the West by the Northeasterly line of Second Street (proper); and on the East by the Easterly line of Block 4, Annex to Lord and Laughlin's Addition to Dalles City, EXCEPTING THEREFROM, the portion thereof now occupied as an unloading dump.

ALSO, a tract of real property formerly a portion of Main Street, as shown on the Plat of Laughlin's Addition to Dalles City, in the County of Wasco, State of Oregon, and later known as First Street, which tract is described as follows:

Beginning at the intersection of the Northerly line of Block 24 in Laughlin's Addition to Dalles City with a line 45 feet Southerly from and parallel with the center line of the right of way of the Oregon-Washington Railroad and Navigation Company's Railway; thence Easterly along the Northerly line of said Block 24, a distance of 100 feet, more or less, to the Northeast corner of said Block; thence North 34° 14' East along the Northerly extension of the Easterly line of said block, a distance of 23 feet more or less, to a line 45 feet Southerly from and parallel with the center line of the Oregon-Washington Railroad and Navigation Company's right of way; thence Westerly on a curve to the right along the line 45 feet Southerly from and parallel with the center line of said right of way to the place of beginning.

ALSO, a tract of real property in the City of The Dalles, County of Wasco and State of Oregon, described as follows:

Beginning at the most Northerly corner of Block 4, Annex to Lord and Laughlin's Addition to Dalles City; running thence North 34° 14' East along the Northerly extension of the Westerly line of said block, a distance of 15 feet, more or less, to the Southerly houndary line of the right of way of the Oregon- Washington Railroad and Navigation Company's railway described in that certain instrument recorded in Book 28, Page 160, Deed Records of said county and state; thence Easterly along the Southerly line of said right of way, a distance of 418 feet to an iron pipe; thence at right angles toward the South following one of the boundary lines (hereinafter referred to as "Westerly line" of said tract conveyed to Oregon-Washington Railroad and Navigation Company, a distance of 112 feet to a point in a line 8 feet Northerly from and parallel with the Great Southern Railway's siding to the Wasco Warehouse Milling Company's Elevator; thence Westerly along the line 8 feet Northerly from and parallel with the center line of said siding, a distance of 7 feet, more or less, the Easterly line of said Block 4, thence Northerly along the Easterly line of said Block 4 to the Northeasterly corner thereof; thence Westerly along the Northerly line of said Block 4, a distance of 418 feet, more or less, to the place of beginning, the tract herein described being

all of that portion of real property lying between the Northerly and Easterly line of said Block and the Southerly and Westerly lines as referred to herein) of the tract conveyed to Oregon-Washington Railroad and Navigation Company by deed recorded in Book 28, Page 160, Deed Records of said county and state, lying Northerly of a line 8 feet Northerly from and parallel with the center line of the Great Southern Railway's siding to Wasco Warehouse Milling Company's Elevator.

Also, a tract of real property formerly a portion of 9th Street, as shown on the Plat of Laughlin's Addition to Dalles City, in the County of Wasco and State of Oregon, and later known as Taylor Street, which tract is described as follows:

Beginning at the most Westerly corner of Block 24, Laughlin's Addition to Dalles a City; running thence Northerly along the Northwesterly line of said Block 24, a distance of 157 feet to the most Northerly corner of said Block 24; thence at right angles Westerly a distance of .80 feet, thence Southerly along a lien .80 feet Northwesterly from and parallel with the Northwesterly line of said Block 24, a distance of 157 feet to a point in the Westerly extension of the Southwesterly line of said Block 24; thence Easterly along the Westerly extension of the Southwesterly line of said block 24, a distance of .80 feet to the place of beginning.

EXCEPTING THEREFROM:

(a) Warranty Deed, including the terms and provisions thereof, Sunshine Biscuits, Inc., a New York corporation, to State of Oregon, by and through its State Highway Commission, dated January 28, 1952, recorded February 6, 1952 in Book 122, Page 745, Deed Records of Wasco County, Oregon.

(b) Correction Warranty Deed, including the terms and provisions thereof, Sunshine Biscuits, Inc., a New York corporation, to State of Oregon, by and through its State Highway Commission, recorded January 5, 1954 in Book 127, Page 562, Deed Records of Wasco County, Oregon.

(c) Warranty Deed, including the terms and provisions thereof, Sunshine Biscuits, Inc., a New York corporation, to State of Oregon, by and through its State Highway Commission, recorded January 4, 1962 in Book 145, Page 71, Deed Records of Wasco County, Oregon.

(d) Correction Warranty Deed, including the terms and provisions thereof, Sunshine Biscuits, Inc., a New York corporation, to State of Oregon, by and through its State Highway Commission, recorded March 30, 1962 in Book 145, Page 502, Deed Records of Wasco County, Oregon.

SUBJECT TO AND EXCEPTING all easements of record, zoning, use and building restrictions and the limitation and restrictions of all comprehensive plans and/or regulatory and/or land use statutes, ordinances, laws, rules and regulations of every kind and nature, any part of the above described real property lying within the boundaries of public roads and highways and reservations in government patents and deeds.

EXHIBIT "D"

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether, or not shown by the records of such agency or by the public records.
2. Any facts, rights, interest, or claims which are not shown by the public records, but which could be ascertained by an inspection of the land or by making inquiry of persons in possession thereof.
3. (a) Unpatented mining claims, (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water; whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortages in area, encroachments, or any other facts which a survey would disclose, and which are not shown by public records.
5. Statutory liens or other liens or encumbrances, or claims thereof, which are not shown by the public records.
6. General, state, county and city taxes and installments of special assessments, if any, for the year 2005, and all subsequent years, none now due nor payable.
7. Access Restrictions contained in the four (4) deeds to State of Oregon, by and through its State Highway Commission, set out in Exceptions (a), (b), (c), and (d) of the attached described property.
8. Right, title and interest of the Oregon-Washington Railroad and Navigation Company in and to any mineral rights in the above described premises as disclosed by the Wasco County Tax Roll.
9. Existing leases, if any, not disclosed by the public record.
10. Liens in favor of the City of The Dalles, if any.

EXHIBIT "E"

The property described on that certain Warranty Deed recorded January 4, 1962, in Book 145 Page 71 and in that certain Correction Warranty Deed, recorded March 30, 1962, in Book 145 Page 502, Records of Wasco County, Oregon and by this reference made a part hereof;

Parcel 1

A parcel of land lying in the E1/2 of Section 3, Township 1 North, Range 13 East, W.M., Wasco County, Oregon, and being a portion of that property described in that deed to Sunshine Biscuits Incorporated, recorded in Book 115, Pages 202-203, of Wasco County Records of Deeds; the said parcel being that portion of said property included in a strip of land 16.5 feet in width, 8 feet on the Northerly side and 8:5 feet on the Southerly side of the center line of Spur Track #200 as said Spnr Track has been relocated, which center line is described as follows:

Beginning at Engineer's center line Station RR 16+63.7, which Station equals Station RR 19+99.4 on Track #18, said Station also being 229.3 feet North and 1266.5 feet East of the most Westerly corner of Block 24 of Laughlin's Addition to said Dalles City; thence on a 6° 00' curve to the left (the tangent to said curve at Station 16+63.7 bearing North 76° 18' 49" West) 296.6 feet to Station 19+60.3; thence South 85° 53' 25" West, 213.2 feet to Station 21+73.5, the beginning of a 10° 00' curve to the right; thence 175:7 feet on said 10° 00' curve right to Station 23+49.2 (the tangent to said 10° 00' curve at Station 23+49.2 bearing North 76° 32' 34" West) the Westerly line of said strip of land lies at right angles to said center line at Station 23+49.1 . Said center line crosses the Easterly line of said property approximately at Station 21+94.

ALSO any portion of said property lying Southerly of said strip of land.

(Bearings used herein are based upon the Oregon Co-ordinate System, North Zone.)

The parcel of land to which this description applies contains, 1,000 square feet, more or less.

Parcel 2

A parcel of land lying in the E1/2 of Section 3, Township 1 North, Range 13 East, W.M., Wasco County, Oregon, and being a portion of that property described in that certain deed to Sunshine Biscuits Incorporated, recorded in Book 115, Pages 202-203 of Wasco County Records of Deeds; the said parcel being a strip of land 10 feet in width lying Northerly of and adjacent to the Northerly line of Parcel No. 1, said strip of land extending from a line at right angles to the relocated center line of the Spur Track described in Parcel No. 1 at RR Station 23+49.2 to the Easterly line of said property.

The parcel of land to which this description applies contains 1,500 square feet, more or less.

This conveyance is made and delivered upon the following express conditions, reservations, and restrictions:

1. Subject to special assessments, existing restrictions, reservations, and easements of record, if any.

2. That the above described land shall never be used for the placing or maintenance of any advertising sign, display, or device, except such sign, display, or device used to advertise the activities on said land, or the lease or sale of said land or any portion thereof. In the event of violation of this condition, Grantor shall have the right, through its authorized officers, agents, or employees to enter upon said land and remove, destroy, or obliterate any unauthorized sign, display, or device, without liability for damage or injury thereto, and to recover the cost of such removal, destruction or obliteration from the owner of said land.

3. That no junk, scrap, junked motor vehicles, or parts thereof, debris, trash, waste, or other such materials shall be placed on said land for whatever purpose in any manner so as to be visible from a state highway, provided that such items as listed above, can otherwise be placed on said land without violating any applicable law, ordinance, or regulation. In the event of violation of this condition, Grantor shall have the right, through its authorized officers, agents, or employees, to enter upon said land and remove or destroy any unauthorized junk, scrap, or other material mentioned above and recover the cost of such removal or destruction from the owner of said land.

4. That this property shall not be used for the operation of any garbage dump or sanitary land fill. If such use is made of the property, Grantor may, at its election; enter upon said land and restore it to the condition that existed prior to said use for garbage dump or sanitary land fill purposes and recover the cost thereof from the owner of said land.

5. That this conveyance is made upon the further condition, which shall constitute a covenant running with the land, that Grantor shall not at any time become liable to Grantee and grantee's heirs, successors and assigns in interest, for damages to the land herein described or any buildings, structures, improvements, or property of any kind or character now or hereafter located upon said land or for any injuries to any owner, occupant, or any person in or upon said land or for any interference with the use and enjoyment of said land or for damages which except for this covenant might constitute a nuisance caused directly or indirectly by noise or air pollutant emissions from transportation vehicles using the highway or transportation facility adjacent to said land. Any reference in this covenant to the highway or transportation facility adjacent to said land refers to the highway or transportation facility as it now exists and also as it will exist with future improvements. Grantee and grantee's heirs, successors and assigns covenant not to sue Grantor for any said injuries or damages.

6. That Grantee acknowledges that it has examined the above described Property to its own satisfaction and has formed its own opinion as to the condition (including environmental condition) and value thereof. Grantee has not relied on any statements or representations from Grantors or any person acting on behalf of Grantors concerning any of the following: the size or area of the Property or any of the parcels of the Property; the location of corners or boundaries of any parcel of the Property; the conditions of the Property, including but not limited to, environmental condition above or below the surface of the Property or compliance with environmental laws and other governmental requirements; the availability of services to the Property; the ability of Purchaser to use the Property or any portion thereof for any intended purpose; or any other matter affecting or relating to the Property or any portion thereof. Grantee is acquiring the Property, both above surface and below surface, in the condition existing at the time of closing, AS IS, with all defects, if any. Grantee waives, releases and forever discharges Grantors of and from all claims, actions, causes of action, fines, penalties, damages (including consequential, incidental and special damages), costs (including the cost of complying with any judicial or governmental order), and expenses (including attorney fees), direct or indirect, known

or unknown, foreseen or unforeseen, which may arise on account of or in any way growing out of or in connection with any physical characteristic or condition of the Property, including any surface or subsurface condition, or any law, rule or regulation applicable to the Property:

7. Subject to the rights of any utilities located within said property and further subject to the rights of said existing facilities, if any there be, to operate, reconstruct, and maintain their utility facilities presently located within said property.

It is understood that the conditions, reservations, restrictions, and covenants herein set out have been considered in determining the amount of consideration of this conveyance.

The rights and remedies herein reserved or provided shall not be exclusive and shall not be in derogation of any other right or remedy which Grantor may have. The conditions and restrictions herein contained shall run with said land and shall forever bind Grantee and grantee's heirs, successors and assigns. Where any action is taken to enforce the above mentioned conditions and restrictions, Grantor shall not be liable for any trespass or conversion as to any real or personal property. Where legal proceedings are commenced by Grantor to enforce the foregoing conditions and restrictions or for the recovery of the aforementioned removal or destruction costs, the successful party shall be entitled to reasonable attorney fees and court costs.

EXHIBIT "F"

A tract of land lying in Lots 7, 8, 9, and 10 of Block 24, Laughlin's Addition, in Block 4, of Annex to Lord and Laughlin's Addition and in the Southeast 1/4 of Section 3,

Township 1 North, Range 13 East, Willamette Meridian, City of The Dalles, Wasco County, Oregon, being more particularly described as follows.

Commencing at the Southwesterly corner of said Block 24; thence along the Southerly line of said Block 24, South 55°21'33" East 145.03 feet to the true point of beginning of this description, said true point of beginning bears, North 55°21'33" West 155.80 feet from the Southeasterly corner of said Block 24; thence leaving said Southerly line, South 74°47'06" East 117.28 feet; thence South 76°30'37" East 511.37 feet to the intersection with the Southerly extension of the Easterly line of that tract of land described in Book 115, Page 202, Deed Records of Wasco County; thence along said Southerly extension, South 13°48'07" West 16.50 feet; thence North 76°30'37" West 576.73 feet to the intersection with Southerly line of said Block 24; thence along said Southerly line, North 55°21'33" West 55.51 feet to the true point of beginning of this description.

Contains 10,059 square feet.

EXCEPTING THEREFROM the following described portion:

Two tracts of land lying in Lots 7, 8, 9, and 10 of Block 24, Laughlin's Addition, and in Block 4 of Annex to Lord and Laughlin's Addition, in the Southeast 1/4 of Section 3, Township 1 North, Range 13 East, Willamette Meridian, City of The Dalles, Wasco County, Oregon, being more particularly described as follows.

Commencing at the Southwesterly corner of said Block 24; thence along the Southerly line of said Block 24, South 55°21'33" East 145.03 feet to the true point of beginning of this description; thence leaving said Southerly line, South 74°47'06" East 31.97 feet; thence South 64°18'40" East 58.02 feet; thence on a 539.00 foot radius curve to the left, through a central angle of 04°06'35" a distance of 38.66 feet (the long chord of which bears South 66°21'58" East 38.65 feet); thence North 76°30'37" West 74.94 feet to the intersection with said Southerly line; thence along said Southerly line, North 55°21'33" West 55.51 feet to the true point of beginning of this description.

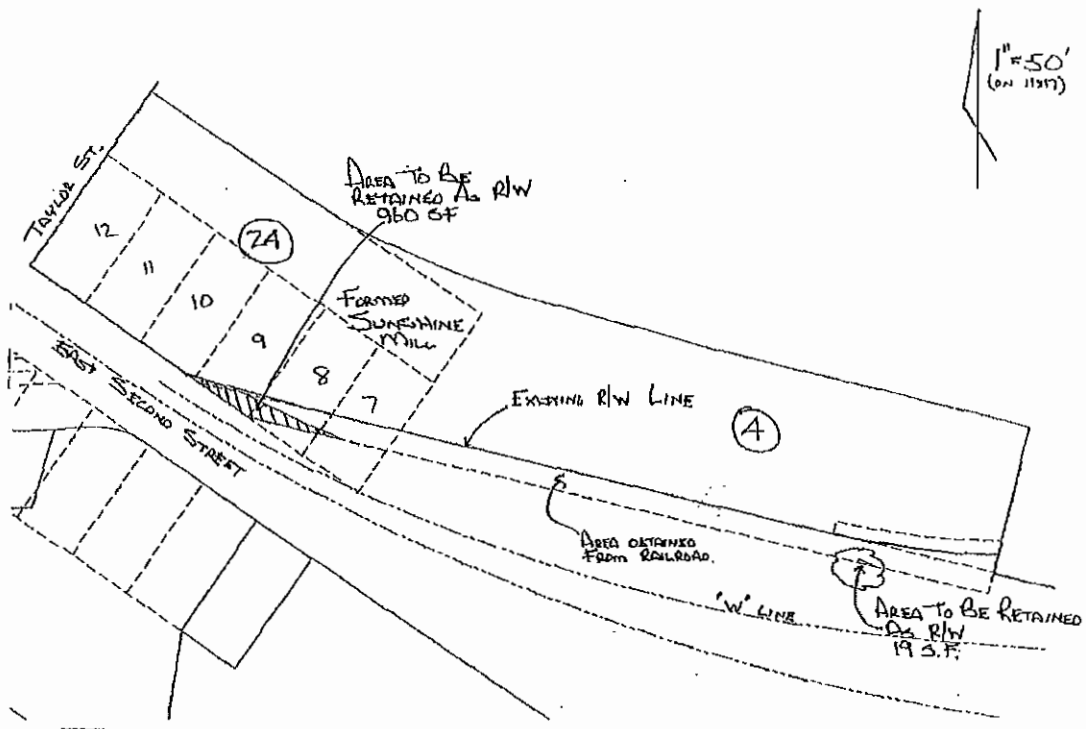
Contains 960 square feet.

Also the following described tract of land.

Commencing at the Southwesterly corner of said Block 24; thence along the Southerly line of said Block 24, South 55°21'33" East 200.54 feet; thence South 76°30'37" East 474.14 feet to the true point of beginning of this description; thence continuing, South 76°30'37" East 14.68 feet; thence North 66°07'37" West 14.44 feet; thence South 23°52'23" West 2.65 feet to the true point of beginning of this description.

Contains 19 square feet.

EXHIBIT "G"



LAND SALE CONTRACT

DATED: _____, 2013.

BETWEEN: Columbia Gateway Urban Renewal Agency, an Oregon municipal corporation, hereinafter referred to as "Seller" Address: 313 Court Street, The Dalles, OR 97058

AND: Discover Development, LLC, dba Sunshine Mill, hereinafter referred to as "Purchaser" Address: 901 East Second Street, The Dalles, OR 97058

Seller owns the real property located in the City of The Dalles, Wasco County, Oregon, and described in the attached Exhibits A and B, subject to those encumbrances described in the attached Exhibits, which property is hereinafter referred to as the "Property".

Seller agrees to sell the Property to Purchaser and Purchaser agrees to buy the Property from Seller for the price and on the terms and conditions set forth below:

Tax Statement:

Until a change is requested, all tax statements shall be sent to Discover Development, LLC, dba Sunshine Mill, 901 East Second Street, The Dalles, OR 97058.

Section 1. Purchase Price and Payment

1.1 Total Purchase Price. Purchaser promises to pay Seller as the total purchase price for the Property the sum of \$305,123.69 (US), plus interest calculated at the annual rate of one percent (1%) on the purchase price until the purchase transaction is closed as further defined herein. The purchase price shall be allocated in the following manner: \$265,276.00 shall be allocated for the parcels described in Exhibit C; \$16,911.69 shall be allocated for the parcel described in Exhibit D; and \$22,936.00 shall be allocated for the reimbursement of Seller for the costs advanced by Seller for certain streetscape improvements constructed in connection with the East Gateway/Brewery Grade Project.

1.2 Payment of Total Purchase Price. Within five years from the date of execution of this Land Sale Contract, Purchaser shall pay the full purchase price and all applicable accrued interest from the date of execution of this Land Sale Contract until the purchase transaction is closed, in cash at the time of closing.

1.3 Place of Payments. All payments to Seller must be made to the escrow agent described in Section 3.4.

Section 2. Taxes and Loan Repayment

2.1 Obligation to Pay Taxes. Purchaser acknowledges there is a current balance of \$4,152.79 owed for real property taxes for the 2012 tax year, which shall be paid by Purchaser to the Wasco County Assessors by May 15, 2013. From and after the date of execution of this Land Sale Contract, Purchaser shall be responsible for payment of all property taxes assessed upon the real property and all personal property taxes assessed against the

Purchaser's equipment installed upon the property. Purchaser may elect to pay taxes and assessments in accordance with any available installment method.

2.2 Loan Repayment. Purchaser acknowledges that pursuant to the Loan Agreement between Purchaser and Seller dated October 12, 2009, which Loan Agreement was amended on September 19, 2010 to increase the loan proceeds from \$500,000 to \$600,000, the balloon payment to repay the loan in full is due on October 14, 2014. As a condition precedent to the conveyance of the property by Seller to Purchaser, said balloon payment shall have been paid by Purchaser to Seller by no later than October 14, 2014.

Section 3. Closing

3.1 Closing Date. The transaction to complete the purchase of the property shall be closed no later than May 15, 2015. As used in this Contract, the Closing Date means the date on which the escrow agent is prepared to disburse funds. The closing will occur in escrow at the offices of Wasco Title.

3.2 Responsibility of Parties. At closing, Purchaser must pay the amount of cash specified in Section 1.1 above, and Seller must have received a commitment for the issuance of a policy of title insurance as described in Section 9.

3.3 Prorates and Closing Costs. Except as otherwise provided in this Contract, all items to be prorated will be prorated as of the applicable closing date. Seller is responsible for paying one-half of the escrow fee, and two-thirds of the cost of the premium for the title insurance policy. Purchaser is responsible for paying for one-third of the cost of the premium for the title insurance policy, the entire cost of fees for recording the Bargain and Sale Deed from the Seller, and one-half of the escrow fee.

3.4 Payment / Escrow. Seller must deliver to Wasco Title, as escrow agent, the deed described in Section 12, together with suitable instructions authorizing delivery after all payments have been made and all other obligations of Purchaser under this Contract have been fulfilled. The costs of setting up the escrow will be evenly divided.

Section 4. Possession and Existing Tenancies

4.1 Possession. Seller and Purchaser acknowledge that Purchaser has had possession of the Property under the terms of a Lease Agreement entered into between Seller and Purchase dated April 13 2009, and that Purchaser shall be entitled to continue in possession of the Property on and after the date of execution of this Land Sale. Contract, until said Lease Agreement has been terminated by the recording of the Bargain and Sale Deed.

Section 5. Indemnification

5.1 Purchaser's Indemnification of Seller. Purchaser will forever indemnify, reimburse, and hold Seller harmless and, at Seller's election, defend Seller for, from, and against any and all claims, costs, expenses (including attorney fees), losses, damages, fines, charges, actions, or other liabilities of any description arising out of or in any way connected with (1) Purchaser's possession or use of the Property, (2) Purchaser's conduct with respect to the Property, (3) any condition of the Property to the extent that the same arises from or after the date of execution of this Land Sale Contract and is not caused or contributed to by Seller, or (4) Purchaser's breach of any warranty or representation made by Purchaser in this Contract. In the event of any litigation or proceeding brought against Seller and arising out of or in any way

connected with any of the above events or claims, against which Purchaser agrees to defend Seller, Purchaser will, on notice from Seller, vigorously resist and defend such actions or proceedings in consultation with Seller through legal counsel reasonably satisfactory to Seller.

5.2 Seller's Indemnification of Purchaser. Seller will forever indemnify, reimburse, and hold Purchaser harmless and, at Purchaser's election, defend Purchaser for, from, and against any and all claims, costs, expenses (including attorney fees), losses, damages, fines, charges, actions, or other liabilities of any description arising out of or in any way connected with (1) Seller's possession or use of the Property, (2) Seller's conduct with respect to the Property, (3) any condition of the Property to the extent that the same exists on the date of execution of this Land Sale Contract and is not caused or contributed to by Purchaser, or (4) Seller's breach of any warranty or representation made by Seller in this Contract. In the event of any litigation or proceeding brought against Purchaser and arising out of or in any way connected with any of the above events or claims, against which Seller agrees to defend Purchaser, Seller will, on notice from Purchaser, vigorously resist and defend such actions or proceedings in consultation with Purchaser through legal counsel reasonably satisfactory to Purchaser.

5.3 Indemnification Scope. Wherever this Contract obligates a party to indemnify, hold harmless, or defend the other party, the obligations will run to directors, officers, agents, partners, and employees of such other party and will survive any termination or satisfaction of this contract. Such obligations with respect to the acts or omissions of either party will include the acts or omissions of any director, officer, partner, agent, employee, contractor, tenant, invitee, or permittee of such party.

Section 6. Representations, Warranties, and Covenants of Seller

6.1 Covenants of Title. Seller warrants that Seller is the owner of good and marketable title to the Property free of all liens and encumbrances except those referred to on the attached Exhibits A and B and will defend such title from the lawful claims of persons claiming superior title.

6.2 Authority. Seller represents that Seller has obtained all requisite authorizations for the execution and delivery by Seller of this Contract and the performance of the transactions contemplated by this Contract, and that the execution and delivery of this Contract are made pursuant to such authorizations.

6.3 No Brokers. Seller has not employed any broker or finder in connection with the transactions contemplated by this Contract and has taken no action would give rise to a valid claim against Purchaser for a brokerage commission, finder's fee, or other like payment.

6.4 Litigation. There are no pending claims or litigation or threats of claims or litigation or other matters of which Seller is aware or by the exercise of reasonable diligence of which Seller should be aware that could adversely affect Purchaser's title, use, or enjoyment of the Property.

6.5 Hazardous Substances. To the best of Seller's knowledge, no Hazardous Substance has been disposed of, spilled, leaked, or otherwise released on, under, or from property adjacent to or in the immediate vicinity of the Property. No wastes, including without limitation garbage and refuse, have been disposed of on the Property, and the circumstances concerning removal of underground storage tanks has been addressed in section 5 of this Agreement. The term *Hazardous Substance* means any hazardous, toxic, radioactive, or infectious substance, material, or waste as defined, listed, or regulated under any law pertaining to the protection of human health or the environment, and includes without limitation petroleum oil and its fractions.

6.6 Compliance with Laws. The Property and every portion of it, and all activities conducted on the Property, are in compliance with all applicable federal, state, and local statutes, regulations, and ordinances. Seller is not aware of and has not received notice of any past violation of any applicable federal, state, or local statutes, regulations, or ordinances.

6.7 Nonforeign Status. Seller warrants that Seller is not a *foreign person* as defined in IRC §1445(f)(3) and that Seller is not a “transferor” subject to withholding under ORS 314.258 (“ORFIRPTA”) and that each such warranty will be true as of closing.

6.8 No Further Contracts. Seller represents that there are no contracts, leases, or agreements relating to the Property, (except the Lease Agreement dated April 13, 2009, which will be terminated as set forth in Section 4.2) that will be binding on the Property after the Closing Date.

6.9 No Wetlands or Fill. Seller warrants that as of the Closing Date, to the best of Seller’s knowledge, the Property contains no wetlands or other water bodies or any fill currently subject to regulation under §404 of the Clean Water Act (33 USC §1344) or ORS 196.600–196.990 and will not be in violation of these laws or regulations.

Seller further warrants that as of the Closing Date Seller has not received any notice, and does not have actual knowledge, of any pending or threatened claim, action, demand, suit, proceeding, hearing, or governmental study or investigation against or involving the Property and related in any way to the fill or removal of the material in or from any wetland located on the Property.

6.10 Disclosure. Seller has fully disclosed in writing and provided to Purchaser all material information in Seller’s possession or that Seller owns or controls that relates to the Property, its condition, and the title to the Property.

Section 7. Title Insurance

On the Closing Date, Purchaser and Seller shall cause the Title Company to furnish to the other party an ALTA standard coverage owner's policy of title insurance in the amount of \$282,187.69, insuring that title to the property being conveyed is vested in the Purchaser, subject to the usual printed exceptions and any exceptions approved by the Purchaser. Premium costs for the title insurance policy shall be allocated in the manner set forth in Section 3.3

Section 8. Deed

On payment of the total purchase price for the Property as provided in this Contract and Purchaser’s performance of all other terms, conditions, and provisions of this Contract, Seller will forthwith deliver to Purchaser a good and sufficient bargain and sale deed conveying the Property free and clear of all liens and encumbrances, except those referred to on attached Exhibits A and B (with the understanding that Exception No. 1 will be removed), and all liens or encumbrances suffered by or placed on the Property by Purchaser subsequent to the date of this Contract.

Section 9. Default

9.1 Events of Default. Time is of the essence of this Contract. A default will occur under any of the following circumstances:

- (1) Purchaser’s failure to make any payment when due.
- (2) Any default under the Prior Lien attributable to Purchaser.

(3) Purchaser's failure to perform any other obligations contained in this Contract within 7 days after notice from Seller specifying the nature of the default or, if the default cannot be cured within 7 days, failure within such time to commence and pursue curative action with reasonable diligence.

(4) Purchaser's dissolution, termination of existence, insolvency on a balance-sheet basis, or business failure; Purchaser's commencement of a voluntary case under the federal bankruptcy laws or under other federal or state law relating to insolvency or debtor's relief; the entry of a decree or order for relief against Purchaser in an involuntary case under the federal bankruptcy laws or under any other applicable federal or state law relating to insolvency or debtor's relief; the appointment or the consent by Purchaser to the appointment of a receiver, trustee, or custodian of Purchaser or of any of Purchaser's property; Purchaser's assignment for the benefit of creditors or Purchaser's failure generally to pay its debts as they become due.

(5) Purchaser's making or suffering a fraudulent transfer or conveyance under applicable federal or state law; Purchaser's concealment of any of its property from creditors; Purchaser's making or suffering a preference within the meaning of the federal bankruptcy law; or the imposition of a lien through legal proceedings or distraint on any of the property of Purchaser.

9.2 Remedies of Default. In the event of a default, Seller may take any one or more of the following steps:

(1) Seller may declare the entire balance of the purchase price and interest immediately due and payable.

(2) Seller may foreclose this Contract by suit in equity.

(3) Seller may specifically enforce the terms of this Contract by suit in equity.

(4) After complying with the notice requirements and affording Purchaser the right to cure the default contained in ORS 93.905–93.945, as the same may be amended or superseded from time to time, as long as the same is applicable, Seller may declare this Contract forfeited and retain the amount of the payments previously made under this Contract. On recordation of the affidavit required by Oregon law, this Contract will be extinguished and canceled, and Purchaser will have no further right, title, or interest in and to the real property or to any return or compensation for payments previously made under this Contract, as though this Contract and such payments had never been made. In that event, Purchaser agrees to surrender the Property to Seller. If Purchaser fails to do so, Seller may elect to treat Purchaser as a tenant holding over unlawfully after the expiration of a lease, and Purchaser may be ousted and removed as such, without affecting Seller's right to pursue other rights and remedies contained in this Contract or permitted by law.

9.3 Remedies Not Exclusive. The remedies provided above are nonexclusive and in addition to any other remedies provided by law.

Section 10. Waiver

The failure of either party at any time to require performance of any provision of this Contract will not limit the party's right to enforce the provision except to the extent expressly set forth in a writing signed by that party, nor will any waiver of any breach of any provision constitute a waiver of any succeeding breach of that provision or a waiver of that provision itself.

Section 11. Successor Interests

This Contract is binding on and inures to the benefit of the parties, their successors, and assigns but no interest of Purchaser may be assigned, subcontracted, or otherwise transferred, voluntarily or involuntarily, without the prior written consent of Seller, which consent may not be unreasonably withheld. Seller's consent to one transfer will not constitute consent to other transfers or waiver of this section. Any attempted assignment in violation of this provision will be void and of no effect with respect to Seller. Purchaser and any other person at any time obligated for the performance of the terms of this Contract hereby waive notice of and consent to any and all extensions and modifications of this Contract or the release of any person or persons from liability under the Contract granted by Seller. Any such extensions or modifications or releases will not in any way release, discharge, or otherwise affect the liability of any person at any time obligated under this Contract or any guarantor of such person's obligations.

Section 12. Prior Agreements

This document is the entire, final, and complete agreement of the parties pertaining to the sale and purchase of the Property, and supersedes and replaces all prior or existing written and oral agreements (including any earnest money agreement) between the parties or their representatives relating to the Property.

Section 13. Notice

Any notice under this Contract must be in writing and will be effective when actually delivered in person or within three days after being deposited in the U.S. mail, registered or certified, return receipt requested, postage prepaid and addressed to the party at the address stated in this Contract or such other address as either party may designate by written notice to the other.

Section 14. Applicable Law

This Contract shall be governed by, and construed in accordance with, the laws of the state of Oregon.

Section 15. Costs and Attorney Fees

15.1 No Suit or Action Filed. If either party to this Contract seeks legal counsel because of a default in the payment or performance of any of its terms, the defaulting party must pay, immediately on demand, the other party's reasonable attorney fees, collection costs, costs of either a litigation or a foreclosure report (whichever is appropriate), even though no suit or action is filed thereon, and any other fees or expenses incurred by the nondefaulting party.

15.2 Arbitration or Mediation; Trial and Appeal. If any arbitration, mediation, or other proceeding is brought in lieu of litigation, or if suit or action is instituted to enforce or interpret any of the terms of this Contract, or if suit or action is instituted in a bankruptcy court for a United States District Court to enforce or interpret any of the terms of this Contract, to seek relief from an automatic stay, to obtain adequate protection, or to otherwise assert Seller's interest in a bankruptcy proceeding, the party not prevailing must pay the prevailing party's costs and disbursements, the fees and expenses of expert witnesses in determining reasonable attorney fees under ORCP 68, the actual cost of a litigation or foreclosure report, and any sums that the court may determine to be reasonable for the prevailing party's attorney fees connected with the trial and any appeal and by petition for review thereof.

15.3 Definitions. For purposes of this Contract, the term *attorney fees* includes all charges of the prevailing party's lawyers and their staff (including without limitation legal assistants, paralegals, word processing, and other support personnel) and any postpetition fees in a bankruptcy court. For purposes of this Contract, the term *fees and expenses* includes but is not limited to long-distance telephone charges; expenses of facsimile transmission; expenses for postage (including costs of registered or certified mail and return receipts), express mail, or parcel delivery; mileage and all deposition charges, including but not limited to court reporters' charges, appearance fees, and all costs of transcription; costs incurred in searching records; and the cost of title reports or surveyor's reports.

Section 16. Number, Gender, and Captions

As used in this Contract, the singular includes the plural, and the plural the singular. The masculine and neuter each include the masculine, feminine, and neuter, as the context requires. All captions used in this Contract are intended solely for convenience of reference and in no way limit any of the provisions of this Contract.

Section 17. Survival of Covenants

Any covenants the full performance of which is not required before the closing or final payment of the purchase price and delivery of the deed will survive the closing and the final payment of the purchase price and the delivery of the deed and be fully enforceable thereafter in accordance with their terms.

Section 18. Condition of Property

Purchaser accepts the land, buildings, improvements, and all other aspects of the Property in their present condition, AS IS, WHERE IS, including latent defects, without any representations or warranties from Seller or any agent or representative of Seller, expressed or implied, except for such warranties that may arise by law under the Deed and except as otherwise specifically set forth in this Contract. Purchaser agrees that Purchaser has ascertained, from sources other than Seller or any agent or representative of Seller, the condition of the Property, its suitability for Purchaser's purposes, and the applicable zoning, building, housing, and other regulatory ordinances and laws affecting the Property. Purchaser accepts the Property with full awareness of these ordinances and laws as they may affect the present use or any intended future use of the Property. Except for such warranties that may arise by law under the Deed and except as otherwise specifically stated in this Contract, Seller has made no representations with respect to such condition or suitability of the Property or such laws or ordinances.

Section 19. Statutory Disclaimer

The following disclaimer is made pursuant to ORS 93.040(2):

THE PROPERTY DESCRIBED IN THIS INSTRUMENT MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS THAT, IN FARM OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE AND THAT LIMIT LAWSUITS AGAINST FARMING OR FOREST PRACTICES, AS DEFINED IN ORS 30.930, IN ALL ZONES. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007. BEFORE SIGNING OR

ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 OR 215.010, TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO VERIFY THE EXISTENCE OF FIRE PROTECTION FOR STRUCTURES AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007.

IN WITNESS WHEREOF, the parties have caused this Contract to be executed in duplicate as of the day and year first above written.

Seller:

Purchaser:

Stephen E. Lawrence, Chair

James Martin, Owner

State of Oregon)
) ss.
County of Wasco)

Personally appeared before me, Stephen E. Lawrence, Chairperson for the Columbia Gateway Urban Renewal Agency, and acknowledged the foregoing instrument to be his voluntary act and deed.

Notary Public for Oregon
My commission expires: _____

State of Oregon)
) ss.
County of Wasco)

Personally appeared before me, James Martin, who is an Owner of Discover Development LLC, dba Sunshine Mill, and acknowledged the foregoing instrument to be his voluntary act and deed.

Notary Public for Oregon
My commission expires: _____

ACTION ITEM – Purchase Contract, Sunshine Mill Winery

City Attorney Parker presented the Staff Report regarding the existing Lease Agreement between the Agency and Discover Development for the Sunshine Mill property. Parker reported that the current Lease Agreement expires April 13, 2014. The proposed Land Sale Contract sets out a closing deadline of May 15, 2015. Parker explained that, if the purchase was not completed by the deadline date, the Agency would need to develop a short term Lease Agreement with Discover Development until the purchase closes. Although the Lease holds a provision for a five-year extension, James Martin, principal to Discover Development LLC, believes it is advantageous at this time to proceed with the Land Sale Contract in order to secure necessary financing for the property purchase and future developments, Parker reported.

Robin Miles asked if the total payback amount was \$905,000. City Attorney Parker confirmed that amount.

Discussion followed regarding the history of Agency monies loaned to Discover Development. In summary, the Agency loaned \$600,000 to Discover Development which included \$100,000 for the cleaning of the facility's exterior. The recent renovation of the warehouse was part of an \$80,000 grant, originally designated for demolition, which later shifted to a renovation project. Discover Development has paid the property taxes on the property over the course of time. There is a current amount owing of \$4,152.79.

Linda Miller asked if Discover Development was paying interest on the \$600,000 loan. City Attorney Parker said Discover Development was paying 1% interest and will pay 1% interest on the balance of the property purchase price from the date of the Land Sale Contract until closing.

City Manager Young stated that the City would sell the property to Discover Development for the same price that the City paid for the purchase of the mill and the piece of railroad property.

Vice Chair Grossman called for a motion. It was moved by Weast to recommend to the Agency to approve the proposed Land Sale Contract with Discover Development, LLC for the Sunshine Mill Property. A second to the motion and vote was delayed for further discussion.

Mike Zingg asked if Discover Development's plan was to pay off the \$600,000 loan in October of 2014. City Attorney Parker stated that he believed the plan was to secure financing to pay off the Agency loan, purchase the property, and pursue further property developments. City Manager Young clarified that the intent of the Land Sale Contract language was to keep the loan payoff up front and in the mind of the purchaser along with the land purchase.

Linda Miller asked if Mr. Martin felt he was close to securing financing. City Attorney Parker explained that Mr. Martin believed that, with the property purchase, he would probably have a stronger possibility of securing financing.

Dick Elkins asked what would happen if the contract was not completed. City Attorney Parker stated the City would try to take a cooperative approach with the purchaser and not proceed with

foreclosure actions. However, if necessary, the Agency would be obligated to proceed with the foreclosure process to protect its interests.

Jennifer Botts seconded the motion.

Mike Zingg asked if the City would be able to see a property purchase appraisal if it was required for securing financing. City Attorney Parker said the City could try to review it and possibly share it in executive session with the Advisory Committee and Agency. Zingg stated it could possibly save the City from having to seek an appraisal if there was a default on the property. City Attorney Parker reiterated the fact that the City has had a cooperative relationship with Discover Development.

Vice Chair Grossman called for the vote, the motion carried unanimously, Zukin was absent.

Natasha Martin, Events and Sales Manager for Sunshine Mill, presented a statement from James Martin. The highlights of Mr. Martin's statement were as follows:

- Mr. Martin thanked the Agency for its support in this project.
- The partnership between the Agency and Sunshine Mill (SMW) began in 2006 when the Agency sought to improve the East Gateway to The Dalles.
- The company currently employs 64 employees. The East Gateway/Brewery Grade project, through job creation, has acquired 3.8 million dollars in federal funding. Outside investments of over four million dollars for the winery project have been acquired.
- The vineyard development will almost double the quantity of vineyards in the Columbia Gorge region. The vineyard employs 15 people and is projected to increase to 25 full time employees. This project is also bringing in over eight million dollars in outside investments.
- Media attention is accelerating.
- The growth of the winery has led to the restoration of the Old Wasco Mill Warehouse that now houses Copa Divino's production lines.
- Future plans include the purchase of an adjacent property for production expansion.
- SMW anticipates an early summer preliminary painting of the Mill structure.
- Because of shortness of funding and future plans for the exterior of the silos/hotel project, SMW does not believe it is the right time to paint the silos. SMW has also struggled with the difficulties of cleaning the silos. Mr. Martin would entertain ideas regarding loan opportunities in the interim to begin the silo improvements if it is of interest to the community.
- It has always been SMW's goal to make The Dalles a destination location.

At the conclusion of Mr. Martin's statement, Natasha Martin clarified that SMW plans on power washing and painting the mill and a portion of the warehouse only. They hope to complete the work by the end of this summer, it will be a four to eight month process. SMW has purchased scaffolding to do the work.

Jeremy Reding, Sunshine Mill's architect, gave a powerpoint presentation highlighting the SMW master plan that consists of three phases: Phase 1 – the purchase of the old Tum-A-Lum property for the redevelopment of a shipping center, some administrative offices, and a side parking lot. Phase 2 – expansion of the Copa Divino production line to include a new building adjacent to the current warehouse; and Phase 3 – development of a round-room hotel/winery in the silos.

Following Mr. Reding's presentation, Robin Miles expressed a concern regarding fire and rescue protection for 10 floors. Mr. Reding stated SMW would be meeting soon with the fire marshal to discuss the master plan.

ACTION ITEM - Granada Block Redevelopment Project, Proposed Third Addendum to the Memorandum of Understanding between the Columbia Gateway Urban Renewal Agency and the Rapoza Development Group, LLC.

City Manager Young presented a draft addendum to the MOU for the Granada Block project outlining a 45-day extension to the signing of the Disposition and Development Agreement (DDA). Young reported that substantial progress had been made on the DDA, but challenges occurred with the archaeological investigation that has incurred an additional \$350,000 in costs for the hotel parking. Young highlighted two points 1) the 45-day extension would affect the signing of the DDA, but would not affect the purchase date of August 30, 2013 with the possibility of a 120-day extension; 2) there has been significant progress on the project. The original extension was granted due to issues related to the demolition of the Recreation Building. Rapoza has resolved those issues, Young stated.

City Manager Young introduced Michael Leash, Rapoza representative. Leash reported that the developers managed to bring the cost estimate for the Recreation Building demolition down from \$500,000 to approximately \$200,000. The current challenge, Leash stated, was the added incremental cost that resulted from the archaeological study. The parking spaces designated for the hotel's underground parking, totaling 52 parking spaces, would result in costs increasing an additional \$8,500 to over \$10,000 per parking spot from what was originally figured. Rapoza, Leash commented, now needed to redesign the lower level of the hotel and relocate parking spaces to the City's parking structure so that costs would be fixed.

Greg Weast asked Leash if he was confident the project would happen. Leash said he was confident of that. Leash said half of the 52 underground parking spaces would be relocated to the parking structure at a cost of approximately \$13,500 per parking space. Leash explained that the developers would scout the hotel property to determine what underground space at the hotel site, if any, was usable. Any areas deemed archaeologically significant would be capped with cement so as not to disturb archaeological findings. The north side of the property was deemed archaeologically significant, Leash reported.

Linda Miller asked what the plan would be if archaeological objects were found at the Recreation. Leash said Rapoza would be required to conduct an archaeological investigation, but the plan was to go only to the footing level on the south side of the existing building, which would be an adequate amount of space. City Manager Young clarified that there would be an Urban Renewal Advisory Committee



AGENDA STAFF REPORT

Urban Renewal Agency

MEETING DATE	AGENDA LOCATION	AGENDA REPORT #
March 11, 2013	Action Items VI, B	

TO: Urban Renewal Board

FROM: Nolan K. Young, City Manager *nyj*

DATE: February 27, 2013

ISSUE: Addendum #3 to the MOU with Rapoza for Development of the Granada Block

BACKGROUND: The Urban Renewal Agency has a memorandum of understanding (MOU) with Rapoza Development for the redevelopment of property the Agency owns in the Granada Block. The MOU currently calls for the signing of a final Disposition and Development Agreement between the Agency and Rapoza by March 15, 2013. This was an extension from the original date to resolve demolition issues with the Recreation Building. Those issues have been satisfactorily resolved.

At this time, Rapoza is requesting a 45 day extension to April 30, 2013 in order to resolve new issues associated with an archeological site. Under the MOU the City was responsible for the archeological investigation of the Recreation parking lot to determine if it was indeed a significant site and to develop a plan for resolving those issues in order to build a parking area under the hotel. Rapoza was responsible for the cost of resolving any issues once the plan was developed. It has been identified that it will cost about \$350,000 to clear the site to allow for underground parking. There are options that could significantly reduce or eliminate that cost depending on if the parking was moved to the proposed parking structure and if the foundations were built on top of the current ground level.

The Urban Renewal Advisory Committee considered this request at their February 26 meeting. Attached is a copy of the minutes from that meeting. The majority of the committee recommended approval of the extension with the addition of a nonrefundable

\$20,000 performance bond being purchased by Rapoza, with that amount being applied to the purchase when that takes place. Attached is a proposed addendum that covers that recommendation.

ALTERNATIVE: One of the concerns that staff had with this proposal is that we would be tying up cash that could be used by the developer to move the project forward. Our preference would be that they use those funds for project development activity. At this time we would like to propose an alternative where instead of a bond payment that Rapoza would pay off the delinquent property taxes with interest and penalties for both the Recreation property. If payment is made by March 15, 2013, the payoff for back taxes on the Recreation property \$20,008.95. We believe this projects the intent of the advisory committee. City Attorney Gene Parker has prepared an alternative addendum that accomplishes this. Through the MOU the Urban Renewal Agency is supposed to pay half of the delinquent property tax amount. The addendum calls for 50% of the amount paid by Rapoza to be credited toward the final purchase of the property when and if it takes place.

AGENCY ALTERNATIVES:

1. ***Staff recommendation:*** Authorize the signing of the addendum of the original MOU with RApoza Development, LLC extending the DDA deadline 45 days and calling for Rapoza to pay the past due property taxes on the Recreation property with 50% of that amount going toward the purchase price in the future.
2. Authorize the signing of the addendum of the original MOU with RApoza Development, LLC extending the DDA deadline 45 days and calling for Rapoza to provide a \$20,000 performance payment with the full amount being applied toward purchase price.
3. Amend the addendum in another manner including a shorter extension or different amount of security payment.
4. Decline the extension at this time and direct City staff and Rapoza toward the signing of the DDA by March 15, 2013.

OPTION #1

Third Addendum to MOU With Rapoza Development

**THIRD ADDENDUM
TO MEMORANDUM OF UNDERSTANDING BETWEEN
THE COLUMBIA GATEWAY URBAN RENEWAL AGENCY AND
RAPOZA DEVELOPMENT GROUP, LLC**

WHEREAS, the Columbia Gateway Urban Renewal Agency, hereinafter referred to as “Agency”, and Rapoza Development Group, LLC, hereinafter referred to as “Developer” entered into a Memorandum of Understanding (“MOU”) dated August 28, 2012, confirming the mutual intent and agreement in principle for undertaking the proposed acquisition and development by Developer of certain property located on portions of a block in downtown The Dalles, Oregon, which project is commonly referred to as the Granada Block Redevelopment Project (“Project”); and

WHEREAS, on September 24, 2012, Agency and Developer entered into a First Addendum to the Memorandum of Understanding dated August 28, 2012, which extended the time for completion of the Development and Disposition Agreement (“DDA”) to November 15, 2012; and

WHEREAS, on November 28, 2012, Agency and Developer entered into a Second Addendum to the Memorandum of Understanding, which extended the time for completion of the DDA to March 15, 2013, to allow the parties additional time obtain further information concerning the cost estimates associated with the proposed demolition of the Recreation Building; and

WHEREAS, the parties have mutually agreed that additional time is necessary to obtain further information concerning the methods and estimated costs for resolution of any archeological conditions existing upon the site of the Recreation Building and the Recreation Building Parking Lot, and that although Section 1.4 of the MOU provides that the MOU is not intended to be a binding agreement, the parties have agreed they desire to enter into a third addendum reflecting their intent that the MOU continue in effect until the DDA has been signed and executed by both parties;

NOW, THEREFORE, in consideration of the provisions set forth in this First Addendum, it is mutually agreed as follows:

1. The first sentence in Section 1.3.4(a) on page 3 shall be revised to read as follows: The DDA must be signed by April 30, 2013, or sooner if possible, provided Agency and Developer have mutually agreed that sufficient information has been obtained to allow for preparation of a mutually agreed scope of work for the methods and estimated costs for resolution of any archeological conditions which exist upon the site of the Recreation Building and the Recreation Building Parking Lot.
2. The first sentence in Section 4.1 on page 7 shall be revised to read as follows: Agency and Developer will negotiate, enter into, execute and deliver a DDA on a date as soon as feasible, but not later than April 30, 2013 (the “Agreement Date”) or sooner if possible, provided Agency and Developer have mutually agreed that

sufficient information has been obtained to allow for preparation of a mutually agreed scope of work for the methods and estimated costs for resolution of any archeological conditions which exist upon the site of the Recreation Building and the Recreation Building Parking Lot.

3. In Section 5.1.1 on page 10, the date of March 15, 2013 shall be changed to April 30, 2013.
4. As further consideration for this Third Addendum, Developer has agreed to provide Agency security in the form of the sum of \$20,000, with the form of the security to be approved by the Agency. Said security shall be nonrefundable, and will be applied to the purchase of the Phase 1 Parcels in the event any or all of the Phase 1 Parcels are purchased in the manner to be set forth in the DDA.
5. Except as modified by this Third Addendum, the Second Addendum dated November 28, 2012, and the First Addendum dated September 24, 2012, the terms and provisions of the August 28, 2012 MOU shall remain in effect.

AGREED AND ACCEPTED:

**COLUMBIA GATEWAY URBAN
RENEWAL AGENCY**

RAPOZA DEVELOPMENT, LLC.

By: _____

By: _____
Manager

Date

Date

OPTION #2

Third Addendum to MOU With Rapoza Development

**THIRD ADDENDUM
TO MEMORANDUM OF UNDERSTANDING
BETWEEN THE COLUMBIAGATEWAY URBAN RENEWAL AGENCY AND
RAPOZA DEVELOPMENT GROUP, LLC**

WHEREAS, the Columbia Gateway Urban Renewal Agency, hereinafter referred to as “Agency”, and Rapoza Development Group, LLC, hereinafter referred to as “Developer” entered into a Memorandum of Understanding (“MOU”) dated August 28, 2012, confirming the mutual intent and agreement in principle for undertaking the proposed acquisition and development by Developer of certain property located on portions of a block in downtown The Dalles, Oregon, which project is commonly referred to as the Granada Block Redevelopment Project (“Project”); and

WHEREAS, on September 24, 2012, Agency and Developer entered into a First Addendum to the Memorandum of Understanding dated August 28, 2012, which extended the time for completion of the Development and Disposition Agreement (“DDA”) to November 15, 2012; and

WHEREAS, on November 28, 2012, Agency and Developer entered into a Second Addendum to the Memorandum of Understanding, which extended the time for completion of the DDA to March 15, 2013, to allow the parties additional time obtain further information concerning the cost estimates associated with the proposed demolition of the Recreation Building; and

WHEREAS, the parties have mutually agreed that additional time is necessary to obtain further information concerning the methods and estimated costs for resolution of any archeological conditions existing upon the site of the Recreation Building and the Recreation Building Parking Lot, and that although Section 1.4 of the MOU provides that the MOU is not intended to be a binding agreement, the parties have agreed they desire to enter into a third addendum reflecting their intent that the MOU continue in effect until the DDA has been signed and executed by both parties;

NOW, THEREFORE, in consideration of the provisions set forth in this First Addendum, it is mutually agreed as follows:

1. The first sentence in Section 1.3.4(a) on page 3 shall be revised to read as follows: The DDA must be signed by April 30, 2013, or sooner if possible, provided Agency and Developer have mutually agreed that sufficient information has been obtained to allow for preparation of a mutually agreed scope of work for the methods and estimated costs for resolution of any archeological conditions which exist upon the site of the Recreation Building and the Recreation Building Parking Lot.
2. The first sentence in Section 4.1 on page 7 shall be revised to read as follows: Agency and Developer will negotiate, enter into, execute and deliver a DDA on a date as soon as feasible, but not later than April 30, 2013 (the “Agreement Date”) or sooner if possible, provided Agency and Developer have mutually agreed that

sufficient information has been obtained to allow for preparation of a mutually agreed scope of work for the methods and estimated costs for resolution of any archeological conditions which exist upon the site of the Recreation Building and the Recreation Building Parking Lot.

3. In Section 5.1.1 on page 10, the date of March 15, 2013 shall be changed to April 30, 2013.
4. The first paragraph of Section 4.2.1(d) shall be revised to read as follows: The purchase price for the Recreation Building and Recreation Building parking lot will be \$356,250.00. Developer shall pay the sum of \$20,008.95 to the Wasco County Assessor by March 15, 2013, for past due real property taxes, including interest and penalties. Upon closing of the transaction for the purchase of the Recreation Building and the Recreation Building parking lot, Developer shall receive a credit of \$10,004.48 (which is 50% of the amount paid for the past due real property taxes) towards the purchase price of \$356,250.00.
5. Except as modified by this Third Addendum, the Second Addendum dated November 28, 2012, and the First Addendum dated September 24, 2012, the terms and provisions of the August 28, 2012 MOU shall remain in effect.

AGREED AND ACCEPTED:

**COLUMBIA GATEWAY URBAN
RENEWAL AGENCY**

RAPOZA DEVELOPMENT, LLC.

By: _____

By: _____
Manager

Date

Date

Jeremy Reding, Sunshine Mill's architect, gave a powerpoint presentation highlighting the SMW master plan that consists of three phases: Phase 1 – the purchase of the old Tum-A-Lum property for the redevelopment of a shipping center, some administrative offices, and a side parking lot. Phase 2 – expansion of the Copa Divino production line to include a new building adjacent to the current warehouse; and Phase 3 – development of a round-room hotel/winery in the silos.

Following Mr. Reding's presentation, Robin Miles expressed a concern regarding fire and rescue protection for 10 floors. Mr. Reding stated SMW would be meeting soon with the fire marshal to discuss the master plan.

ACTION ITEM - Granada Block Redevelopment Project, Proposed Third Addendum to the Memorandum of Understanding between the Columbia Gateway Urban Renewal Agency and the Rapoza Development Group, LLC.

City Manager Young presented a draft addendum to the MOU for the Granada Block project outlining a 45-day extension to the signing of the Disposition and Development Agreement (DDA). Young reported that substantial progress had been made on the DDA, but challenges occurred with the archaeological investigation that has incurred an additional \$350,000 in costs for the hotel parking. Young highlighted two points 1) the 45-day extension would affect the signing of the DDA, but would not affect the purchase date of August 30, 2013 with the possibility of a 120-day extension; 2) there has been significant progress on the project. The original extension was granted due to issues related to the demolition of the Recreation Building. Rapoza has resolved those issues, Young stated.

City Manager Young introduced Michael Leash, Rapoza representative. Leash reported that the developers managed to bring the cost estimate for the Recreation Building demolition down from \$500,000 to approximately \$200,000. The current challenge, Leash stated, was the added incremental cost that resulted from the archaeological study. The parking spaces designated for the hotel's underground parking, totaling 52 parking spaces, would result in costs increasing an additional \$8,500 to over \$10,000 per parking spot from what was originally figured. Rapoza, Leash commented, now needed to redesign the lower level of the hotel and relocate parking spaces to the City's parking structure so that costs would be fixed.

Greg Weast asked Leash if he was confident the project would happen. Leash said he was confident of that. Leash said half of the 52 underground parking spaces would be relocated to the parking structure at a cost of approximately \$13,500 per parking space. Leash explained that the developers would scout the hotel property to determine what underground space at the hotel site, if any, was usable. Any areas deemed archaeologically significant would be capped with cement so as not to disturb archaeological findings. The north side of the property was deemed archaeologically significant, Leash reported.

Linda Miller asked what the plan would be if archaeological objects were found at the Recreation. Leash said Rapoza would be required to conduct an archaeological investigation, but the plan was to go only to the footing level on the south side of the existing building, which would be an adequate amount of space. City Manager Young clarified that there would be an

archaeologist on site for the demolition of the concrete floor, and there would probably be some preliminary drilling into the concrete floor to determine what was immediately underneath the structure. Young stated the Agency had invested between \$100,000 and \$120,000 in archaeological investigation, including the parking structure site. Young reported that the parking structure site was not identified as a significant archaeological site.

Great Weast asked if there would be an increase in parking spaces in the City's parking structure. City Manager Young stated that the original plan for the parking structure was for a minimum of 120 public parking spaces. The design calls for a total of 142 spaces on three floors. If an additional 25 parking spaces needed to be moved to the parking structure, the City could build another half floor to the structure. The City would build the structure, and Rapoza would reimburse the City for costs per parking spot, Young reported.

Greg Weast suggested that, if the URAC chose to recommend approval of the Third Addendum, a provision could be added to the recommendation for Rapoza to give the City some sort of a bond for \$20,000 that could be used as part of the purchase payment at the time of the sale. If the purchase did not happen, Weast said, the City would keep the money. Weast commented that public perception makes committee members look bad, and that a security bond would send a message to the public that the developers had "skin in the game" on the project. Michael Leash stated he believed Rapoza already had "skin in the game" by engaging in a hotel study and hiring professional consultants to research the feasibility of bringing a name brand hotel to The Dalles.

City Manager Young reminded the committee members that they could make additional recommendations to the Agency, and the Agency could decide whether or not to accept the additional recommendations. Young expressed a concern about tying up cash just as a show of good faith when the funds could be used to move the project forward. Young said the City had seen a show of good faith by expenditures Rapoza had made thus far. If the committee chose to make that recommendation, Young asked that the dollar amount be minimal. Robin Miles asked how much money had been spent so far by the City. Young said the property purchase cost 1.3 million dollars and would eventually come back to the Agency. To date, Young said the City has spent approximately \$100,000 to \$150,000 and the total budgeted amount is \$912,000. Young clarified that the City felt those expenditures were necessary to make the property marketable.

Linda Miller asked how Rapoza was able to lower demolition costs. Michael Leash explained that they divided up the abatement work into separate projects such as asbestos removal, lead paint removal, and the demolition and obtained bids for each specific project rather than getting a bid from one contractor for all of the work. Miller asked if any of the work would be done prior to the developer's purchase. City Manager Young said removal of some items inside the structure and the removal of the lead based paint and asbestos could happen prior to the purchase date of August 30. The demolition would take place just prior to construction, Leash said. Young said the design work on the parking structure would begin prior to the purchase so that the per-space cost could be determined. Miller asked if there was any other "up front" money commitment prior to purchase. Young said the expenditures are primarily the remaining \$20,000 expense for archaeological and the first \$100,000 on the Recreation demolition. The City's designated first \$100,000, Young said, could be met by the removal work of the environmental Urban Renewal Advisory Committee

hazards. Miller asked if the Blue Building was scheduled for demolition. Leash said the architects are still determining whether or not the structure has to come down. They still need to look at the engineering, Leash said.

Dick Elkins asked if the hotel and parking structure projects were separate. City Manager Young said the City would build the parking structure, and the developers would build the hotel. The City would not work on the parking structure until a commitment was received from Rapoza, other than the design work.

Discussion followed where various committee members expressed their frustration over the difficulty and challenges of considering several delays. Some are concerned about Rapoza's lack of investment into the project. City Manager Young reassured the committee members that the project has moved along as timely as possible. Jennifer Botts commented that she did not want to be personally responsible for dropping this project, because The Dalles needs the project.

Vice Chair Grossman called for a motion. It was moved by Botts and seconded by Miles to recommend to the Urban Renewal Agency approval of a 45-day extension for the signing of the Disposition and Development Agreement of the Granada Block Redevelopment project between Columbia Gateway Urban Renewal Agency and Rapoza Development LLC.

Gary Grossman commented that both the Advisory Committee and the Agency need to be careful about the thought process of saying "we are too far in." Grossman also stated that it had been the experience of some of the committee members that there is a level of discomfort caused by public comments, and another delay would leave committee members "hanging out there."

Greg Weast asked Michael Leash if all the funding was in place. Leash said not all the funding was in place.

Vice Chair Grossman stated a motion was on the table for a recommendation to the Agency for a 45-day extension on the signing of the DDA, and he called for a question. Steve Kramer called for the question.

Botts and Miles voted in favor; Elkins, Weast, Zingg and Miller opposed; Kramer abstained; Zukin was absent. The motion failed.

City Manager Young asked if there were any additional recommendations the committee wished to consider. Vice Chair Grossman suggested that a recommendation to the Agency for approval could be made with a provision for a deposit of some kind.

It was moved by Weast and seconded by Zingg to recommend to the Agency the approval of the Third Addendum to the Memorandum of Understanding between the Columbia Gateway Urban Renewal Agency and Rapoza Development Group, LLC with the provision that there is a performance bond in the amount of \$20,000, that is non-refundable but that can be used against the capital expenditures of the purchase of the property should it come to fruition within the guidelines of the Memorandum of Understanding. Vice Chair Grossman asked for a call for the Urban Renewal Advisory Committee

question. Steve Kramer called for the question. Weast, Zingg, Botts and Grossman voted in favor; Miles, Elkins and Miller opposed; Kramer abstained; Zukin was absent. The motion carried.

ONGOING URBAN RENEWAL PROJECTS

- Property Rehabilitation Applications – Four applications were received from The Dalles Art Center, St. Peter’s Mural Society, and the Civic Auditorium. Those requests will go before the URAC on March 19, 2013.
- Flour Mill “Heck Hole” – The City was able to decommission the wells. The project cost \$14,000 and has been completed.
- Granada Block “Hot Tank” – Located behind the Granada, the tank had product inside. The tank caused contamination, so the soil was removed, and the tank will be removed with the decommissioning of a sewer line located underneath the tank.
- Mill Creek Greenway – Administrative Fellow Garrett Chrostek has been working with Friends of the Mill Creek Greenway to submit a grant application for two bridges. Next year’s budget will include \$40,000 for the engineering design on the project.

It was moved by Weast and seconded by Elkins to adjourn the meeting. The motion carried unanimously, Zukin was absent.

Vice Chair Grossman adjourned the meeting at 7:17 PM.

Respectfully submitted by Administrative Secretary Carole Trautman.

Chris Zukin, Chairman