



IMPROVING OUR COMMUNITY

COLUMBIA GATEWAY URBAN RENEWAL AGENCY
CITY OF THE DALLES

AGENDA STAFF REPORT

AGENDA LOCATION: Action Item #6-A

MEETING DATE: May 23, 2016

TO: Urban Renewal Agency Board

FROM: Gene Parker, City Attorney

ISSUE: Request for amendments to Land Sale Contract and Loan Agreement for Sunshine Mill Property

BACKGROUND: On May 10, 2016, representatives from the Sunshine Mill Property submitted a letter indicating that as a result of an unanticipated supply chain failure, their business has been put behind in the filling of orders for approximately five weeks. The company has been able to find a different supplier and is currently working as quickly as possible to fill orders to meet demands.

Under the Third Amendment to the Loan Agreement between the Urban Renewal Agency (the Lender) and Discover Development LLC, dba Sunshine Mill (the Borrower), the Borrower was scheduled to make a second installment payment on the October 12, 2009 Loan Agreement in the amount of \$100,000 on May 15, 2016. Sunshine Mill has notified the City that it will not have the resources to be able to make the \$100,000 payment by May 15, 2016.

Representatives from Sunshine Mill have submitted a revised payment plan for the second installment payment of \$100,000. Enclosed with this staff report is a proposed Fourth Amendment for the Loan Agreement for the Sunshine Mill Property, and a Second Amendment to the Land Sale Contract for the Sunshine Mill Property. The proposed Fourth Amendment incorporates the revised payment schedule proposed by the Sunshine Mill. Under the proposed Fourth Amendment, all of the other existing terms in the Third Amendment would remain in effect. Sunshine Mill would continue to pay monthly interest payments at the rate of 5.25% in addition to the proposed installment payments. The provisions concerning default would also remain in effect, which would require that written notice to cure any default would be given within 15 days of the notice

of default. The final payment upon the Loan Agreement would still be scheduled for May 17, 2017. The Second Amendment to the Land Sale Contract would be amended to acknowledge the revisions made to the Loan Agreement by the proposed Fourth Amendment. Sunshine Mill would make monthly interest payments on the Land Sale Contract at the rate of 5.25% in the monthly amount of \$1,354.94.

BUDGET IMPLICATIONS: If the revised payment plan is approved by the Agency Board, Sunshine Mill would continue to make monthly payments upon the Loan Agreement at the rate of 5.25%. The second installment payment of \$100,000 would be paid in full by January 15, 2017, instead of May 15, 2016.

BOARD ALTERNATIVES:

1. *Staff recommendation: Approve the revised payment plan for the installment payment due May 15, 2016 in the amount of \$100,000 proposed by Discover Development LLC, dba Sunshine Mill, and authorize the execution of the Fourth Amendment to the Loan Agreement and the Second Amendment to the Land Sale Contract for the Sunshine Mill Property.*
2. Advise the staff of any revisions to the proposed Fourth Amendment to the Loan Agreement and Second Amendment to the Land Sale Contract, and present the revised Amendments to Discover Development for review and execution.

**FOURTH AMENDMENT FOR LOAN AGREEMENT
FOR SUNSHINE MILL PROPERTY**

WHEREAS, on October 12, 2009, the Columbia Gateway Urban Renewal Agency, hereinafter referred to as “Lender”, entered into a Loan Agreement with Discover Development LLC and TGE, LLC aka Quenett Winery LLC, hereinafter referred to as “Borrower”, where the Lender agreed to make two sources of funding available to the Borrower for the purpose of making tenant improvements to the structures located upon the site of the Sunshine Mill Property; and

WHEREAS, on September 19, 2010, Lender and Borrower entered into a First Amendment for the Loan Agreement for the Sunshine Mill Property authorizing an additional \$100,000 to be added to the second source of funding created by the October 12, 2009 Loan Agreement, to be used for exterior improvements, repairs, and painting of the milling building and silo building located upon the Sunshine Mill property; allowing an assignment by Discover Development LLC and TGE, LLC aka Quenett Winery LLC of their obligations under the Loan Agreement to Discover Development LLC, dba Sunshine Mill; and releasing TGE, LLC from its obligations under the Loan Agreement, and have the obligations under the Loan Agreement be assumed solely by an entity to be known as Discover Development LLC, dba Sunshine Mill; and

WHEREAS, on October 31, 2014, Lender and Borrower entered into a Second Amendment for the Loan Agreement for the Sunshine Mill Property extending the due date for the balloon loan payment for the loan for the first and second source of funding from October 12, 2014 until December 12, 2014; and

WHEREAS, on December 19, 2014, Lender and Borrower entered into a Third Amendment to the October 12, 2009 Loan Agreement between the Lender and Borrower, to increase the interest rate upon the repayment of the outstanding principal balance, establish a schedule for repayment of the principal balance in three installment payments, and include default provisions in the event of a nonpayment of any installment payment; and

WHEREAS, following a request by Borrower to revise the terms for payment of the installment due on May 15, 2016, the Lender approved the requested revision and voted to authorize an amendment to the October 12, 2009 Loan Agreement incorporating the revised schedule for payment of the installment due on May 15, 2016;

NOW, THEREFORE, in consideration of the provisions set forth herein, it is mutually agreed as followed.

1. The payment schedule for the installment payment which was originally due for payment on May 15, 2016, shall be revised as follows:

<u>Payment Date</u>	<u>Payment Amount</u>	<u>Remaining Balance</u>
May 14, 2016	\$15,000	\$85,000
June 15, 2016	\$10,000	\$75,000
July 15, 2016	\$10,000	\$65,000
August 15, 2016	\$10,000	\$55,000
September 15, 2016	\$10,000	\$45,000
October 15, 2016	\$15,000	\$30,000
November 15, 2016	\$10,000	\$20,000

December 15, 2016	\$10,000	\$10,000
January 15, 2017	\$10,000	\$0

2. Except as modified by this Fourth Amendment, and the Third Amendment entered into on December 19, 2014, the Second Amendment entered into on October 31, 2014, and the First Amendment entered into on September 19, 2010, the terms and conditions of the Loan Agreement dated October 12, 2009 shall remain in full force and effect.

Dated this _____ day of _____, 2016.

LENDER:

Columbia Gateway Urban Renewal Agency

Stephen E. Lawrence, Chairperson

BORROWER:

**Discover Development LLC,
Dba Sunshine Mill**

James Martin

Title

**SECOND AMENDMENT FOR LAND SALE
CONTRACT FOR SUNSHINE MILL PROPERTY**

WHEREAS, on May 15, 2013, the Columbia Gateway Urban Renewal Agency, hereinafter referred to as "Seller", entered into a Land Sale Contract with Discover Development LLC dba Sunshine Mill, hereinafter referred to as "Purchaser", where the Seller agreed to sell and the Purchaser agreed to purchase the property commonly referred to as the Sunshine Mill Property; and

WHEREAS, the Seller and Purchaser entered into a First Amendment to the May 15, 2013 Land Sale Contract extending the closing date for the purchase from May 15, 2015 to May 15, 2018, subject to certain conditions; and

WHEREAS, following a request submitted by Purchaser to revise the payment terms for the installment loan payment due on May 15, 2016, on May 23, 2016, the Seller voted to approve the requested revision for the loan payment, and the Seller voted to approve a Second Amendment for the Land Sale Contract;

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

1. Section 2.2 of the Land Sale Contract entered into on May 15, 2013, shall be modified to acknowledge that the terms for repayment of the principal balance and accrued interest for the Loan Agreement dated October 12, 2009, have been modified by the Fourth Amendment to the Loan Agreement entered into by Seller and Purchaser.
2. Except as modified by this Second Amendment, and the First Amendment entered into on December 19, 2014, the terms and conditions of the Land Sale Contract dated May 15, 2013 shall remain in full force and effect.

Dated this _____ day of _____, 2016.

SELLER:

Columbia Gateway Urban Renewal Agency

Stephen E. Lawrence, Chairperson

PURCHASER:

**Discover Development LLC, dba
Sunshine Mill**

James Martin

Title