



MADRAS REDEVELOPMENT COMMISSION

125 SW "E" Street Madras, OR 97741
Phone: 541-475-2344 Fax: 541-475-7061

Agenda

City Hall
Council Chambers

March 2, 2016
5:30 P.M.

1. Call to Order

2. Consent Agenda
 - A. Adoption of Agenda
 - B. November 14, 2015 MRC Meeting Minutes
 - C. December 9, 2015 MRC Meeting Minutes
 - D. January 20, 2016 MRC Meeting Minutes
 - E. Approval of March 2016 Vouchers

3. Visitors Comments:

4. Change in the Style of Minutes

Nicholas Snead, Community Development Director
Michele Quinn, Administrative Assistant to Public Works & Community Development Directors

5. MRC Annual ORS 457.460 Report, Detailing the Financial Activity of the Urban Renewal District

Brandie McNamee, Finance Director

6. MRC Fund Balance Presentation

Brandie McNamee, Finance Director

7. Authorization of Intent to Proceed with Purchasing Flowers from Fessler Nursery and Brackets for Light Poles from North Coast Electric Company for the US Highway 97/J Street Decorative Light Poles

Nicholas Snead, Community Development Director

8. Consideration of MRC and David Potter Urban Renewal Line of Credit Loan Agreement

Nicholas Snead, Community Development Director

9. Discussion on Contract Services for Commercial Development Recruitment

Nicholas Snead, Community Development Director

10. Additional Discussion

11. Adjourn

Pursuant to ORS 192.640, this agenda includes a list of the principal subjects anticipated to be considered at the above referenced meeting; however, the agenda does not limit the ability of the Madras Redevelopment Commission to consider additional subjects. Meetings are subject to cancellation without notice. This meeting is open to the public and interested citizens are invited to attend. This is an open meeting under Oregon Revised Statutes, not a community forum; audience participation is at the discretion of the Madras Redevelopment Commission. **Anyone wishing to address the Commission will need to register prior to the meeting.** The meeting will be audio taped; minutes of this and all public meetings are available for review at the Madras City Hall. The meeting place is handicapped accessible; those needing assistance please contact the City of Madras Community Development two (2) days in advance of the meeting.

City of Madras
Madras Redevelopment Commission
Special Meeting Minutes
November 4, 2015

I. Call to Order

The Madras Redevelopment Commission meeting was called to order by Chair, Doug Lofting at 5:30 p.m. on Wednesday November 4, 2015, 2015 in the Madras City Council Chambers.

Members in Attendance:

Chair Doug Lofting
Commissioner Chuck Schmidt
Commissioner Royce Embanks
Commissioner Don Reeder
Commissioner Tom Brown
Commissioner Blanca Reynoso

Members Absent Were:

Commissioner Doeshia Jacobs
There are two Membership vacancies.

Staff Members in Attendance:

Nicholas Snead, Community Development Director
Gus Burrell, City Administrator
Brandie McNamee, Finance Director
Michele Quinn, Community Development Administrative Assistant

Visitors

Lorelei Juntunen, EcoNorthwest
Emily Picha, EcoNorthwest
Gary Boyd

II. Consent Agenda

A. Adoption of Agenda

B. Approval of Minutes

- 1. October 21, 2015 MRC Meeting Minutes**
- 2. Approval of October 2015 Vouchers**

A MOTION WAS MADE BY VICE CHAIR TOM BROWN TO APPROVE THE CONSENT AGENDA AS AMMENDED. THE MOTION WAS SECONDED BY COMMISSIONER ROYCE EMBANKS AND PASSED UNANMOUSLY.

III. **Visitor Comments**

IV. **Urban Revitalization Action Plan Update**

Community Development Director Nicholas Snead the objective for tonight is to summarize the intense work that our consultants and staff have completed over the last three days. Tonight we want to report on that work and we also want to get your feedback. Remember the next time you see Lorelei and the team will be in December, so in the interim they will be writing the plan. So tonight is an important night to understand the feedback and provide guidance to the team. So when they leave, they understanding of what you would like to see in the plan.

Lorelei Juntunen we are at a pivot point in this process right now where we have gathered the majority of the information that we are going to gather, and have done the majority of the analysis that we are going to complete. We are now trying to make sense of it we have taken a crack at that over the last twenty four hours or so, because the first part of this trip was gathering information. I am going to do a very quick overview of the progress report and run through some of the findings from that. We are going to summarize the themes we have heard from outreach we have completed. This includes interviews with Stakeholders, Advisory Committee meeting, Open House and a Focus Group. We have also been doing some research on commercial development opportunities. We have started to put all of that together into a decision making framework for you so we can get some feedback on. That goes all the way from high level what are the outcomes that we want to see on the ground in ten to fifteen years, down to what are the specific projects that we should be investing in.

We are going to be back in front of you in December and we will have a draft of the plan at that point. We will expect to have some feedback from you at that point. Then in January we will be back with a plan for adoption. The progress report provides the detail of the work that we have done to understand the successes that you have to date in your Urban Renewal Area and the places where there are still projects that need to be completed. We have taken out those projects that have not been completed and fed them into the decision making framework for the next phase.

Lorelei Juntunen went over the revenue for the Madras Redevelopment Commission explaining where the revenue is coming from. She then showed the Commission the expense category including the contribution to City Hall, debt service, administrative costs, and contingency. She showed the payments being made and the revenues are higher than the expenses and there will be a carry over into the next fiscal year. She explained looking into 2016-2017 we are currently predicting a revenue increase. There are changes in the expense side payments going to the Madras Cinema 5 will be complete, but you do start making payments on the line of credit next year.

Lorelei Juntunen explained the maximum indebtedness with the Madras Redevelopment Commission. The Urban Renewal Area set the maximum indebtedness at fourteen million in 2002. You have spent a portion of that and have close to ten million remaining. Maximum indebtedness is not a challenge you have plenty of that for investing in projects. The challenge will be making sure there are tax increment finance revenues that are sufficient to be able to access that

maximum indebtedness. The implication of all of that work that we did looking at the projects that have been completed, and those that have not, and coming to understand the financial situation. Really does suggest a need for focus on tax increment finance and new development. This is a way to represent the public role in development.

Lorelei Juntunen went over the development feasibility spectrum and the cost of construction relative to the revenues that will come off of the construction. She went over the public role and how it is different at every point. She talked about completed foundational activities including infrastructure, north and south entrances, making sure there are connections with sidewalks. You are making sure you have a vision in place and you are supporting existing businesses. Lorelei explained the change of category where we are trying to make the kind of investments that will catalyze new private development. Lorelei explained several different types of projects.

Lorelei Juntunen went over the findings from the outreach they talked with property owners, developers, community members, stakeholders, overlapping taxing district, and we completed a focus group with representatives of the agricultural community. We also had input from the advisory committee and the open house.

Community Development Director Nicholas Snead can you spend a few moments and talk about the conversation with the County. It is an important understanding to have because we have had some concerns from the other taxing districts.

Lorelei Juntunen taxing districts are very important stakeholders in urban renewal because the tax increment that flows to the urban renewal area is not flowing to them. So we felt that it was extremely important to reach out to them and understand their perspective. The Fire District, the Library District, and COCC we met with them this afternoon. It was a very positive conversation they were very supportive, we shared with them a lot of the material that we will be sharing with you. They were supportive of the direction that this was headed and had some good ideas about where we could add in projects that would help them as well. The conversation with the County was also fairly cordial they understand what we are doing here were pleased to see the focus on tax increment generation. Overall they were glad we reached out to them and glad that it was part of this process.

Chair Doug Lofting did you also reach out to the School District?

Community Development Director Nicholas Snead we invited them to the meeting this afternoon Superintendent Molitor told me he was not able to attend. He was going to have his HR Director attend but he for reasons that I'm not aware of he is not here this afternoon.

Lorelei Juntunen as you can imagine with talking to that many diverse voices there were a lot of opinions. This is definitely a high level summary of the themes that we have extracted from it. We had specific questions around retail needs what are the kinds of businesses that you would like to see in downtown. General merchandise, a Brewery, an Outdoor gear/rentals that category really came to the top. We heard a lot of focus on trying to identify development opportunities and to remove blight. We heard a lot about the City's processes that the city has in place to support

development. We heard a lot about SDC's about how high they were and we heard about how the process not feeling transparent and feeling like it was changing. We heard that from quite a number of people we heard that from people that had experienced it firsthand. We also heard from people that said they heard from people talking that this is a challenge so you should look into it. There were a number of folks that talked about infrastructure specifically sidewalks that had breaks and challenges in them and about the appearance of downtown. Just wanting it to be cleaned up and spruced up and feel like a safer and nicer place. A lot of folks talked about the perception of Madras is not positive. A lot of people feel like Madras is the ugly stepchild of Redmond and Bend. That relates in part to the quality of the schools or the perception of the quality of the schools. We did hear a lot of people talking about the fact that they had their kids in the schools and had great experience with it. With the test scores being poor and the perception is poor that creates challenges for attracting new people to live in the community. So that perception of both downtown and the city as a whole as well as of the schools is something that we heard across the board. If there was a way for this plan to focus on changing that, that it would be helpful.

Then we asked people what do you like about Madras what makes it unique? Some of the themes that came out there were its multicultural. It is multicultural in no other communities are because of the mix of demographics that happen to be in this area. It has a small town feel people like that; it has a lot of developable land. Importantly it has serviced with infrastructure and utilities ready to go developable land. For residential development that is a really important piece you already have that land inside of your urban growth boundary. You have connections with Highway 97, Highway 26, you have the airport, you have the railroad all of that coming together creates an opportunity. You are sitting at a crossroad and that is different from Redmond or Prineville or from Bend. The feeling that anyone can fit in here and it is a welcoming place and people have real conversations and interact with each other.

Finance Director Brandie McNamee the Farmers focus group had a huge theme on that there is this perception that the town is dirty and full of weeds. So bathrooms are dirty, Sahalee Park bathrooms are dirty. These are farmers they really pay attention to the weeds so they really wanted to focus on just because you don't have money doesn't mean you can't clean it up.

Chair Doug Lofting we hear it a lot about Madras having a need to be cleaned up. I think that everyone here at the table would agree with that. We have great ordinances we need to be stricter with them and probably enact a couple more. One being on our store fronts through our corridor the windows need to be open so we can view what is inside. We have had a lot of buildings that were vacant get filled and they were filled with non-profits. The SDC's perception you need to work on that for us do an analysis of our sister cities around us and what the SDC's are. I have built a large building in the last ten years I can sit here and truthfully tell you it went very well. I felt that honestly the price of land what we paid for it as well the SDC's were in line and fair. Our schools the perceptions I don't know personally if the schools are as bad as what some tell me they are. A lot of people that have chosen to live here have chosen to have their children educated in other places.

Commissioner Tom Brown I think one thing for us to think about we run under a complaint driven code enforcement. At the main street conference the Dalles in

particular they use proactive code enforcement. A good example is the container down at the hotel that had garbage flowing out of it for weeks on end. The Police drove by it, All of City staff drove by it, all of us drove by it, say something. Going away from the complaint driven to proactive to where everybody gets involved in it I think would help with the lots.

Lorelei Juntunen those are all really great ideas we will make sure that those are captured in a little bit when we are talking about specific projects.

Chair Doug Lofting for us to be successful we are going to need the public to support us and guide us.

Emily Picha so we spent some time thinking about if you want development who is going to use that development. What would be the types of things that each of your market segments might need. So we broke down the market segments in to these four types' residents, employees, visitors that are using madras as a central hub, and visitors that are traveling through to somewhere else. We thought about what everyone needs and some opportunities or approach to attracting those different segments. With the retail needs I think it is important to think about the seasonality of retail.

Emily Picha went over the retail leakage and the number of people who travel through Madras with the MRC.

Emily Picha we took everything that we heard and compiled it into this very drafty vision that I think captures a lot of the themes. If you were to fast-forward twenty years what would downtown Madras area feel like. We are trying to capture here the mix of businesses, a bustling hub, cultural amenities reflecting the diversity of the area, and the quality of life. I think this is something that is a work in progress and we would appreciate your thoughts on it.

Community Development Director Nicholas Snead so maybe what we are looking for right now is any red flags or something wrong with it.

Joe Krenowicz when you talk about investment we don't talk about employment in that vision.

The Commission talked about the Madras Airport being an economic generator in the future. The amount of people that fly in to go fishing and do other activities around Madras and a lot of the people that fly in stay at Inn of the Cross Keys. People that come in are impressed with the area the industrial properties that are available. The type of work force that Madras can provide and the schools that are available.

Lorelei Juntunen a lot of the issues that you are bringing up around work force development and industrial growth and employment. Are really important and are very integral to having a successful downtown but would typically be addressed through and economic development strategy that looks more broadly than just at downtown development. We have heard this theme people in Madras are making these connections and we will need to figure out how to address that in the plan. In a way that respects that interconnectedness but still focuses on projects that are downtown

specific. So as your having these thoughts keep that in mind and help us to brainstorm ways we can operationalize these issues as projects in this plan.

Commissioner Don Reeder Doug brought up a good point in regards to what may be needed for an educational workforce, what educational workforce and to collaborate with the Community College and to provide the Community College some information.

The Commission discussed developing the west side of the property by Cross Keys and adding a restaurant available. There was also a discussion on having a Community event reader board so people know what is going on around town.

Lorelei Juntunen it sounds like at least at the high level and without a lot more time to digest it, it seems like this vision is headed in the right direction. For this particular plan update we wanted to narrow in on a more specific objective. A single statement of what we are trying to accomplish in the near term through the actions that are identified in the plan. We have built this statement off of the guiding principles that the city included in the solicitation that went out to attract consultants to respond to the RFP. There were five or six bullets there and we combined them into this statement support catalytic retail and other commercial developments.

Community Development Director Nicholas Snead from a staff perspective and I would also think from a Commission perspective, when you see the draft of the plan in December this is what you need to be measuring that the plan does. So when I look at the plan I am going to make sure there are certain things in it that are consistent with this objective.

Lorelei Juntunen now we are starting to get into that decision making framework that I talked about at the beginning. Starting with who is it that is doing the acting in the action plan. It is the MRC and it is the tax increment finance dollars, but especially given the near term limitation on availability of Tax increment dollars. We are seeing a real importance in connecting with partners, and those are partners that would not just dollars to the table but also the ideas and energy. The City is a partner, overlapping taxing districts are partners, and businesses are partners and bringing all of those resources together to move forward to support these projects through to completion. As we get into specific actions MRC will probably be the lead on a lot of them but there may be projects that are fantastic ideas that MRC is not the lead. We think we are looking for a twenty year vision for the future. Changing and transforming downtown Madras isn't something that is going to happen overnight. In terms of the when we are seeing a serious need for focus on TIF generation in the near term because we need to generate the revenues in order to be able to invest.

The Commission discussed the representation from the Hispanic community and that we will be working with the Diversity Coalition to set up meetings.

Lorelei Juntunen in terms of where the Urban Renewal Boundary is large it covers most of the City of Madras. We are seeing a number of different reasons that we think you need a different kind of activity in different portions of the corridor. First of all knowing that resources are limited it is important to focus those in places you will get the best bang for your buck. Then there are different kinds of development form that are appropriate in different portions of the corridor. We talked about the objective of this being to support new development. To see new commercial

development coming out of the ground but in order to get there we need to have some evaluation criteria. Right now we have a really large list of projects and you are not going to be able to do them all. So we need some way to wrap our heads around which ones are the ones that should come to the top in the near term. Here is our preliminary thinking about the geography of the area. At the open house we asked people where the heart of downtown Madras. So the core investment area this is where we are seeing the MRC and its partners wanting to take proactive investments to try and spur new commercial development to occur. So the kinds of activities that might be undertaking here would be acquiring specific sights that seem to have the potential of being catalytic. Then attracting a developer and entering into a developer agreement with that developer to jointly develop the parcel. In both the north and south corridor which are largely auto-oriented areas that have larger available parcels those are the kind of places where your primary goal is going to be to generate tax increment finance. To see new development happen that feeds the coffers of the Urban Renewal Agency so you can make more investment in the core area.

These projects may still need support but the support will probably be at a lower level, and might be more responsive to developer interest as opposed to proactive. So a developer comes in that wants to build on a site but has access challenges because of ODOT. The Urban Renewal Agency could help improve the access to allow that development to occur as an example.

Community Development Director Nicholas Snead the core area drawing the distinction between proactive and reactive. When you look at some of the larger projects that district has completed in the past. Largely they have been reactive in other words we have been waiting for the opportunity to come. The difference here would be really a distinct strategy to market and get things going in the short term in the core area.

The Commission discussed how the floodplain and floodway could affect new development coming in. There was a discussion about the Army Corps of Engineer and the re-mapping of the floodplain and floodway.

Lorelei Juntunen draft criteria include generate tax increment that is the property tax revenue that comes from new development. That is necessary in order to give financial capacity to your Urban Renewal District. Projects that support development on underutilized or vacant sites, projects that leverage partnerships in terms of cash and also interest and willingness to help move it forward, and opportunity to achieve multiple goals recognizing that if a project does achieves more than one outcome.

The Commission discussed generating tax increment and how one business could bring in more businesses and generate more tax increment. There was a discussion on what the investment core is and how the flood plain and flood way will impact this area. The Commission talked about their focus being outside the flood plain and flood way.

Lorelei Juntunen asked the Commission to place dots on the criteria for what they like best and least. We have way too many projects more than can be accomplished in any reasonable time. We need to prioritize those that we will be undertaking in the short term and those that will be undertaking in the long term. They are in categories

City of Madras
Madras Redevelopment Commission
Special Meeting Minutes
December 9, 2015

I. Call to Order

The Madras Redevelopment Commission meeting was called to order by Chair, Doug Lofting at 5:30 p.m. on Wednesday December 9, 2015, in the Madras City Council Chambers.

Members in Attendance:

Chair Doug Lofting
Commissioner Chuck Schmidt
Commissioner Royce Embanks
Commissioner Doeshia Jacobs
Commissioner Tom Brown
Commissioner Blanca Reynoso

Members Absent Were:

Commissioner Don Reeder
There are two Membership vacancies.

Staff Members in Attendance:

Nicholas Snead, Community Development Director
Brandie McNamee, Finance Director
Michele Quinn, Community Development Administrative Assistant

Visitors

Brenda Bartlett, SGA CPA's
Lorelei Juntunen, EcoNorthwest (By Video Conference)
Emily Picha, EcoNorthwest (By Video Conference)
Janet Brown, EDCO

II. Consent Agenda

A. Adoption of Agenda

B. Approval of Minutes

1. Approval of November 2015 MRC Vouchers

A MOTION WAS MADE BY VICE CHAIR TOM BROWN TO APPROVE THE CONSENT AGENDA AS AMMENDED. THE MOTION WAS SECONDED BY COMMISSIONER BLANCA REYNOSO AND PASSED UNANIMOUSLY.

III. Visitor Comments

IV. Annual Audit Presentation FY 2014-15

Brenda Bartlett this is our report I like to let everybody know that the financial statements are managements. They are prepared reviewed by management what we do is give an audit and we give an opinion on those statements. On the top of page two that is our opinion. What you want to see here is a non-modified opinion you want to see that we say that the financial statements present fairly and all material respects the financial position of the Commission. Under other matters there are other things inside this report supplementary information that is of good use to people. I think the most interesting is the management's discussion and analysis. That is written by Brandie and probably reviewed by Nick. It gives you a little snap shot of what happened during the year. Did your assets increase, did you take on more debt, and did you buy more capital assets. Another great thing to take a look at is the budgetary schedules. The last page, page three one thing that every Municipal Corporation in Oregon has to do is your auditors have to do some additional procedures. Those are to look at that you are complying with certain laws.

If you turn to page 30 that is the report that we are required to do, so in addition to the financial statement audit we have to look at compliance with certain laws. Those laws are in the middle of the page. Making sure you deposited public funds in safe vehicles, making sure you haven't over extended your debt by law. Making sure you follow local budget law. That you have insurance in force and if you have any kind of public contracting going on that you have complied with those rules. So basically what we are telling the Secretary of State is that we didn't find anything that causes us to believe that you hadn't complied with all of those laws. On the last page we talk about internal control we don't give an opinion on internal control but if there are issues we do let the Council know, it is one of our professional obligations. Your internal controls are good they have worked really hard over particularly over the past year to make sure you have proper segregation of duties, and that you are reconciling accounts.

This letter is a required communication at the conclusion of our audit its categories that are prescribed by professional standards. That we have to let you know how those things went. The first thing is we talk about any significant findings this is where we tell you management is responsible for selecting and using appropriate accounting policies. There were no transactions that the agency entered into that didn't have authoritative guidance. We talk a little about accounting estimates you don't have a lot of accounting estimates except for your development properties. We had no difficulties during the audit, no adjustments, no disagreement with management. We do ask management to sign a representation letter and that letter says that we told you everything you need to know and we answered truthfully to all your inquiries. We gave you all the documentation you asked for and there is nothing that we haven't told you that are important to these statements. We are not aware of any consultation with other independent accountants, and we didn't have any findings or issues that we thought merited to bring to your attention.

Doug Lofting Brandie I do have a question regarding page four it says the MRC was able to make a payment of Seventy Five Thousand dollars to the City of Madras. I can't find where that payment was made and I don't remember us making that payment.

Brandie McNamee it is treated as a special payment if you look under the other financing sources where it says grants, and loans one hundred eighty two thousand five hundred (\$182,500.00) that seventy five thousand (\$75,000.00) is within the one hundred eighty two thousand five hundred (\$182,500.00). This is where if you recall in the 2014 audit we had an over appropriation of budget because we budgeted for it as a capital payment. Technically it should have been a special payment category, and we fixed it. So this is now where you see that, that is where the Madras Cinema payment was one hundred thousand (\$100,000.00). The MRC payment to City Hall was seventy five thousand (\$75,000.00), and then we did seventy five hundred dollars (\$7,500.00) in the L Street project for lighting.

V. **Urban Revitalization Action Plan Project Update** (Video Conference)
Community Development Director Nicholas Snead Nick and Lorelei how are you doing this evening.

Lorelei Juntunen we are doing well can you hear us alright?

Community Development Director Nicholas Snead Yes, before we get into the presentation I know you have a couple of slides that identify the agenda this evening. Tonight our objective is to have the consultant's report back on a lot of work that they have done.

Lorelei Juntunen since we were there we took a look at the retail needs and done a tremendous amount of stakeholder and public outreach. Have developed an initial set of projects and have gotten feedback on how those ought to be prioritized. We have some details of the public outreach to share with you and survey results. There is a meeting coming up with the Diversity Coalition next week. We are also putting out a Spanish version of our survey. We have a good response from the survey there were 90 responses from the community survey and 114 from the major employee survey.

Lorelei went through the responses that they have on the survey. The survey showed that there are a large number of people looking for a brewery or deli. There were a high number of people that are interested in having apparel and sporting goods in Madras.

Lorelei went over the word clouds that were developed with the information provided by citizens at the November 2, 2015 Open House.

Lorelei went through the employee survey 56% live and work in Madras, 44% of people that work in Madras but don't live here. We are really interested in the 44% this is the potential growth market for the City. What it might take to attract these people to live and shop in downtown. There was an important message that focusing on creating a vibrant retail core is helpful for attracting residents in addition to being helpful for supporting downtown development. Other issues that are showing up on the list is safety and perception, opportunities for housing, better schools, cleanliness, and attractiveness are also motivating peoples decision regarding where to live.

Commissioner Royce Embanks do you think that the construction that we had going on here skewed the perception of what it is like in town, and both Redmond and

Bend has built bypasses so you don't have the traffic you have in Madras. As far as safety Madras is as safe as Redmond and safer than Bend.

Lorelei Juntunen we agree part of what we are looking for out of this for our purposes does the survey support that we are headed in the right direction. Does it help us to understand better what kinds of services and what kind of improvements would be necessary and supported. We are hearing the need for shopping and retail needs downtown.

Community Development Director Nicholas Snead discussed the fact that the results will be independent of the plan. All the responses you will be able to refer back and the plan will be thicker.

Commissioner Royce Embanks how does the City provide more crosswalks and stop lights on an ODOT Highway.

Community Development Director Nicholas Snead good question we are updating our Transportation System Plan so this will be good feedback for that plan.

Commissioner Royce Embanks with ODOT money we are not going to leverage ODOT money to put in a stop light. Because we have a highway going through our town and not a bypass makes us a different town. Traffic goes through Madras much faster coming from the North or South and by the time it reaches downtown they are exceeding the speed limit. You can't change the fact that Hwy 97 has more traffic on it now than in the last two years than the five years previously when we did the traffic count. We need to focus on the long term solutions like a bypass.

Commissioner Doeshia Jacobs I want to get back to the downtown core how to get businesses back in the downtown. We need to get downtown up and running that is my main focus.

Janet Brown-EDCO Janet asked questions about the survey and how the questions on the survey were directed. Janet also pointed out that Thriftway and Erickson's is the same store.

Lorelei Juntunen I am going to go into what kind interventions and investments make sense for the downtown core. What is the frame work for thinking about why and how we should be investing in downtown Madras?

Lorelei went through several slides talking about the Action Plan Investment Framework. A 20 year vision focusing on TIF generation and partner projects in the short term; longer term investments in amenities and place making. Lorelei talked about the different partners that the MRC could partner with.

The 20 year vision for Downtown Madras is a recognizable, vibrant destination with public and private investment in small scale shops, a mix of restaurants, and cultural amenities that reflect the area's diversity. Madras' position as the hub of River Canyon Country attracts visitors and new residents who appreciate the community's commitment to quality of life.

Community Development Director Nicholas Snead we will need some guidance from the Commission to whether this makes sense or would you like some slight modifications.

Lorelei Juntunen talked to the Madras Redevelopment Commission about when you should be investing. You won't be investing in all of the projects now it will happen phased over a period of time. You might be investing in different projects for different reasons. We will talk about the importance of near term projects that are focused on TIF generation, and look at other projects that might support livability or achieve other goals.

The core downtown was recognized as the heart of the City of Madras. That is the area that really makes sense to be proactive in your approach to spurring new development to occur. That is the kind of area you might want to be acquiring partners or reaching out to property owners. To try and understand what might motivate them to improve their properties or redevelop. You might think about making the kinds of investments necessary to create a place which feels walkable and has a distinct identity.

Lorelei talked about the Urban Core and where the floodway and floodplain runs. What type of development you would be expected to see in the urban core and the civic core.

Janet Brown asked about including the properties down to A Street

Community Development Director Nicholas Snead Janet I think you have raised a really good question. Part of our challenge in the district is that we have a lot of sporadic developments so with the Urban Core and Civic Core boundary together is trying to do is focus within a tighter geography or area our investments in the downtown. So we can build a nucleus or synergy of energy. Where I ended up and I am thinking about the property on B Street between fourth and fifth the undeveloped property. I think that this boundary makes sense for focusing the investment within that tight area. However I don't believe if this was in the plan today that it would preclude the Urban Renewal District from making investment outside of this area that would be in your district. We would like to see that property developed today it has some challenges. I don't know how likely it is but should there be an opportunity for the Urban Renewal District to invest on that property I can guarantee you staff would be coming to the Commission asking for your assistance.

Commissioner Chuck Schmidt when you drive in from the north the very first thing you see is a big vacant ugly lot. If you look at the word clouds what were some of the biggest words they were dirty, unattractive. That sends a message to me that says let's look at the visual thing that needs to be important lets clean it up.

Chair Doug Lofting regarding the urban core I think there is a bit of frustration on members that are sitting here tonight. That is that nonprofits have gotten a hold of so much of our downtown property. It basically hurts us in a couple of ways it hurts us that there is no revenue coming into the district, and that one of the major lots is held by a nonprofit they are not going to release it for less than one million dollars. If you are looking for someone and trying to get them to put their money in here I

would have a hard time putting my name on asking them to do it past B Street.

Commissioner Chuck Schmidt we just spent a half a million dollars on the Theater can we look long term down the line and spend a million dollars and buy that property? So we can do something and make an incentive for someone.

Chair Doug Lofting that is something that Lorelei and Nick P. can give us guidance on.

Lorelei Juntunen we can talk about that when we get to the section on projects, after we go through some of the research that Nick has been doing on the financials.

Community Development Director Nicholas Snead this plan is establishing a vision for the next 10 years. That functions as a strategic plan and should there be an opportunity that comes about that isn't presented today you can slightly deviate from the plan.

Janet Brown even if we go up to B street just think about one side between C Street and B Street as you are heading north. You have a 1970 office that hasn't been updated you have the Stag there is a gym with no windows. It is not a very pretty block and it is right at a stop light in downtown.

The Commission discussed the state of the buildings in the downtown core whether it should be renovated or torn down and rebuilt. We need to be able to stop people and get them shopping in downtown.

Lorelei Juntunen Nick I am happy to work with you to figure out how to draw that boundary. I do want to stay out of the floodway, but there may be a way we can expand that a little bit and still keep our focused area.

Lorelei talked to the Commission about why they would invest and by which criteria you chose to make your investment. The criteria that are clearly coming to the top are generating tax increment, supporting development on underused or vacant sites; they are likely to catalyze additional redevelopment adjacent. Other criteria that is also important is leverage partnership, willing interested property owner located in the URA. Really the focus is on the first three criteria it is generating increment, taking care of underutilized or vacant site, and it is likely to catalyze additional redevelopment.

Lorelei went through some example slides that had conceptual drawings of several lots that could be developed.

Community Development Director Nicholas Snead we have some of these concepts in our existing plan and it helped us advance the projects. The MRC owns two properties one on Fifth Street and one on Fourth Street could we use one or both of those properties in Walker Macy's conceptual drawings.

Nick Popenuk went over the overview of the Real Market Value (RMV) and Assessed Value (AV) and taxable value. Real Market Value is what your property would sell for in an arm's length market transaction. That is a value that goes up and down and fluctuates sometimes dramatically with overall market conditions. In Oregon however

that is not what your tax is based on. Instead you are taxed on the assessed value which in many situations is different from the real market value.

Nick P. continued to explain the difference between the assessed value and real market value and how you are taxed and how the recession affected the Urban Renewal Area. Nick P. explained that our area has experience some declines in real market value in recent years. That is an important consideration when we are forecasting our tax increment finance revenues forward. The reason we are doing the tax increment finance revenue forecast is to provide context for understand what the borrowing capacity of the district might be. What its financial ability is to borrow money and take on new projects and invest in the area.

Nick Popenuk continued to go over the historical trends in the area of the annual percent growth in assessed value, and annual percent decline in real market value. Over the last five years we can see that the assessed value is growing at one to two percent per year. The real market value has been dropping across the area real market values dropped by almost twenty percent last year.

Nick P. continued to go over the real market value and assessed value of the area and how it will impact the area. The conversations that I have had with the County Assessor's office indicates, that next year and probably for the next several years they don't see justification for increasing real market value in the area.

Nick Popenuk went over the preliminary TIF projections going forward the tax revenue has been fluctuating but on average has been around three hundred and fifty thousand dollars (\$350,000) a year. Roughly that is what we are forecasting for the foreseeable future.

Community Development Director Nicholas Snead Nick P. before you go on, can you clarify that these are projections without any investments into the district that would increase the assessed value?

Nick Popenuk that is a very good point this is our baseline projection we are going to be working with city staff to identify specific catalyst projects, investments that the MRC might make in the area. How much those investments would cost and what likely taxable development would be generated from them.

Nick Popenuk went on to the outstanding debt service for the MRC. The annual TIF revenue is sufficient to make all of the outstanding obligations, but there is not a lot of surplus revenue to be able to make additional investments. That means any new borrowings will need to be considered carefully in the area.

Nick Popenuk went over the preliminary findings with the MRC there is a slim cushion between revenue and expenditures in the district right now. There is enough tax revenue being forecast to cover outstanding obligations but not a lot surplus revenue. We are concerned about the falling real market values if that continues to much for too long it could negatively affect the assessed value growth in the area. At the same time, eventually when those real market values turn around it does provide the opportunity for the district to experience more than 3% growth in a year. Overall what this means to us is new investments in the short term from a financial perspective should be focused on generating new and increased taxable value. Any

new debt that is undertaken in the area should be done carefully. The City does have an relationship with professional financial advisors those are great experts to turn to, to make sure that the Urban Renewal Area and the City aren't getting themselves into too great of risk. There is an option for the Urban Renewal Area if it has a project that comes along and you need additional financial capacity and your revenues haven't increased yet. Some of your existing financial obligations have the potential to be covered in the short term by other City funds or resources until the area fiscal position improves.

Community Development Director Nicholas Snead this is the reason why we funded this project. We knew we had some changes in financial conditions. We knew there were some risk to those conditions changing and hopefully not negatively. What the Commission is seeing here in the results of the preliminary analysis is a better understanding of the risk.

Commissioner Doeshia Jacobs asked about having an outlet mall in the downtown area.

Lorelei Juntunen we have not identified the specific kinds of businesses beyond the categories of business that would be the most appropriate. I think the way the projects will be described in the action plan will give staff the ability to move forward and reach out to general merchandisers.

Chair Doug Lofting one thing I don't see in your report to us tonight is in regards to the MRC and trying to get partners. What we often hear in the City of Madras is that our SDC's are too high. I don't believe that and until I can see a local comparison with our neighboring towns then we don't know. What I believe what this Commission and myself would like to see is an SDC comparison on commercial properties.

Community Development Director Nicholas Snead Chair Lofting we would be happy to do that in fact staff had every intention to present that as you requested that of staff earlier this week. We needed other City staff to confirm there assessments to we knew it was a valid comparison. We can present that to the Commission in January if you would like.

Chair Doug Lofting thank you Nick. I think that will be a very valuable tool for us when looking for partners.

Lorelei Juntunen we are into the project conversation, this is preliminary, and intentionally preliminary. As you know the survey is still out there and we are gathering feedback. I will be walking through about fifteen projects that have been identified through the process to date. We have taken and prioritized them based on input from community members, business owners, and the MRC. We have grouped them into two categories of projects one is a group of projects that are intended to encourage development, and to increase assessed value in the Urban Renewal Area. The second category is funding physical improvements in the area.

Lorelei went through the list and explained how they ranked the projects based on the survey.

Lorelei Juntunen you can see in the development category four projects that come to the top through both having community support and meeting the criteria. Those are actively working to recruit a department store or general merchandise store, making improvements to store fronts, working to recruit a brewery or restaurant, and then attracting developer attention and provide financial support to developers as they are interested in advancing projects. The projects that come to the top on the physical improvement side having high community support and meeting short term criteria. In the short term really new programs that clean-up downtown and they could be led by local community groups.

The Commission discussed the prioritization of the projects and agrees that they are in line with what the community would like. They discussed the recruitment process and the difficulty to bring a business to our community.

Lorelei Juntunen talked to the Commission about acquiring properties that don't require third party next steps. Where there might be the best opportunity to move forward and flush out what a recruitment strategy might look like.

Commissioner Tom Brown this is a really good document this is something we have been looking for, for a while. I can see some things in here that we can work with when we look at. For us to create any dollars out of this we are going to have to spend some money that is going to create new construction that is going to build the tax base. The challenge will be to try and get the downtown folks help themselves we have some absentee owners.

Chair Doug Lofting does anyone have any more questions or comments?

Janet Brown I would like to make a clarification on the document that shows the partners. I want to make sure that everyone is clear they have EDCO down as recruitment of the department store, general merchandise store. What EDCO works on are traded sector companies so I don't work in retail commercial type companies. I am happy to help whenever I can I just wanted to make that differentiation.

Community Development Director Nicholas Snead Janet so maybe EDCO doesn't take the lead and I appreciate the feedback, however I would think that EDCO could help perhaps assembling market data related to employment or things like that. If it were removed I wouldn't want that to preclude EDCO from being involved behind the scenes.

Chair Doug Lofting are there any other items tonight before we adjourn?

Community Development Director Nicholas Snead I do not have anything I will confirm the date of the January meeting. We will also be confirming two meeting dates in June for the budget efforts. I would like to thank Brandie for her help with audit this year.

Chair Doug Lofting after the January meeting I think we need to discuss where we are financially and Brandie you will play a major part in that. From what we are seeing is that our revenues are barely paying our bills. So for us to do anything at all we are going to have to operate from a line of credit.

City of Madras
Madras Redevelopment Commission
Special Meeting Minutes
January 20, 2016

I. Call to Order

The Madras Redevelopment Commission meeting was called to order by Chair, Doug Lofting at 5:30 p.m. on Wednesday January 20, 2016 in the Madras City Council Chambers.

Members in Attendance:

Commissioner Chuck Schmidt
Commissioner Royce Embanks
Commissioner Tom Brown
Chair Doug Lofting
Commissioner Don Reeder
Commissioner Doeshia Jacobs

Members Absent Were:

Commissioner Blanca Reynoso
There are two Membership vacancies.

Staff Members in Attendance:

Nicholas Snead, Community Development Director
Gus Burrell, City Administrator
Brandie McNamee, Finance Director
Michele Quinn, Community Development Administrative Assistant

Visitors

II. Consent Agenda

- A. Adoption of Agenda**
- B. Approval of January 2016 MRC Vouchers**
- C. EcoNorthwest Contract Amendment No. 1, to amend the Scope of Work to include Task 5.1- Forecast TIF Revenue, Task 5.2 Final Scenario Analysis, and to increase total budget to \$88,000.00**
- D. EcoNorthwest Contract Amendment No. 2, to extend term of Professional Services Agreement to February 15, 2016.**

A MOTION WAS MADE BY COMMISSIONER TOM BROWN TO APPROVE THE CONSENT AGENDA AS AMMENDED. THE MOTION WAS SECONDED BY COMMISSIONER CHUCK SCHMIDT AND PASSED UNANMOUSLY.

III. **Annual Election of Officers**

A MOTION WAS MADE BY COMMISSIONER ROYCE EMBANKS TO ELECT DOUG LOFTING AS CHAIR PERSON AND TOM BROWN AS VICE CHAIR. THE MOTION WAS SECONDED BY COMMISSIONER DON REEDER AND PASSED UNANIMOUSLY.

IV. **Visitors Comments**

None

Chair Doug Lofting At this time I would like to close are regular meeting and open the meeting for the Supplemental Budget Hearing.

V. **Supplemental Budget Hearing**

A. Madras Redevelopment Reinvestment Fund

Finance Director Brandie McNamee The resolution in your packet 2016-01 is a resolution that requires a supplemental budget because it exceeds 15% transfer from contingency. It is dropping the contingency in the General Fund from \$10,000.00 down to \$3,000.00 and the other transfer that requires a supplemental budget there is a 10% increase in overall appropriation in the re-investment fund. This is increasing special payments from \$25,000.00 to \$10,000.00 for a total of \$35,000.00.

Chair Doug Lofting Brandie can you walk us through what that money will cover for us.

Finance Director Brandie McNamee The General Fund the current special payment commitments supported by the MRC for the year are going to go over budget, if we do not do a special payment adjustment. What is needed in that category of Special Payments is two hundred thirty five thousand (\$235,000.00) to meet the commitments. The other additional increase of ten thousand (\$10,000.00) is to offset material and services specifically the legal line item.

City Administrator Gus Burril In July we ran two or three scenarios past the MRC Board and said what level of focus in those categories would you like us to go after. When we adopted your plan then we said we would come back to you later with follow up budget resolutions.

Chair Doug Lofting Commissioners do you have questions or concerns?

Commissioner Tom Brown Where does that leave our reinvestment fund?

Finance Director Brandie McNamee We have received early payoff from some of the loans so that number is up to forty two thousand (\$42,000.00). By upping the special payments by ten thousand dollars (\$10,000.00) it is essentially a wash.

Commissioner Tom Brown Do we foresee any other change orders?

City Administrator Gus Burril What we don't know is the outcome of the proposed

property for derelict clean-up. What we suggested between the two funds was if you did grant let's use the general fund for loan use the reinvestment fund. The idea behind the reinvestment fund was loan proceeds would continue to revolve and come back.

Commissioner Chuck Schmidt Is this property the one on "D" Street?

Community Development Director Nicholas Snead No, this is the Potter property located due east of McDonald's where we had the citizen lose their life.

Commissioner Don Reeder Brandie is that considered an ending fund balance as of December 31, 2015?

Finance Director Brandie McNamee Yes, December 31, 2015 is two hundred twenty three thousand (\$223,000.00). There is a property that is currently in escrow that we anticipate closing February 15, 2016. So I have issued pay offs on a loan and that would bring approximately twenty six thousand (\$26,000.00) back to the reinvestment fund. It is nice that the MRC loans are being paid off and they are being paid off because the properties are selling.

Commissioner Don Reeder Brandie is that a percentage the \$223,000.00 as a policy of the board?

Finance Director Brandie McNamee No there is no fund balance policy for the MRC. That is one thing I have been exploring because a lot of jurisdictions have fund balance policies as a mechanism to gage their budget. Gus has allowed me to reach out to D.A. Davison which is an underwriting firm to compare us against industry standards. To see what is a safe threshold based on our debt obligations and what should we have in our fund balances.

Commissioner Don Reeder Do you have an estimate is this a good estimate of \$223,000.00 or would it be less or more?

Finance Director Brandie McNamee Generally they say you want to have about 18 months of operating cash on hand as a safe threshold to have in your fund balance.

Community Development Director Nicholas Snead That's right 10% is usually the rule of thumb. Of course that is a policy decision the MRC would need to make. Understand that we have two different funds one is the General Fund and the Reinvestment Fund.

Finance Director Brandie McNamee If this is something as a Commission you want me to start working on it is up to you.

Commissioner Don Reeder I am new but I have been on other boards and it is nice to have an idea of what the ending fund balance is for protection against anything that might happen in the future.

Chair Doug Lofting I am in favor of exploring what other districts do and have you presented back to us. So is everyone comfortable with the thirty five thousand dollars (\$35,000.00)? Is there any other questions?

Chair Doug Lofting The budget hearing is now closed.

VI. Budget Resolution No. MRC 2016-01

A MOTION WAS MADE BY COMMISSIONER DON REEDER TO AUTHORIZE AND INCREASE IN APPROPRIATIONS TO RECOGNIZE UNANTICIPATED REVENUES, AND EXPENSES AND THE TRANSFER OF APPRIATIONS WITHIN FUNDS FOR FISCAL YEAR 2015-2016. THE MOTION WAS SECONDED BY COMMISSIONER CHUCK SCHMIDT AND PASSED UNANMOUSLY.

VII. Appointment of Budget Committee Members

Finance Director Brandie McNamee So with the outreach efforts from community surveys I think it did spark some interest in the MRC budget committee. As you remember last year we were slim on members at large. This year we have six individuals to appoint to the budget committee I have confirmed their addresses and they all reside within the two mile radius.

Those members are:

Janet Brown
Steve Jansen
Dan Chamness
Maura Schwartz
Tena Jackson
Bartt Brick

Chair Doug Lofting Brandie it is my opinion that you have done well these people will all serve us very well on the budget committee. Commissioners any concerns with any of the people listed?

A MOTION WAS MADE BY COMMISSIONER TOM BROWN TO APPOINT THE FOLLOWING PEOPLE TO THE BUDGET COMMITTEE JANET BROWN, STEVE JANSEN, DAN CHAMNESS, MAURA SCHWARTZ TENA JACKSON AND BARTT BRICK. THE MOTION WAS SECONDED BY COMMISSIONER CHUCK SCHMIDT AND PASSED UNANMOUSLY.

VIII. Presentation of Draft Urban Renewal Action Plan

Community Development Director Nicholas Snead The purpose of this agenda item is to review a 90% draft of your plan. We would like to present you the plan this evening obtain your feedback and in two weeks, at the February 3, 2016 meeting, EcoNorthwest will revise the plan and present it to you for formal adoption.

Lorelei Juntunen The first portion of the presentation will go to Nick Popenuk to do an update of the financial analysis.

Nick Popenuk Went over the finalized baseline TIF forecast, an alternate scenario with new development, projected MRC cash flow, and timing and impacts of potential short term investments.

Nick P. explained the base line cash flow compared to base cash flow with a line of credit. Nick P. went through a second scenario that touched on projects like a general merchandise store, a grocer and brewery. Nick P. explained to the MRC about investing in projects that take longer to receive financial payback. From the time that a developer puts a shovel in the ground to the time that you receive increased tax revenues. There is

a delay of about two years. That is how long it takes the project to be completed, for it to be certified for occupancy, for the assessor to pick it up on the tax rolls, and for the taxes to be sent out and collected and paid. Overall both scenarios they both show long term steady growth if you have new development that growth will be more. In the next few years we see that there will be financial constraints in the district.

Any significant projects in the next few years will require borrowing if you want to spend something close to one hundred thousand dollars (\$100,000.00) per year. Even if you wanted to spend fifty thousand dollars (\$50,000.00) on a new project it is going to require additional capacity that the district will not have on its own unless it borrows. However borrowing should not happen unless you have certainty that the project you are investing in is going to stimulate higher tax revenues. Borrowing money to invest in projects that won't have that guaranteed additional tax revenue you are undertaking additional debt. We want to make sure that we are advising you that taking on new debt should be done with a lens looking for taxable projects. That is going to increase your revenue and your ability to pay off that debt.

Even with borrowing funds it looks like the districts capacity is limited to one hundred thousand dollars (\$100,000.00) per year over the next three years. Long term forecast is better, with increasing revenue after 2020.

Commissioner Chuck Schmidt Is there some formula we should use if someone wants to come and do a brewery for our return from our investment?

Nick Popenuk I provided a spread sheet it has a tab on it that will allow you to model a new investment scenario.

The MRC Commission continued to discuss how the spread sheet works and how some of the returns might be with certain investments. There was additional discussion on types of investments and returns they might bring.

Lorelei Juntunen The remainder of the presentation is focused on the action plan draft and the projects so we can get some feedback. So we can take this the rest of the way to a complete document. So we have talked about different strategies for different areas and I will show the map and we can talk about that to make sure we have it right. In terms of why and how, we have established an evaluation criterion that we applied to the projects that we will look at. What we are looking at is you have a very linear urban renewal area and what we have heard from the public involvement was the need to create a center for the City. As you are thinking about investing that is the geography that you want to be as proactive as possible. That might be a geography where you go beyond the ten years in terms of thinking about the payback period. As far as the north and south corridor of town you may be more reactive.

Project prioritization criteria and these are the short term with focus on tax increment generation, need to support development on underutilized or vacant sites, and it catalyzes other development. So that is the lens we were using to prioritize projects in this plan update. Lorelei went over the MRC priority projects these are projects that scored well for community support. Partnership projects which are important but MRC may not take the lead you would work with your partners to move forward and advance that agenda. For the projects that are MRC priority projects we have developed detailed project sheets. That provides content about each individual projects and direction so you

can pick this up and move forward with making these projects happen in the community. The MRC priority projects are:

- General Merchandise Store
- Brewery or Grocery store
- Making sure the City is aware of opportunities
- Clarify the development processes
- Explore changes to the façade program
- Downtown clean-up program
- Core area sidewalk improvements
- Improvements to pedestrian safety on Hwy 26 and 97

Recruit General Merchandise Store- The need for better general merchandise retail opportunities was the most frequently retail cited need among residents and stakeholders. General merchandise includes and non-food or non-grocery products, such as clothing, outdoor gear, cosmetics, jewelry.

The MRC will refine and implement a comprehensive strategy to attract a general merchandiser or a store that offers general merchandise goods in addition to grocery products. Beginning with the information in the Commercial Development Opportunities Analysis, the City will create a refined “recruitment package” that can serve as a starting point in marketing available sites to potential tenants and developers.

Comments and Questions

There were questions about using the available buildings in the downtown core to attract a business instead of building new.

Bringing in discounts stores where highway 97 and 26 come together.

Most big box retailers look at population, educational attainment, and average household income.

We may not have the population but we have enough people driving through on Hwy 97/26 to support a big box store.

Recruit Brewery- The recruitment of a brewery to downtown Madras was a high priority among survey respondents and could help to spark other investment in downtown by capturing business from visitors.

The MRC will work to recruit a brewery to Madras our unique assets. There are generally two categories of breweries: small production facilities of brewpubs.

Comments and Questions

Why aren't we looking at bringing in a Hispanic brewery?

There was a question about the possibility of having a marijuana grow operation as a potential opportunity?

As long as it would be here to stay we don't want to bring one in and not have it stay.

Develop Recruitment Toolkit- Technical analysis and outreach point to a need for new development in Madras, and specifically in the Urban and Civic Core. In open houses and community surveys, Madras residents and downtown stakeholders discussed a strong desire for a more vibrant “heart” in Madras that includes new retail opportunities, more attractive store fronts, and a more visible center for the community.

This action creates a system for developer outreach and opportunity tracking. It also outlines development assistance in the form of MRC grants/loans and predevelopment assistance.

Comments and Questions

Do we have something that focuses on our amenities like the pool or our water?

There was a discussion about what is already being done by the Chamber of Commerce and EDCO.

We need to look at tapping into events and exploiting our hiking trails, bicycling, ball fields, and aquatic center.

Clarify Development Processes- Stakeholder outreach conducted as part of this Action Plan process uncovered a sentiment among some that the City’s development processes permitting, development fees, etc. are overly complicated and expensive, and may be driving away or stopping new development from occurring.

Explore Changes to Façade Improvement Programs- Building maintenance and façade improvements were key themes from Action Plan community outreach. Improving the look of businesses can be important to ensuring that the business captures its market share; however, these investments can be challenging for small businesses to finance.

Consider adjustments to the structure of existing Madras storefront improvement programs.

Comments and Questions

Community Development Director Nicholas Snead Staff will be presenting in February to the MRC SDC comparison.

Are SDC’s negotiable?

There was a discussion on SDC’s and the possibility of the MRC helping with some SDC’s if a developer was to come in and the SDC’s was an issue. Is there the possibility to waive the SDC’s? It was commented that we don’t want to start waiving SDC fees you look at clarifying.

Explore changes to the Façade Improvement Program- Building maintenance and façade improvements were key themes from Action Plan community outreach. Improving the look of businesses can be important to ensuring that the business captures its market share; however, these investments can be challenging for small businesses to finance.

Consider adjustments to the structure of existing Madras storefront improvement programs.

Comments and Questions

Community Development Director Nicholas Snead The difference here is we are focusing on our core area.

Downtown Clean Up Program- Public outreach results show that Madras residents are concerned with the cleanliness and maintenance of their downtown corridor. Cleanliness in the physical environment affects their sense of pride and safety. Further, a tidier downtown would better appeal to tourists and incentivize motorists to stop in Madras rather than passing through.

Community-based cleanup of the core of Madras would foster community ownership of downtown through maintenance as well low-cost improvements to improve the area's appearance.

Comments and Questions

What is the schedule of our City street sweeper? Can we talk to the City about increasing it to twice a weekly with spring coming?

Community Development Director Nicholas Snead Possibly we can get some assistance from the parole and probation work crew. Can we possibly get some volunteers to help with the clean-up?

City Administrator Gus Burril I can say this for Public Works we have added J Street and City View, B Street, Burg Drive. We have doubled the amount of parks and they are down two and a half employees from pre-recession levels, and they are maintaining a lot more. I want to be respectful of the need but I also want to be respectful for why are they not getting there as often. They are not resourced like they were years ago.

There was a continued discussion about being resourced to help with sweeping and will we be able to add resources.

Core Areas Sidewalk Improvements- Improving sidewalks in the core area and competing the sidewalk network was a high priority for community members. Addressing these needs can help to make the area more accessible for pedestrians and support connectivity.

This project will be implemented using two existing City programs the Sidewalk Grant Program and the Capital Improvement Program.

Improvement Pedestrian Safety on Highway 26/97- Improvement to Pedestrian Safety on Hwy 26/97- Traffic on Highway 26/97 couplet presents many challenges to pedestrians who wish to access businesses in downtown Madras. About 13,000 vehicles per day travel through Madras' core on the US 26/97 couplet. The highways act as a barrier, crating challenges with creating a contiguous business district and a place that feels like a "core" of the City.

Improvements should be focused in the core area, and could include new

crosswalks and traffic calming strategies such as curb extensions, road diets, street trees, and on-street parking. Priority intersections include 4th and E Street, and other un-signalized intersections or crossings.

Comments and Questions

Community Development Director Nicholas Snead Are you seeing the plan that is generally in keeping with what you expected when we started this project back in September?

The Commission all agreed.

IX. Additional Discussion

Community Development Director Nicholas Snead I met with Lee Baggett two weeks ago he thinks his façade project will be completed mid-February. At our February meeting we will present the regional SDC comparison.

X. Adjourn

The meeting adjourned at 7:46 p.m.

Doug Lofting
Chair

Date

Nicholas Snead
Community Development Director

Date

DISBURSEMENTS LIST - January 20, 2016-February 24, 2016

Madras Redevelopment Commission
Review and Approval

Date	Vendor	Description	Amount
2/18/2016	EcoNorthwest	Urban Revitalization Action Plan Update	\$ 10,730.09
2/3/2016	Bryant, Lovlien, Jarvis	Plotter Agreement	\$ 32.00
Total			\$ 10,762.09

** Committee Review and approval of checks cut in the previous month**

Report Criteria:
Report type: GL detail
Bank.Bank number = 2

GL Period	Check Issue Date	Check Number	Payee	Description	Check Amount
02/16	02/18/2016	1301	ECO NORTHWEST	Urban Revitalization Action Plan Update	10,730.09
Grand Totals:					<u>10,730.09</u>

Purchase Date	Vendor Name	Item Description	Item GL Combination	Item Total	Receipt Status	Receipt Comment
1099 reporting						
02/03/2016	BRYANT, LOVLIEEN & JARV		505-505-520-2102-			
02/04/2016	BRYANT, LOV, JARV - UGB: Large Lot Industrial			16.00		
02/03/2016	BRYANT, LOVLIEEN & JARV		505-505-520-2102-			
02/04/2016	BRYANT, LOV, JARV - Nuisance Property: 179 D ST.			864.00		
02/03/2016	BRYANT, LOVLIEEN & JARV		803-101-520-2102-			
02/04/2016	BRYANT, LOV, JARV - Road Transfer IGA w/ Jeff Co.			1,086.00		
02/03/2016	BRYANT, LOVLIEEN & JARV		803-101-520-2102-			
02/04/2016	BRYANT, LOV, JARV - MOU w/ Jeff. Co. Fair Complex			128.00		
02/03/2016	BRYANT, LOVLIEEN & JARV		803-101-520-2102-			
02/04/2016	BRYANT, LOV, JARV - Memorandum of Understanding: Sandbagger			688.00		
02/03/2016	BRYANT, LOVLIEEN & JARV		503-030-520-2102-			
02/04/2016	BRYANT, LOV, JARV - Wastewater SCADA Upgrade Project			412.00		
02/03/2016	BRYANT, LOVLIEEN & JARV		802-101-520-2102-			
02/04/2016	BRYANT, LOV, JARV - Employee/Investigation Matter			192.00		
02/03/2016	BRYANT, LOVLIEEN & JARV		701-701-520-2102-			
02/04/2016	BRYANT, LOV, JARV - Plotter Agreement			32.00		
02/03/2016	MADRAS AUTO PARTS		805-101-520-1406-			
02/04/2016	MADRAS AUTO po # 10873 floor jack for shop			599.99		
02/03/2016	IN QUANTUM COMMUNICATION		101-106-520-2503-			
02/04/2016	IN QUANTUM COMMUNICATION -Add'l ethernet port for radio traffic			50.00		
02/03/2016	TS & S FORD		805-101-520-1403-			
02/04/2016	TS & S FORD touch up paint for # 41			20.88		

DISBURSEMENTS LIST - January 20, 2016-February 24, 2016

Madras Redevelopment Commission
Review and Approval

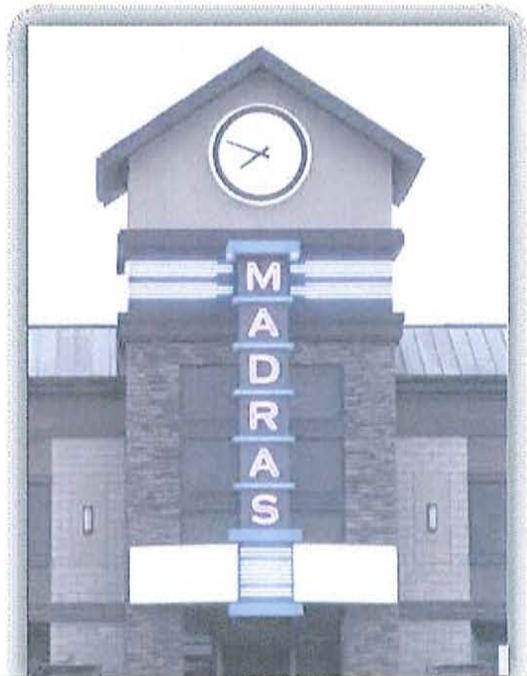
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2/3/2016	Bryant, Lovlien, Jarvis	Plotter Agreement	\$ 32.00
Total			\$ 10,762.09

** Committee Review and approval of checks cut in the previous month**

Report Criteria:
Report type: GL detail
Bank.Bank number = 2

GL Period	Check Issue Date	Check Number	Payee	Description	Check Amount
02/16	02/18/2016	1301	ECO NORTHWEST	Urban Revitalization Action Plan Update	10,730.09
Grand Totals:					<u>10,730.09</u>

Purchase Date	Vendor Name	Item Description	Item GL Combination	Item Total	Receipt Status	Receipt Comment
1099 reporting						
02/03/2016	BRYANT, LOVLIEEN & JARV		505-505-520-2102-			
02/04/2016	BRYANT, LOV, JARV - UGB: Large Lot Industrial			16.00		
02/03/2016	BRYANT, LOVLIEEN & JARV		505-505-520-2102-			
02/04/2016	BRYANT, LOV, JARV - Nuisance Property: 179 D ST.			864.00		
02/03/2016	BRYANT, LOVLIEEN & JARV		803-101-520-2102-			
02/04/2016	BRYANT, LOV, JARV - Road Transfer IGA w/ Jeff Co.			1,086.00		
02/03/2016	BRYANT, LOVLIEEN & JARV		803-101-520-2102-			
02/04/2016	BRYANT, LOV, JARV - MOU w/ Jeff. Co. Fair Complex			128.00		
02/03/2016	BRYANT, LOVLIEEN & JARV		803-101-520-2102-			
02/04/2016	BRYANT, LOV, JARV - Memorandum of Understanding: Sandbagger			688.00		
02/03/2016	BRYANT, LOVLIEEN & JARV		503-030-520-2102-			
02/04/2016	BRYANT, LOV, JARV - Wastewater SCADA Upgrade Project			412.00		
02/03/2016	BRYANT, LOVLIEEN & JARV		802-101-520-2102-			
02/04/2016	BRYANT, LOV, JARV - Employee/Investigation Matter			192.00		
02/03/2016	BRYANT, LOVLIEEN & JARV		701-701-520-2102-			
02/04/2016	BRYANT, LOV, JARV - Plotter Agreement			32.00		
02/03/2016	MADRAS AUTO PARTS		805-101-520-1406-			
02/04/2016	MADRAS AUTO po # 10873 floor jack for shop			599.99		
02/03/2016	IN QUANTUM COMMUNICATION		101-106-520-2503-			
02/04/2016	IN QUANTUM COMMUNICATION -Add'l ethernet port for radio traffic			50.00		
02/03/2016	TS & S FORD		805-101-520-1403-			
02/04/2016	TS & S FORD touch up paint for # 41			20.88		



**ANNUAL REPORT
FISCAL YEAR ENDING
JUNE 30, 2015**

2014/2015

URBAN RENEWAL AGENCY OF THE CITY OF MADRAS



THIS REPORT FULFILLS THE REQUIREMENTS, PRESCRIBED BY
ORS.457.460, FOR THE FILING OF AN ANNUAL REPORT
DETAILING THE FINANCIAL ACTIVITY OF THE URBAN RENEWAL
AREAS ESTABLISHED IN OREGON.

ANNUAL REPORT FOR FISCAL YEAR ENDING JUNE 30, 2015

MADRAS REDEVELOPMENT COMMISSION

Madras Urban Renewal Area History

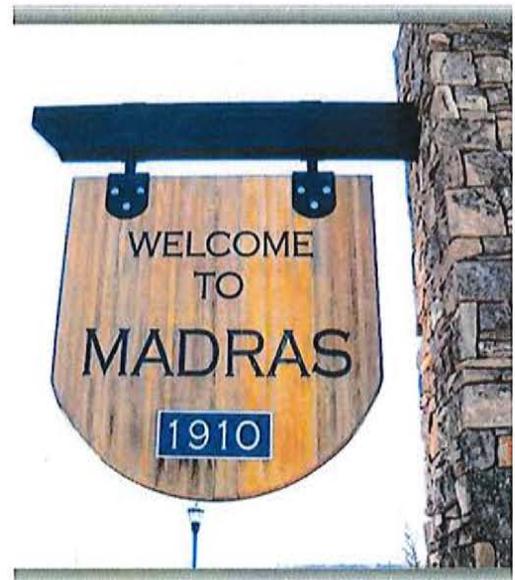
The Madras Urban Renewal Plan was adopted by the City Council of the City of Madras on August 13, 2002 via City Ordinance No. 700. The purpose of the Urban Renewal Plan is to:

1. Eliminate blighted conditions;
2. Reverse physical and economic decline;
3. Establish a maximum indebtedness of \$14 million;
4. Identify financing methods to eliminate blight and improve economic conditions.

In 2002 the Madras City Council passed Ordinance No. 709 which created the Madras Redevelopment Commission and transferred its Urban Renewal authority to the Madras Redevelopment Commission increase public involvement in the Urban Renewal Program, pursuant to Oregon Revised Statutes (ORS) 457.055.

The District lies primarily along the commercial corridor that extends from Lee Street in the north and Hall Street in the south. Property taxes are imposed on the increase in property values based on the assessed value within the urban renewal district. The District receives property taxes (tax increment) to fund projects that are consistent with the purpose of the District's Plans.

ORS 457.460 requires urban renewal agencies to provide a summary of their finances for public information. Additional reporting for the MRC includes adoption of its annual budget and its annual independent audit.



Projects

The following projects were completed by the Madras Urban Renewal District in FY 2014/15.

The MRC provided \$100,000 to Madras Cinema 5, the fourth of five annual payments that were agreed upon within an MOU developed during 2009-2010. The Madras Cinema 5 has proven to be a successful addition to Jefferson Square development within the Urban Renewal District. This development catalyzed other private development within the overall Jefferson Square area.

- Total project value: \$1,483,990, URD grant awards: \$500,000

In collaboration with ODOT, and the City of Madras, URA funds were used assist with the installation of the decorative street lights along Highway 97 from L Street to Fairgrounds Road.

- Total project value: \$1,450,000, URD grant awards: \$7,500

Payment to the City of Madras for the City Hall/Police Station project in the amount of \$75,000 was made in FY2014/15. Total URA contributions to date for this project total \$220,000 over the past three years since 2013. This support from the URD for the City Hall/Police Station is consistent with the District's Plans to support a Civic Center for Madras community members.

- Total project value: \$5,286,120, URD grant awards (thus far): \$220,000

The MRC continued the downtown flower program and paint program throughout FY2014/15.

- Total project value: \$6,000, URD grant awards: \$6,000

Debt Administration

At the end of the fiscal year 2014-15, the MRC's total outstanding debt consists of a \$2,390,000. This includes a \$2,290,000 balance advanced from the City of Madras. The terms of the advance match the City's related bond issuance of which the original amount of the advance was \$2,585,000 with a 20-year term, issue date of 5/15/2012 and maturing in 6/1/2032.

In FY2014/15 it was discovered that additional funds were needed to meet contractual obligations and in response the City initialized a line of credit on behalf of the URD. \$100,000 was drawn from a line of credit in FY2014/15. The term of the line of credit is up to \$500,000, issue date of 5/15/2015 and maturing on 3/31/2017. Options to renew the line of credit are available and will be explored during the development of the 2016-17 URD budgets.

Table 1: Madras Urban Renewal District Maximum Indebtedness (MI) Calculation

FY	MRC General Fund - Expenditures			Expended from Other Resources **	Expended from Property Tax Increment	Debt Proceeds	\$14,000,000 Maximum Indebtedness Currently Available
	TOTAL EXPENDITURES (MRC GENERAL FUND)	Less: Debt Service, Debt Refinance	Net Expenditures				
			(A)	(B)	(A)-(B)		
2003-04	\$ 98,453	\$ -	\$ 98,453	\$ -	98,453	653,865	\$ 13,247,682
2004-05	809,424	(4,754)	804,670	653,865	150,805	1,846,135	11,250,742
2005-06	1,904,754	(87,062)	1,817,692	1,817,692	-		11,250,742
2006-07	1,350,683	(128,323)	1,222,360	342,186	880,174		10,370,568
2007-08	359,484	(190,381)	169,103	169,103	-		10,370,568
2008-09	348,431	(91,503)	256,928	256,928	-		10,370,568
2009-10	288,635	(77,983)	210,652	210,652	-		10,370,568
2010-11	378,217	(77,754)	300,463	300,463	-		10,370,568
2011-12	2,980,602	(2,630,342)	350,260	50,040	300,220		10,070,348
2012-13	432,685	(179,496)	253,189	-	253,189		9,817,159
2013-14	413,962	(179,000)	234,962	-	234,962		9,582,197
2014-15	417,548	(177,000)	240,548	100,000	140,548	100,000	9,341,649
	9,782,878	(3,823,598)	5,959,280	3,900,929	2,058,351	2,600,000	
MAXIMUM INDEBTEDNESS - AVAILABLE AND UNCOMMITTED							9,341,649

Maximum Indebtedness (MI)

A Maximum Indebtedness (MI) of \$14 Million was established by the Council when they created the URD. The MI amount is reduced by any debt that is issued or any expenditure the Agency makes above the amount of debt issued. Therefore, annual principal and interest payments, debt issuance costs etc., do not reduce MI. Expenditure are made from debt proceeds and other resources (sale of property, repayment of loans, etc.) first and property tax increment second. The max indebtedness balance as of June 30, 2015 is \$9,341,649.

Financial Reporting

Pursuant to ORS 457.460, a detailed accounting of the financial activity related to urban renewal areas is required to be reported on an annual basis. The following financial information responds to the requirements of the statute.

Money Received in FY 2014/15

1(a) The amount of money received during the preceding fiscal year (FY) and indebtedness incurred under ORS 457.420 to 457.460.

Fiscal Year 2014-15

Tax Increment Received	\$ 328,967
Proceeds from Line of Credit	100,000
Repayment of Loans	65,582
Interest and Misc. Revenues	9,015
Total Resources	<u>\$ 503,564</u>

Money Expended in FY 2014/15

- 1(b) The purpose and amounts for which any money received under ORS 457.420 to 457.460 and from indebtedness incurred under ORS 457.420 to 457.460 were expended during the preceding fiscal year.

<u>Fiscal Year 2014-15</u>	
Materials and Services	\$ 64,270
Grants, Loans	182,500
Debt Service	177,000
Total Expenditures	<u>\$ 423,770</u>

Estimated Revenues for Current Fiscal Year, FY 2015/16

1. An estimate of monies to be received during the current fiscal year under ORS 457.420 to 457.60 and from indebtedness incurred under ORS 457.420 to 457.460.

<u>Fiscal Year 2015-16</u>	
Tax Increment Received	\$ 339,700
Proceeds from Line of Credit	140,000
Repayment of Loans	52,000
Interest and Misc. Revenues	5,000
Total Resources	<u>\$ 536,700</u>

It was originally anticipated that \$240,000 of proceeds from line of credit would be recognized in FY2015/16, however \$100,000 of that balance was recognized on 6/30/2015 and included in the FY2014/15 financials. The balance is carried over through beginning cash balances.

Proposed Budget for Current Fiscal Year, FY 2015/16

2. A budget setting forth the purposes and estimated amounts for which the monies which have been or will be received under ORS 457.420 to 457.460 and from the indebtedness incurred under ORS 457.420 to 457.460 are to be expended during the current fiscal year. The URD recognizes that expenses exceed revenue in FY2015/16 and this is part of the strategic planning for use of the line of credit proceeds to cover costs that will be later recouped through tax increment financing efforts.

Table 2. Budget FY 2015/2016 General Fund and Reinvestment Fund

	General Fund	Reinvestment Fund
Resources		
Available Cash on Hand	459,976	195,631
Property Taxes	339,700	-
Issuance of Debt/loan proceeds	140,000	31,000
Interest Income	500	4,000
Total Revenues	940,176	230,631
Materials & Services		
Audit	4,500	
Contract Services	45,000	
Dues / Membership	450	
Downtown Flowers	-	7,000
Facility Maintenance	800	
Legal Fees	12,500	
Meetings, Travel & Schools	2,000	
Bank Service Fees	1,050	1,000
Office Supplies	900	
Professional Services	90,000	
Total Materials & Services	157,200	8,000
Special Payments		
Grants- Business	150,000	-
Grants- Infrastructure	10,000	-
Grants- Police Station/City Hall	75,000	-
Loan Distributions	-	35,000
Total Special Payments	235,000	35,000
Debt Service		
Line of Credit - Interest	6,000	-
Series 2012B Bond Principal-City of Madras	105,000	-
Series 2012B Bond Interest-City of Madras	76,500	-
Total Debt Service	187,500	-
Redevelopment Properties - (Non-Spendable until Sold)	329,007	-
Total Reserve for Future Expenditure	329,007	-
Contingency		
Contingency	3,000	25,000
Total Contingency	3,000	25,000
Unappropriated Ending Balance	28,469	162,631
Total Ending Balance	28,469	162,631
Total Expenditures	940,176	230,631
Total MRC - Revenues	940,176	230,631

Impact on Taxing Districts

3. An analysis of the impact, if any, of carrying out the urban renewal plan on the tax collections for the preceding year for all taxing districts included under ORS 457.430.

The revenues foregone by local taxing districts due to urban renewal are shown in Table 3. This information is from Union County Assessor records, Table 4e. This numbers are after truncation and compression losses.

Urban renewal agencies do not create an additional tax. Instead, during the Agency's lifespan, overlapping taxing districts "forego" a portion of their permanent rate. Once the urban renewal area is terminated, the taxing jurisdictions receive the full permanent rate of taxes. For the majority of taxing districts this impact is less than four percent of their permanent rate levy. The greatest impact is on the City of Madras, at 7.87% of their permanent rate levy. The School District and ESD are funded through the State School Fund on a per pupil allocation. The State School Fund is funded through property tax allocations, but also through other state resources. There is not an impact of urban renewal on local public schools funding.

Carrying out an urban renewal plan has an effect on the amount of property taxes collected by the other taxing districts that overlap with the MRC's urban renewal area. Property taxes are redirected from the other taxing districts to the Madras Redevelopment Commission that totaled approximately \$334,836 in taxing proceeds in FY 2014/2015.

Table 3. Impact on Taxing Districts FY 2014/2015

Taxing District	Revenue Forgone	Permanent rate levy	% of Total Tax Revenues
Madras Aquatic Center	\$5,566	\$218,520	2.55%
Jefferson County	\$79,577	\$5,260,819	1.51%
City of Madras	\$92,085	\$1,169,825	7.87%
Education Service District	\$5,321	\$289,063	1.84%
School District #509J	\$102,345	\$3,837,326	2.67%
Central Oregon Community College	\$13,823	\$881,763	1.57%
Jefferson County FPPD levy	\$26,424	\$766,805	3.45%
Jefferson County Library	\$9,695	\$543,710	1.78%
Total	\$334,836		

Economic Factors for FY 2015/2016

The downturn in the national, state, and regional economies is continuing to affect the local economy, whereby declining property values within the urban renewal district in 2008-2014 have reduced the amount of property tax collected by the Urban Renewal District. Also the collection ("mill") rate decreased for the district between 2008-2014. Measure 5 compression is also having a compression effect on property tax revenues. While property values have stabilized, there is a lagging effect of the 2008-2014 property declines that will likely impact property tax revenues for the next few years.

- During fiscal year 2009 the MRC executed a Memorandum of Understanding (MOU) with a developer to build a five-screen movie theater (i.e. Madras Cinema 5) within the Madras Urban Renewal District. As part of the MOU, the MRC agreed to pay the developer \$100,000 per year for five years. The fifth of five payments in the amount of \$100,000 is forecasted in fiscal year 2015-16.
 - During fiscal year 2015-16, the MRC will contribute an additional \$75,000 towards to completion of the new Police Station/City Hall for the City of Madras located in the urban renewal district.
 - The Madras Urban Renewal Plan was completed in July 2002 and is due to be updated by February 2016 by ECONorthwest. This firm specializes in urban renewal districts and the report will be a valuable tool in developing the 2016-17 budgets and strategic forecasting.
 - A line of credit was finalized June 30, 2015 and the total use of funds in the amount of \$240,000 is planned to be utilized in 2015-16 from this financing effort. This line will fund the final payment to Madras Cinema 5, contract costs for updating the Urban Renewal Plan, and allow contingency for other district improvements.
- (2) This report is on file with the City Recorder, City of Madras, 125 SW "E" Street, Madras, Oregon 97741. Notice of this report and its availability to all interested persons, including a summary of the information in 1(a)-(d) above, will be published in the Madras Pioneer on February 3, 2016 and February 10, 2016.



Brandie McNamee
Finance Director
City of Madras, Oregon



Nick Snead
Community Development Director
City of Madras, Oregon

Fund Balance



*A presentation illustrating the fund balance for
Madras Redevelopment Commission*

Definition of Fund Balance

- ✎ Fund balance is the difference between assets and liabilities in a governmental fund.
- ✎ Fund balance is required to be reported in two components—reserved and unreserved.
 - A designation is not legally binding but does convey a government's plans for using its available resources.
- ✎ Fund balance is the "universal" measure that is consistently used by bond analysts, attorneys, government researchers, legislative staff, etc. – to make decisions based on the "health" of an organization.

Definition per GASB: Governmental Accounting Standards Board
http://www.gasb.org/cs/ContentServer?pagename=GASB%2FGASBContent_C%2FUsersArticlePage&cid=1176156737123

Statement of Revenue and Expenses

Per Audit as of 6/30/2015

	<u>MRC General Fund</u>	<u>MRC Reinvestment Fund</u>
Tax Revenue	328,967	
Facade Loan Proceeds		65,582
Line of Credit Proceeds	100,000	
Misc. Revenue and interest	2,340	6,675
Total Revenue	431,307	72,257
Community Development	(58,048)	(6,222)
Special Payments (grants/loans)	(182,500)	
Debt Service	(177,000)	
Total Expenses	(417,548)	(6,222)
Total Ending Cash Balance (change in Fund Balance)	13,759	66,035
Beginning Fund Balance	461,495	137,955
Ending Fund Balance	475,254	203,990

What makes up fund balance...

Per Audit as of 6/30/2015

Total Ending Cash Balance (change in Fund Balance)	13,759	66,035
Beginning Fund Balance	461,495	137,955
Ending Fund Balance	475,254	203,990
	↓	↓
Properties for Redevelopment	329,698	-
Receivables	23,476	134,193
Accounts Payable	(1,240)	(684)
Deferred Revenues	(21,845)	(133,492)
Cash and investments	145,165	203,973
Total Restricted Equity	475,254	203,990

Total Equity: \$679,244

Total Net Position of MRC

Per Audit as of 6/30/2015

Total Equity	679,244
Unearned Revenue	155,335
Line of Credit Debt	(100,000)
2011B Bond Debt	(2,290,000)
Total Net Position	(1,555,421)

**Note: This Net Position does not include the City Hall contribution, if it did, add \$755k to bring total Net Position to \$2.3 Million*

What does Negative Net Position mean?

Net position is virtually the same as shareholders' equity--both reflect the difference between what the company owns and what it owes. Typically, the higher a company's [net asset value](#), the higher the value of the company. In MRC's case, they owe more than they are worth.

Is Negative Net Position Normal for a URD?

- ⌘ Per Oregon constitutional requirements for an Urban Renewal District, it is permitted to operate with a Negative net position.
- ⌘ The theory for operating a URD is that a URD would borrow debt, then pay back over time via tax income (i.e. TIF – Tax Increment Financing)
- ⌘ Over time, increases or decreases in net position serve as useful indicators of whether the financial assets of the MRC are improving or deteriorating.
- ⌘ The life of the URD district should guide the rate of return on investments (or balance of TIF projects to pay off the debt).
 - Based on current debt balances, the life of the district will be through year 2037. The original goal of the district was to have a life of 2027 (*per page 6 of the 2002 Urban Renewal Plan*).

Per GASB Stmt 63: Summary of Net Position Definition http://www.gasb.org/jsp/GASB/GASBContent_C/UsersArticlePage&cid=1176158753218

Worse Case Scenario

- ✎ By June 30, 2016, it is anticipated Net Position will be around negative (\$1.846 million).
 - *This is up from prior year due to the update of the urban renewal plan on increasing debt through the line of credit borrowing.*
- ✎ Current debt is a 22 year payback, anticipated to be paid off by year 2037-38.
 - *Current coverage ratio is 1.3, however with line of credit termed out and paid we drop to coverage ratio of 1.017. Anything below 1.25 is below industry standard.*
- ✎ If the MRC had to only meet it's contractual obligations and not fund anything else, it would be able to meet those as of today with the consistent revenue of \$340k coming in each year.

Baseline Scenario from EcoNorthwest

FYE	2016	2017	2018	2019	2020	2021	2022
DEBT SERVICE FUND							
Resources							
Beginning fund balance	\$ 46,248.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TIF revenue	\$ 347,447.00	\$ 355,735.00	\$ 344,367.00	\$ 356,495.00	\$ 386,759.00	\$ 417,959.00	\$ 450,035.00
Total resources	\$ 393,695.00	\$ 355,735.00	\$ 344,367.00	\$ 356,495.00	\$ 386,759.00	\$ 417,959.00	\$ 450,035.00
Expenditures							
City Hall obligation	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00
Outstanding long-term debt	\$ 181,500.00	\$ 179,950.00	\$ 181,700.00	\$ 181,700.00	\$ 190,000.00	\$ 190,000.00	\$ 190,000.00
Line of credit	\$ 5,800.00	\$ 7,500.00	\$ 7,500.00	\$ 10,500.00	\$ 3,000.00	\$ 6,000.00	\$ 10,500.00
Pay as you go	\$ 131,395.00	\$ 93,285.00	\$ 80,167.00	\$ 61,210.00	\$ 90,674.00	\$ 118,874.00	\$ 146,450.00
Total expenditures	\$ 393,695.00	\$ 355,735.00	\$ 344,367.00	\$ 356,495.00	\$ 386,759.00	\$ 417,959.00	\$ 450,035.00
D/S Coverage Ratio	132%	136%	130%	121%	131%	140%	148%
Ending fund balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PROJECT FUND							
Resources							
Beginning fund balance	\$ -	\$ 65,647.00	\$ 69,932.00	\$ 90,001.76	\$ 90,005.58	\$ 98,240.27	\$ 103,458.17
Pay as you go	\$ 131,395.00	\$ 93,285.00	\$ 80,167.00	\$ 61,210.00	\$ 90,674.00	\$ 118,874.00	\$ 146,450.00
Line of Credit	\$ 250,000.00	\$ -	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 150,000.00	\$ 150,000.00
Long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest earnings	\$ 500.00	\$ 500.00	\$ 350.00	\$ 450.00	\$ 450.00	\$ 491.00	\$ 517.00
Other							
Total resources	\$ 381,895.00	\$ 159,432.00	\$ 250,449.00	\$ 251,661.76	\$ 281,129.58	\$ 367,605.27	\$ 400,425.17
Expenditures							
Materials and services	\$ 66,248.00	\$ 64,500.00	\$ 60,447.24	\$ 61,656.18	\$ 62,889.31	\$ 64,147.09	\$ 65,000.00
Economic Development	\$ 150,000.00	\$ 25,000.00					
Theater and Crosskey	\$ 100,000.00						
Other		\$ -	\$ 100,000.00	\$ 100,000.00	\$ 120,000.00	\$ 200,000.00	\$ 230,000.00
Total Expenditures	\$ 316,248.00	\$ 89,500.00	\$ 160,447.24	\$ 161,656.18	\$ 182,889.31	\$ 264,147.09	\$ 295,000.00
Ending CASH Balance	\$ 65,647.00	\$ 69,932.00	\$ 90,001.76	\$ 90,005.58	\$ 98,240.27	\$ 103,458.17	\$ 105,425.17

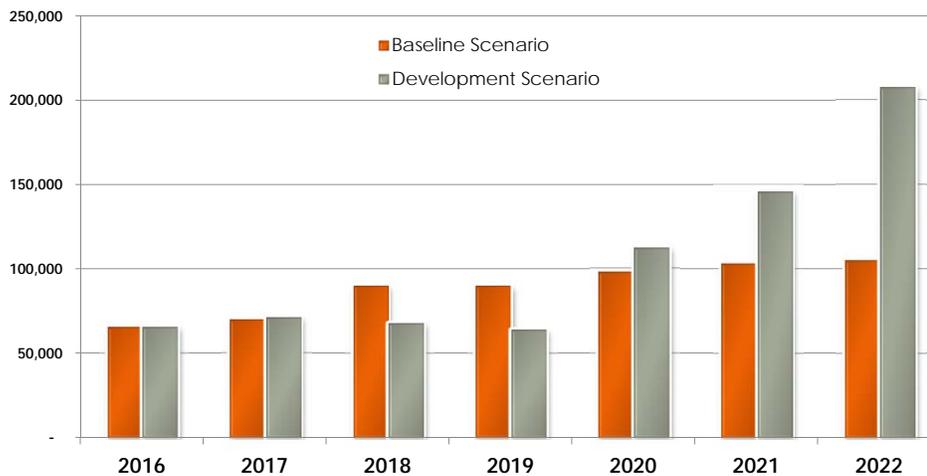


Scenario with New Development

FYE	2016	2017	2018	2019	2020	2021	2022
DEBT SERVICE FUND							
Resources							
Beginning fund balance	\$ 46,248.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TIF revenue	\$ 347,447.00	\$ 355,735.00	\$ 344,367.00	\$ 371,218.00	\$ 422,606.00	\$ 461,981.00	\$ 495,377.00
Interest earnings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total resources	\$ 393,695.00	\$ 355,735.00	\$ 344,367.00	\$ 371,218.00	\$ 422,606.00	\$ 461,981.00	\$ 495,377.00
Expenditures							
City Hall obligation	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00
Outstanding long-term debt	\$ 181,500.00	\$ 179,950.00	\$ 181,700.00	\$ 181,700.00	\$ 190,000.00	\$ 190,000.00	\$ 190,000.00
Line of credit	\$ 5,800.00	\$ 11,250.00	\$ 11,250.00	\$ 16,710.00	\$ 2,100.00	\$ 5,100.00	\$ 9,600.00
New debt - 2019	\$ -	\$ -	\$ -	\$ 44,695.00	\$ 44,695.00	\$ 44,695.00	\$ 44,695.00
Pay as you go	\$ 131,395.00	\$ 89,535.00	\$ 76,417.00	\$ 53,113.00	\$ 110,811.00	\$ 147,186.00	\$ 176,082.00
Total expenditures	\$ 393,695.00	\$ 355,735.00	\$ 344,367.00	\$ 371,218.00	\$ 422,606.00	\$ 461,981.00	\$ 495,377.00
D/S Coverage Ratio	132%	134%	129%	117%	136%	147%	155%
Ending cash balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PROJECT FUND							
Resources							
Beginning fund balance	\$ -	\$ 65,647.00	\$ 71,182.00	\$ 67,936.76	\$ 64,171.58	\$ 112,414.27	\$ 146,015.17
Pay as you go	\$ 131,395.00	\$ 89,535.00	\$ 76,417.00	\$ 53,113.00	\$ 110,811.00	\$ 147,186.00	\$ 176,082.00
Line of Credit	\$ 250,000.00	\$ 125,000.00	\$ 182,000.00	\$ 70,000.00	\$ 100,000.00	\$ 150,000.00	\$ 150,000.00
Long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest earnings	\$ 500.00	\$ 500.00	\$ 356.00	\$ 340.00	\$ 321.00	\$ 562.00	\$ 730.00
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total resources	\$ 381,895.00	\$ 280,682.00	\$ 329,955.00	\$ 191,389.76	\$ 275,303.58	\$ 410,162.27	\$ 472,827.17
Expenditures							
Materials and services	\$ 66,248.00	\$ 69,500.00	\$ 60,447.24	\$ 61,656.18	\$ 62,889.31	\$ 64,147.09	\$ 65,000.00
Economic Development	\$ 150,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Theater and Crosskey	\$ 100,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Brewery	\$ -	\$ -	\$ -	\$ 65,562.00	\$ -	\$ -	\$ -
Grocery	\$ -	\$ 140,000.00	\$ -	\$ -	\$ -	\$ -	\$ -
General Merchandise Store	\$ -	\$ -	\$ 201,571.00	\$ -	\$ -	\$ -	\$ -
Other	\$ -	\$ -	\$ -	\$ -	\$ 100,000.00	\$ 200,000.00	\$ 200,000.00
Total Expenditures	\$ 316,248.00	\$ 209,500.00	\$ 262,018.24	\$ 127,218.18	\$ 162,889.31	\$ 264,147.09	\$ 265,000.00
Ending Cash Balance	\$ 65,647.00	\$ 71,182.00	\$ 67,936.76	\$ 64,171.58	\$ 112,414.27	\$ 146,015.17	\$ 207,827.17

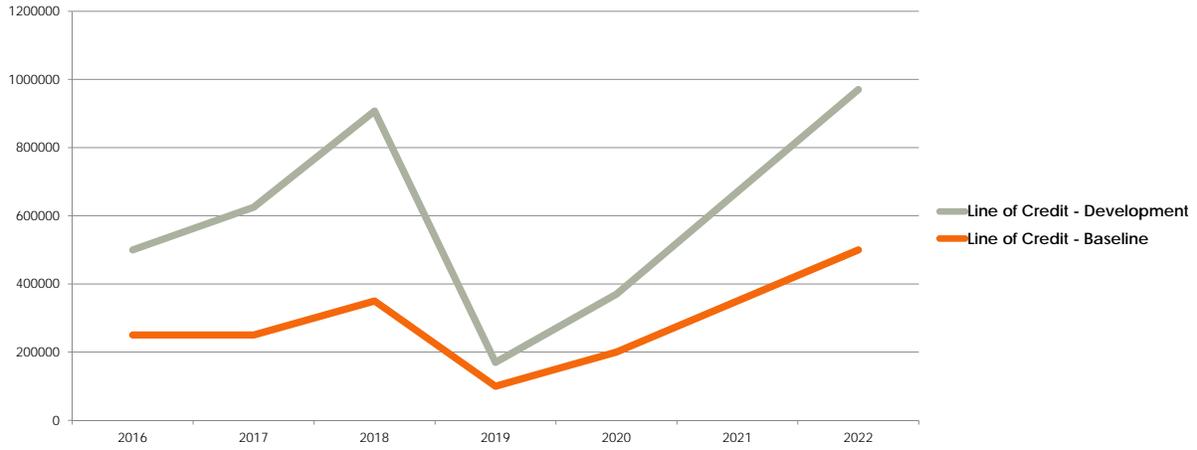


Cash Flow- Baseline Vs. Development

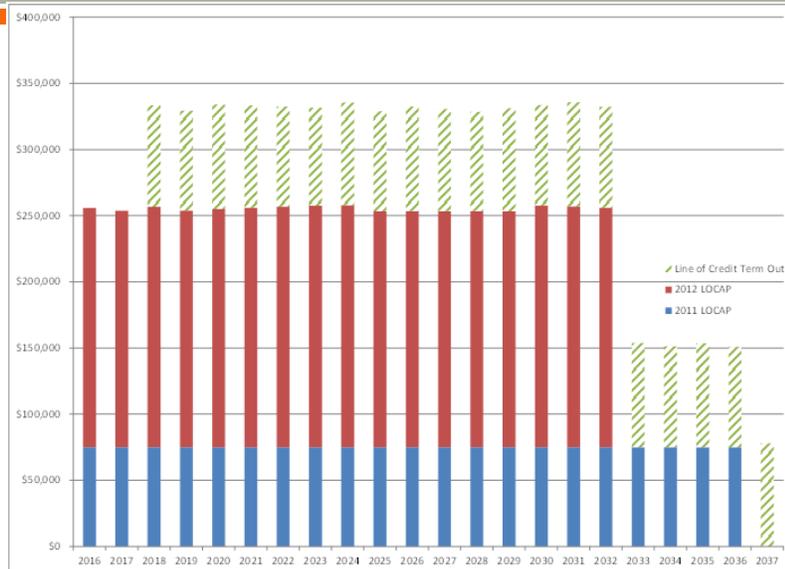


Reflected as Ending Cash Balances

New Debt- Baseline Vs. Development



Current Debt Forecast

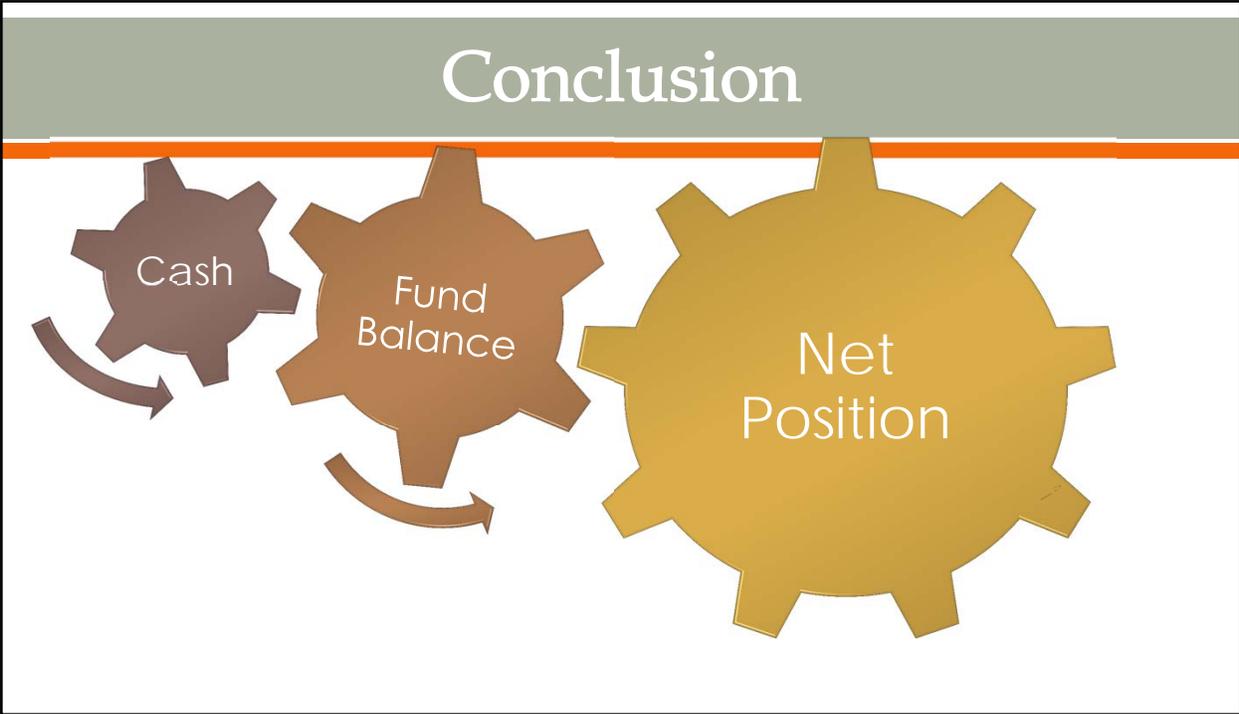


EcoNorthwest Four Conclusions

1. Any significant investment in projects in the short-term will require borrowing.
2. The District should not borrow without certainty that investments will stimulate higher TIF
3. Even with borrowing, funds are limited to about \$125,000 (assuming line of credit is optional to be expanded with City concurrence)
4. The Long-term forecast is better, with increasing revenue after FYE 2020.

What is fund balance??

- ✎ It's the "health" of the MRC (ie. Equity) that illustrates what the MRC is worth.
- ✎ Ending Cash Balance and Fund Balance do not mean the same thing...they are different.
 - *Ending Cash Balance is a component of Fund Balance.*
- ✎ Many jurisdictions establish fund balance policies that they try to hit certain targets from year to year to ensure they are gaining in an organization, or maintaining a certain balance.
 - *Staff is currently researching fund balance thresholds from other jurisdictions to see if they is applicable to implement within the MRC.*



INFORMAL QUOTES

PROJECT / EQUIPMENT: Hanging Flower Pots 31 # 10 pots with hanger.

TIME	DATE	COMPANY CONTACTED ADDRESS & PHONE NUMBER	QUOTE
2:09 PM	2/11/16 Left message	Fessler Nursery <i>marvin</i> 503-634-2440	\$52.00 per basket <u>15⁰⁰</u> hanger-Reusable \$2077.00 .
2:12 P.M.	2-11-16	McPheeters Turf 541-546-9081	Does not have hanging Pots.
2:21 PM	2/11/16	East Side Gardens 541-383-3722	not open until march.
2:25 P.M.	2/11/16	Madras Garden Depot 541-475-2068	not open until late february \$2,480.00
2:27 P.M.	2/11/16	Land Systems Nursery 541-382-7646 Supplies Bend, and Redmond.	need to call back Feb 27

Employee Signature: _____

10 Anderson pot with Steel hanger and
9 petunia plants .



1260 North East 1st Street Bend, Oregon 97701 Tel. (541) 382-6211 Fax (541) 382-9394

QUOTATION

PROJECT NAME SITELINK PLANT HOLDER	
QUOTE NAME HOLOPHANE	BID DATE 1/26/2016

#	QTY	PART NO. / DESCRIPTION	UNIT PRICE	U / M	EXTENDED AMOUNT
1	31	PBA18T13H4BK RFD205184 - SITELINK PLANTER BANNER ARM, 18" LONG,	\$ 240.00	E	\$ 7,440.00
2		1" DIAMETER PIPE WITH HALF-SPHERE FINIAL, EYEBOLT, TRACNUTS INC.			\$ -
3		BLACK			\$ -
4			\$ -		\$ -
5	31	PBA24T13H4BK RFD205185 - SITELINK PLANTER BANNER ARM, 24" LONG,	\$ 240.00	E	\$ 7,440.00
6		1" DIAMETER PIPE WITH HALF-SPHERE FINIAL, EYEBOLT, TRACNUTS INC.	\$ -		\$ -
7		BLACK	\$ -		\$ -
8			\$ -		\$ -
9		FREIGHT INCLUDED	\$ -		\$ -
10			\$ -		\$ -
11			\$ -		\$ -
12			\$ -		\$ -
13			\$ -		\$ -
14			\$ -		\$ -
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36			\$ -		\$ -
37			\$ -		\$ -
38			\$ -		\$ -
39			\$ -		\$ -
40			\$ -		\$ -

BY Subject to Terms & Conditions Shown on Form NC055

This information is privileged and confidential between NCE and the company listed above. This information is not to be shared in any form with any unauthorized persons.	TOTAL	\$ 14,880.00
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MADRAS REDEVELOPMENT COMMISSION – URBAN RENEWAL LINE OF CREDIT LOAN AGREEMENT

This Madras Redevelopment Commission – Urban Renewal Line of Credit Loan Agreement (this “Agreement”) is made and entered into on _____, but made effective for all purposes as of December 1, 2015 (the “Effective Date”), between the Madras Redevelopment Commission (“Lender”), whose address is 125 SW “E” Street, Madras, Oregon 97741, and David A. Potter (“Borrower”), whose address is 205 S 1st Street, Silverton, Oregon 97381.

RECITAL:

Borrower owns certain _____ real property (and all improvements located thereon) located at 401 NE Sixth Street, Madras, Oregon 97741, which real property is more particularly described on the attached Exhibit A (collectively, the “Property”). Subject to the terms and conditions contained in this Agreement, Borrower desires to borrow funds from Lender, and Lender desires to loan funds to Borrower, to enable Borrower to complete certain remedial work in and to the Property.

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions. Unless defined elsewhere in this Agreement, capitalized terms contained in this Agreement have the meanings assigned to them in the attached Appendix A.
2. Line of Credit Loan. Subject to the terms and conditions contained in this Agreement, Lender will loan to Borrower and Borrower will borrow from Lender the maximum sum of Eighteen Thousand Dollars (\$18,000.00) pursuant to a line of credit (the “Loan”). The Loan will be evidenced by the Note. The Note will be in form and substance acceptable to Lender. The Loan will be paid in accordance with the terms of the Note. **[need to discuss loan forgiveness with Nick [50%]]**
3. Loan Purpose; Remedial Work. Lender will disburse the Loan to Borrower for Borrower’s completion of the Remedial Work. Borrower must use the Loan for completion of the Remedial Work and for no other purpose. Borrower must properly complete the Remedial Work on or before _____. Borrower will provide Lender evidence to Lender’s satisfaction that the Remedial Work has been properly completed immediately upon Lender’s request. Borrower will complete the Remedial Work at Borrower’s cost and expense. Borrower will furnish and pay for all services, labor, materials, equipment, tools, machinery, transportation, and all other matters required for proper completion of the Remedial Work. Borrower will complete the Remedial Work in a good workmanlike manner. The Remedial Work will be completed subject to and in compliance with all applicable Laws. In connection with the Remedial Work, Borrower will properly manage and dispose of all asbestos and waste, including, without limitation, sediment, paint, cement wash, asphalt, motor oil, and grease, in accordance with all applicable Laws.
4. Lender Security. Borrower’s obligations to Lender concerning the Loan will be secured by a perfected security interest in the Collateral. Lender’s security interest in the Collateral will be evidenced by the Trust Deed (which will be delivered by Borrower to Lender contemporaneously with Borrower’s execution of this Agreement). Borrower will execute and deliver all Loan Documents Lender may require concerning the Transaction. All Loan Documents will be in form and substance acceptable to Lender.
5. Prior Encumbrance. **[to be completed pending receipt and review of title report; also need to discuss whether title insurance will be obtained]**
6. Conditions Precedent to Disbursement. Lender will not be obligated to disburse any Loan

proceeds to Borrower unless and until each of the following conditions have been satisfied or waived by Lender: (a) Lender must have received fully executed originals of the Loan Documents; (b) Lender must have received such environmental studies and reports as Lender may require, each of which must be satisfactory to Lender; (c) all required insurance must be in full force and effect and Lender must have received such evidence thereof as it requires; (d) each of Borrower's representations and warranties contained in the Loan Documents must be true and accurate as of the date of the Draw Request and any Advance; (e) Lender must have a valid and perfected security interest in the Collateral (with a priority acceptable to Lender) and will have received satisfactory evidence of perfection and the priority of its security interest; and (f) any other condition that Lender may impose from time to time.

7. Loan Advances.

7.1 Draw Requests. Borrower will prepare and deliver the Budget to Lender for Lender's review and approval. Lender will not make any Advances until the Budget has been approved by Lender. Subject to the terms and conditions contained in this Agreement, Lender will make one or more Advances during the Draw Period. Lender will not be required to make Advances more frequently than once monthly. Each Advance will reduce the amount available for borrowing under the Loan and Loan amounts repaid may not be re-borrowed. To initiate an Advance, Borrower must provide Lender a Draw Request. Notwithstanding anything contained in this Agreement to the contrary, Lender will determine whether to make an Advance. Each Advance will be made and used (a) solely to pay costs associated with specific line items set forth in the Budget, and (b) the total amount disbursed for expenses associated with any line item will not exceed the corresponding amount set forth for such line item in the Budget. Any Advance made by Lender may be disbursed, in whole or in part, at Lender's election, (x) to Borrower, (y) to Lender for all amounts then due to Lender, including, without limitation, interest expenses and title insurance costs, and/or (z) directly to the persons furnishing labor, materials, inventory, and/or supplies. Lender will have no obligation to confirm that Advances made are actually used by that party to pay for labor, materials, inventory, and/or supplies. Borrower accepts and assumes all risks in connection with any Advances made by Lender under this Agreement.

7.2 Conditions Precedent to each Advance. In addition to any other condition provided under this Agreement, each Advance after the Initial Advance will be subject to the following conditions: (a) no Event of Default under any Loan Document will have occurred and/or will then exist; (b) there has been no condemnation, casualty, and/or catastrophe affecting the Collateral; and (c) the title insurer continues to insure the lien of the Trust Deed as a _____ position lien against the Property securing all previous Advances and the Advance then being requested, and nothing has intervened to affect the validity or priority of the Trust Deed.

8. Representations; Warranties. In addition to any other representation and/or warranty made by Borrower under this Agreement, Borrower represents and warrants the following to Lender:

8.1 Authority; Binding Obligation; No Conflicts. Borrower has full power and authority to sign and deliver this Agreement and to perform all of Borrower's obligations under this Agreement. This Agreement is the legal, valid, and binding obligation of Borrower, enforceable against Borrower in accordance with its terms. The signing and delivery of this Agreement and the performance by Borrower of all of Borrower's obligations under this Agreement will not (a) breach any agreement to which Borrower is a party, or give any person the right to accelerate any obligation of Borrower, (b) violate any law, judgment, or order to which Borrower is subject, and/or (c) require the consent, authorization, or approval of any person, including, without limitation, any governmental body.

8.2 Compliance; No Misstatements; Encumbrances. Borrower and the Collateral are in compliance with all applicable Laws. No report, financial statement, representation, and/or other information furnished by Borrower to Lender in connection with the Loan contains any misstatement of fact or omits to state any fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Borrower owns fee simple title to the Collateral, free from any and all Encumbrances. No claim of right, title, and/or interest adverse to Borrower in or to the Collateral has been or will be made by any person.

There are no pending or threatened claims or actions against Borrower and/or the Collateral. The Property is, and at all times that any amounts remain owing on the Loan will be, used exclusively as [commercial property] and will not be used as a personal residence. **[Discuss with Nick]**

9. Covenants. In addition to any other Borrower covenant contained in this Agreement, Borrower covenants the following to Lender:

9.1 Insurance. Borrower will obtain and maintain at all times insurance policies that provide adequate insurance coverage for the Property for all risks normally insured against by a person owning similar real property in a similar location, and for any other risks to which the Property is normally exposed. Each insurance policy that covers the Property will (a) be in form and substance satisfactory to Lender, (b) name Lender as a loss payee, and (c) will provide that the insurance policy may not be amended or cancelled without ten (10) days' prior written notice to Lender. Immediately upon Lender's request, Borrower will deliver a copy of each policy to Lender.

WARNING
(Provided pursuant to ORS 746.201(2))

Unless you [Borrower] provide us [Lender] with evidence of the insurance coverage as required by our contract or loan agreement, we may purchase insurance at your expense to protect our interest. This insurance may, but need not, also protect your interest. If the Collateral becomes damaged, the coverage we purchase may not pay any claim you make or any claim made against you. You may later cancel this coverage by providing evidence that you have obtained property coverage elsewhere.

You are responsible for the cost of any insurance purchased by us. The cost of this insurance may be added to your contract or loan balance. If the cost is added to your contract or loan balance, the interest rate on the underlying contract or loan balance will apply to this added amount. The effective date of coverage may be the date you failed to provide proof of coverage.

The coverage we purchase may be considerably more expensive than insurance you can obtain on your own and may not satisfy any need for property damages coverage or any mandatory liability insurance requirements imposed by law.

9.2 Encumbrances; Transfer. Borrower will keep the Collateral free from all Encumbrances except the Permitted Encumbrances. Borrower will not Transfer all or any portion of the Collateral without Lender's prior written consent. Upon Lender's request, Borrower will permit Lender to (a) inspect the Property (and any other Collateral), and (b) inspect and copy Borrower's books of account and records related to the Property, including, without limitation, all contracts involving the ownership, lease, use, and/or operation of the Property. Borrower and the Collateral will comply with all Laws.

9.3 Indemnification. Borrower will defend, indemnify, and hold Lender and each Lender Representative harmless for, from, and against any and all claims, actions, proceedings, damages, liabilities, obligations, costs, and expenses of every kind, whether known or unknown, including, without limitation, attorney fees and costs, resulting from or arising out of, whether directly or indirectly, the following: (a) any breach and/or inaccuracy of any Borrower representation, warranty, and/or covenant made in this Agreement and/or any other Loan Document; (b) any failure by Borrower to pay and/or perform any covenant and/or obligation required to be performed by Borrower under this Agreement and/or any other Loan Document; (c) the Remedial Work; and/or (d) the Loan. This indemnification provision will survive the termination of this Agreement and the satisfaction of the obligations of Borrower to Lender under this Agreement.

10. Defaults; Remedies.

10.1 Events of Default. The occurrence of any one or more of the following events

constitutes a default by Borrower under this Agreement and each Loan Document (each an "Event of Default"): (a) Borrower's failure to make any payment required under the Note and/or this Agreement when due; (b) Borrower's failure to perform any covenant, agreement, and/or obligation contained in this Agreement and/or any other Loan Document (other than making any payment required under the Note and/or this Agreement as provided in Section 10.1(a)) within ten (10) days after written notice from Lender specifying the failure with reasonable particularity; (c) any warranty, representation, statement, and/or information made or furnished to Lender by or on behalf of Borrower proves to have been false or misleading in any respect when made or furnished or when deemed made or furnished, or becomes false or misleading at any time thereafter; (d) any default occurs under, or Borrower fails to pay, perform, and/or comply with, the terms of any Loan Document or any other agreement, document, and/or instrument between Borrower and Lender, and such failure is not remedied within any applicable grace period, if any; (e) any default occurs under any security instrument securing any indebtedness or obligation of Borrower to Lender and/or any lien created or purported to be created by the Trust Deed ceases to be, or is asserted by any person not to be, a valid, perfected priority security interest or lien, subject only to liens and encumbrances accepted by Lender; and/or (f) the occurrence of any event that has or may reasonably be expected to have an adverse effect on Borrower's financial condition and/or Borrower's ability to pay and perform its obligations under this Agreement and/or any other Loan Document.

10.2 Remedies in the Event of Default. On and after an Event of Default, Lender may exercise the following remedies, which remedies are cumulative and which may be exercised singularly or concurrently: (a) upon notice to Borrower, the right to accelerate the due dates of the Loan so that the Loan is immediately due, payable, and performable in its entirety; (b) upon notice to Borrower, the right to take possession, control, and charge of the Property and/or any other Collateral; (c) the right to institute an action to appoint a receiver to take charge of the Property and/or any other Collateral; (d) any remedy available to Lender under any Loan Document and/or any agreement evidencing, guaranteeing, and/or securing the payment or performance of the Loan and/or any of the obligations of Borrower, including, without limitation, the Trust Deed; and/or (e) any other remedy available to Lender at law or in equity.

11. Miscellaneous.

11.1 No Lender Waiver. No failure and/or delay of Lender in exercising any right, power, and/or remedy under this Agreement and/or any other Loan Document will operate as a waiver of such right, power, and/or remedy of Lender or of any other right. A waiver of any provision of this Agreement and/or any other Loan Document will not constitute a waiver of or prejudice Lender's right to demand strict compliance with that provision and/or any other provision. Any waiver, permit, consent, and/or approval of any kind or character on the part of Lender must be in writing and will be effective only to the extent specifically set forth in writing.

11.2 Costs and Fees; Attorney Fees. Without otherwise limiting any other provision contained in this Agreement, Borrower will pay Lender immediately on demand an amount equal to all costs and expenses incurred by Lender in connection with the enforcement of the Loan Documents and the collection of amounts due to Lender, including, without limitation, all recording costs, filing fees, costs of appraisals, title insurance, inspection, collateral audits, costs of perfecting, protecting, and defending Lender's security interest in the Collateral and attorney fees. Notwithstanding the foregoing, if any arbitration, action, suit, and/or proceeding is instituted to interpret, enforce, and/or rescind this Agreement and/or any other Loan Document, including, without limitation, any proceeding brought under the United States Bankruptcy Code, the prevailing party on a claim will be entitled to recover with respect to the claim, in addition to any other relief awarded, the prevailing party's attorney fees and other fees, costs, and expenses of every kind, including, without limitation, the costs and disbursements specified in ORCP 68 A(2), incurred in connection with the arbitration, action, suit, or proceeding, any appeal or petition for review, the collection of any award, or the enforcement of any order, as determined by the arbitrator or court.

11.3 Notices; Attorney in Fact. Any notice required under this Agreement must be in writing. Any notice will be deemed given when personally delivered or delivered by facsimile transmission (with electronic confirmation of delivery), or will be deemed given three business days following delivery of the notice by U.S. mail,

postage prepaid, certified, return receipt requested, by the applicable party to the address of the other party first shown above (or any other address that a party may designate by notice to the other party), unless that day is a Saturday, Sunday, or legal holiday, in which event it will be deemed given on the next following business day. So long as any amount remains due hereunder to Lender and during the continuance of any default hereunder, Borrower hereby irrevocably appoints Lender its attorney-in-fact with full power and authority to execute, file, and record any notice or other document which Lender deems necessary or advisable to establish or perfect Lender's security interest in the Collateral.

11.4 Successors; Severability; Governing Law. This Agreement will be binding upon and inure to the benefit of the parties and their respective successors and assigns, except that Borrower may not assign or transfer any of its rights or obligations under this Agreement and/or any other Loan Document without the prior written consent of Lender. Each provision contained in this Agreement will be treated as a separate and independent provision. The unenforceability of any one provision will in no way impair the enforceability of any other provision contained herein. Any reading of a provision causing unenforceability will yield to a construction permitting enforcement to the maximum extent permitted by applicable law. This Agreement is governed by the laws of the State of Oregon, without giving effect to any conflict-of-law principle that would result in the laws of any other jurisdiction governing this Agreement. Any action, suit, or proceeding arising out of the subject matter of this Agreement will be litigated in courts located in Jefferson County, Oregon. Each party consents and submits to the jurisdiction of any local, state, or federal court located in Jefferson County, Oregon.

11.5 Interpretation; Discretion. Upon request by Lender, Borrower will from time to time provide such information, execute such documents, and do such acts as may reasonably be required by Lender in connection with any indebtedness or obligations of Borrower to Lender. All information, documents, and instruments required to be executed or delivered to Lender will be in form and substance satisfactory to Lender. All pronouns contained herein and any variations thereof will be deemed to refer to the masculine, feminine, or neutral, singular or plural, as the identity of the parties may require. The singular includes the plural and the plural includes the singular. The word "or" is not exclusive. The words "include," "includes," and "including" are not limiting. The titles, captions, or headings of the sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. When Lender is exercising any consent, approval, determination, and/or similar discretionary action under this Agreement, the standard will be Lender's sole discretion. For purposes of this Agreement, the term "person" means any natural person, corporation, limited liability company, partnership, joint venture, firm, association, trust, unincorporated organization, government or governmental agency or political subdivision, or any other entity.

11.6 Integration; Conflicting Terms. This Agreement, together with the other Loan Documents, comprises the entire agreement of the parties on the subject matter hereof and supersedes and replaces all prior agreements, oral and written, on such subject matter. If any term of any of the other Loan Documents expressly conflicts with the provisions of this Agreement, the provisions of this Agreement will control; provided, however, that the inclusion of supplemental rights and remedies of Lender in any of the other Loan Documents will not be deemed a conflict with this Agreement. Any exhibits, schedules, and other attachments referenced in this Agreement are part of this Agreement. This Agreement may be signed in counterparts. A fax or email transmission of a signature page will be considered an original signature page. At the request of a party, the other party will confirm a fax or email transmitted signature page by delivering an original signature page to the requesting party. This Agreement may be amended only by a written agreement signed by each party.

11.7 Survival. Borrower understands and agrees that in making the Loan, Lender is relying on all representations, warranties, and covenants made by Borrower in this Agreement and/or in any certificate or other instrument delivered by Borrower under this Agreement and/or any Loan Document. Borrower further agrees that regardless of any investigation made by Lender, all such representations, warranties, and covenants will survive the making of the Loan and delivery to Lender of the Loan Documents, will be continuing in nature, and will remain in full force and effect until such time as Borrower has satisfied its obligations under the Loan Documents in full.

11.8 Disclosure. Under Oregon law, most agreements, promises, and commitments made by Lender concerning loans and other credit extensions which are not for personal, family, or household purposes or secured solely by the borrower's residence must be in writing, express consideration, and be signed by Lender to be enforceable.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed on the date first written above but made effective for all purposes as of the Effective Date.

Lender:
Madras Redevelopment Commission

Borrower:

By: _____
Its: _____

David A. Potter

DRAFT

Appendix A
Definitions

“Advance(s)” means Loan amounts provided by Lender under this Agreement and the Note.

“Agreement” has the meaning assigned to such term in the preamble.

“Borrower” has the meaning assigned to such term in the preamble.

“Budget” means a detailed written budget identifying Borrower’s total cost of the Remedial Work and a schedule of the estimated amount and time of each Advance.

“Collateral” means the Property and all other collateral described in the Trust Deed.

“Draw Period” means the period commencing on the Effective Date and ending on November 30, 2016.

“Draw Request(s)” means a written request for an Advance, which may only be made during the Draw Period.

“Effective Date” has the meaning assigned to such term in the preamble.

“Encumbrance(s)” means any liens, mortgages, pledges, security interests, reservations, restrictions, changes, claims, and/or any other encumbrances.

“Event of Default” has the meaning assigned to such term under Section 10.1.

“Initial Advance” means _____.

“Law(s)” means any and all leases, covenants, conditions, restrictions, easements, declarations, laws, statutes, liens, ordinances, orders, codes, rules, ordinances, and regulations directly or indirectly concerning or affecting the Collateral (including, without limitation, the Property), Borrower, and/or the Loan, including, without limitation, the Americans with Disabilities Act of 1990 (and the rules and regulations promulgated thereunder), any environmental laws, and any building and safety codes and zoning ordinances, all as now in force and/or which may hereafter be amended, modified, enacted, or promulgated.

“Lender” has the meaning assigned to such term in the preamble.

“Lender Representative(s)” means Lender and its successors, assigns, and affiliates, and all past, present, and future officers, employees, attorneys, agents, volunteers, contractors, representatives, and insurers of the aforementioned.

“Loan” means the line of credit loan provided by Lender to Borrower under this Agreement.

“Loan Document(s)” means, individually and collectively, (a) this Agreement, (b) the Note, (c) the Trust Deed, and (d) such other documents and/or instruments as Lender may require.

“Note” means that certain Line of Credit Promissory Note in the principal amount of Eighteen Thousand Dollars (\$18,000.00) dated as of the Effective Date.

“Permitted Encumbrance(s)” means (a) any lien, mortgage, pledge, security interest, and/or other encumbrance in favor of Lender, (b) _____, and (c) any lien, mortgage, pledge, security interest, or other encumbrance arising by operation of law for taxes, assessments, or government charges not yet due.

“Property” has the meaning assigned to such term in the Recital.

“Remedial Work” means _____

“Transaction” means the line of credit loan transaction contemplated under this Agreement and the Loan Documents.

“Transfer” means (a) any transfer, including, without limitation, any sale, conveyance, exchange, gift, lease, Encumbrance, foreclosure of an Encumbrance, or attachment, regardless of whether the transfer occurs voluntarily or involuntarily, by operation of law, or because of any act or occurrence, and (b) any agreement involving the ownership, lease, and/or use of all or any portion of the Property for a period longer than thirty (30) days.

“Trust Deed” means that certain Trust Deed, Assignment of Leases and Rents, and Fixture Filing dated as of the Effective Date made by Borrower in favor of Lender. The Trust Deed will be delivered by Borrower to Lender upon the funding of the Loan and the Trust Deed will be in form and substance acceptable to Lender.

DRAFT

Exhibit A
Legal Description

The subject real property is legally described as follows:

DRAFT

This Note (as defined below) has not been registered under the Securities Act of 1933 or any state securities laws. This Note may not be sold, assigned, and/or otherwise negotiated to any person unless pursuant to an effective registration statement filed under the Securities Act of 1933 and applicable state securities laws, or unless Maker (as defined below) receives an opinion of counsel, in form and from counsel acceptable to Maker, that the sale, assignment, and/or other negotiation is exempt from the registration requirements of the Securities Act of 1933 and applicable state securities laws.

LINE OF CREDIT PROMISSORY NOTE

\$18,000.00

Effective Date: December 1, 2015

This Line of Credit Promissory Note (this "Note") is made by David A. Potter ("Maker"), whose address is _____, Madras, Oregon 97741, in favor of Madras Redevelopment Commission ("Holder"), whose address is 125 SW "E" Street, Madras, Oregon 97741.

1. Payment. Maker promises to pay to the order of Holder in immediately available funds the principal amount of Eighteen Thousand Dollars (\$18,000.00) or, if less, the aggregate unpaid principal amount of all advances made by Holder to Maker pursuant to the Madras Redevelopment Commission – Urban Renewal Line of Credit Loan Agreement dated effective December 1, 2015 between Maker and Holder (the "Loan Agreement"), together with interest on the unpaid principal amount from the date of each advance. The entire unpaid principal amount, together with accrued interest, is due and payable by Maker upon the earlier of (a) any Transfer (as defined in the Loan Agreement) of the Property (as defined in the Loan Agreement), or (b) November 30, 2020. All payments under this Note will be made to Holder at Holder's address first set forth above or any other address that Holder may designate by written notice to Maker.

2. Requests for Advances; Accounting Statement. The loan amount may be advanced in multiple disbursements. Maker must make requests for advances to Holder in writing. Maker is liable to Holder for any amount advanced to Maker. All advances must be completed no later than November 30, 2016. Holder may, from time to time, deliver to Maker a written accounting statement that sets forth the following information: (a) the date and amount of each advance made by Holder to Maker; (b) the interest rate applicable to each advance; (c) the date and amount of each payment made by Maker to Holder; and (d) the unpaid principal amount, as of a specified date. The information set forth in an accounting statement will be binding on Maker unless Maker delivers to Holder a written objection within ten (10) days after the delivery of the accounting statement and the objection specifies in reasonable detail the facts giving rise to the objection.

3. Interest; Late Charges. Maker will pay interest on the unpaid principal amount at an annual rate of ____%. On and after an Event of Default, (a) all accrued interest will become part of the unpaid principal amount, and (b) Maker will pay interest on the unpaid principal amount at the annual rate of eight percent (8.0%). Interest will be computed on the basis of a 365-day year. If Maker fails to make any payment required under this Note within ten (10) days after the payment is due, a late charge equal to \$25.00 will be immediately due and payable.

4. Application of Payments; Prepayment. All payments under this Note will apply first to any costs and expenses due to Holder, then to accrued interest to date of payment, and then to the unpaid principal amount. Maker may prepay all or any part of the unpaid principal amount at any time.

Excess payments or prepayments will not be credited as future scheduled payments required under this Note.

5. Loan Agreement; Security. Maker's obligations under this Note are subject to the terms and conditions of the Loan Agreement. Maker's obligations under this Note are guaranteed or secured by that certain Trust Deed, Assignment of Leases and Rents, and Fixture Filing dated effective December 1, 2015 made by Maker in favor of Holder (the "Trust Deed").

6. Event of Default. The occurrence of any one or more of the following events constitutes a default by Maker under this Note (each an "Event of Default"): (a) Maker fails to make any payment required under this Note when due; (b) the occurrence of any event that has or may reasonably be expected to have an adverse effect on Maker's financial condition and/or Maker's ability to make any payment required under this Note; (c) the death of Maker; (d) Maker fails to pay, becomes insolvent or unable to pay, or admits in writing an inability to pay Maker's debts as and when they become due, or Maker makes a general assignment for the benefit of creditors; (e) a proceeding with respect to Maker is commenced under any applicable law for the benefit of creditors, including, without limitation, any bankruptcy or insolvency law, or an order for the appointment of a receiver, liquidator, trustee, custodian, or other officer having similar powers over Maker is entered; and/or (f) an event of default occurs under (1) any Loan Document (as defined below), and/or (2) any agreement securing the performance of any of the obligations of any guarantor of this Note. For purposes of this Note, the term "Loan Document(s)" means (x) the Loan Agreement, (y) the Trust Deed, and (z) any other agreement and/or instrument evidencing, guaranteeing, and/or securing the performance of any of Maker's obligations under this Note.

7. Remedies. On and after an Event of Default, Holder may exercise the following remedies, which remedies are cumulative and which may be exercised singularly or concurrently: (a) upon notice to Maker, the right to accelerate the due dates under this Note so that the unpaid principal amount, together with accrued interest, is immediately due and payable in its entirety; (b) any remedy available to Holder under any Loan Document; (c) any remedy available to Holder under any agreement securing the performance of any of the obligations of any guarantor of this Note; and/or (d) any other remedy available to Holder at law or in equity.

8. Time of Essence; Amendment; Waiver; Severability. Time is of the essence with respect to all dates and time periods in this Note. This Note may be amended only by a written document signed by the party against whom enforcement is sought. Maker waives demand, presentment for payment, notice of dishonor or nonpayment, protest, notice of protest, and lack of diligence in collection, and agrees that Holder may extend or postpone the due date of any payment required by this Note without affecting Maker's liability. No waiver will be binding on Holder unless it is in writing and signed by Holder. Holder's waiver of a breach of a provision of this Note will not be a waiver of any other provision or a waiver of a subsequent breach of the same provision. If a provision of this Note is determined to be unenforceable in any respect, the enforceability of the provision in any other respect and of the remaining provisions of this Note will not be impaired.

9. Governing Law; Venue. This Note is governed by the laws of the State of Oregon, without giving effect to any conflict-of-law principle that would result in the laws of any other jurisdiction governing this Note. Any action, suit, and/or proceeding arising out of the subject matter of this Note will be litigated in courts located in Jefferson County, Oregon. Maker consents and submits to the jurisdiction of any local, state, or federal court located in Jefferson County, Oregon.

10. Attorney's Fees. If any arbitration, action, suit, and/or proceeding is instituted to interpret, enforce, and/or rescind this Note, or otherwise in connection with the subject matter of this Note, including, without limitation, any proceeding brought under the United States Bankruptcy Code, the prevailing party on a claim will be entitled to recover with respect to the claim, in addition to any other relief awarded, the prevailing party's attorney fees and other fees, costs, and expenses of every kind, including, without limitation, the costs and disbursements specified in ORCP 68 A(2), incurred in connection with the arbitration, action, suit, or proceeding, any appeal or petition for review, the collection of any award, or the enforcement of any order, as determined by the arbitrator or court.

11. Costs and Expenses. If an Event of Default occurs and Holder does not institute any arbitration, action, suit, and/or proceeding, Maker will pay Holder, immediately upon Holder's demand, all costs and expenses, including, without limitation, attorney fees and collection fees, incurred by Holder in attempting to enforce this Note and/or collect the indebtedness evidenced by this Note.

12. Notices. Any notice required under this Note must be in writing. Any notice will be deemed given when personally delivered or delivered by facsimile transmission (with electronic confirmation of delivery), or will be deemed given three business days following delivery of the notice by U.S. mail, postage prepaid, certified, return receipt requested, by the applicable party to the address of the other party first shown above (or any other address that a party may designate by notice to the other party), unless that day is a Saturday, Sunday, or legal holiday, in which event it will be deemed given on the next following business day.

13. Statute of Frauds. Under Oregon law, most agreements, promises and commitments made by Holder concerning loans and other credit extensions which are not for personal, family or household purposes or secured solely by the borrower's residence must be in writing, express consideration and be signed by Holder to be enforceable.

Maker:

David A. Potter

After recording, return to:

City of Madras
Attn: Madras Redevelopment Commission
125 SW "E" Street
Madras, Oregon 97741

Beneficiary's name and address:

City of Madras
Attn: Madras Redevelopment Commission
125 SW "E" Street
Madras, Oregon 97741

TRUST DEED, ASSIGNMENT OF LEASES AND RENTS, AND FIXTURE FILING

This Trust Deed, Assignment of Leases and Rents, and Fixture Filing (this "Trust Deed") is made and entered into effective on December 1, 2015 (the "Effective Date") by David A. Potter ("Grantor"), whose address is 205 S 1st Street, Silverton, Oregon 97381, in favor of AmeriTitle ("Trustee"), whose address is 748 SW 5th Street, Madras, Oregon 97741, for the benefit of Madras Redevelopment Commission ("Beneficiary"), whose address is 125 SW "E" Street, Madras, Oregon 97741.

RECITAL:

Beneficiary and Grantor have entered into a certain Madras Redevelopment Commission – Urban Renewal Line of Credit Loan Agreement dated effective December 1, 2015 (the "Agreement"). Pursuant to the Agreement, Beneficiary has extended to Grantor a certain line of credit loan in the principal amount of Eighteen Thousand Dollars (\$18,000.00) which loan is evidenced by a certain Line of Credit Promissory Note dated effective December 1, 2015 as it may be modified, extended, or replaced from time to time (the "Note"). The Note is due and payable in full upon the earlier of (a) the transfer of the Property, or (b) November 30, 2020. As a condition to making the loan to Grantor and accepting the Note, Beneficiary has required, and Grantor has agreed to execute and deliver, this Trust Deed.

AGREEMENT:

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and for the purpose of securing the Obligations, the parties hereto hereby agree as follows:

1. Definitions.

1.1 **Capitalized Terms.** Unless defined elsewhere in this Trust Deed, capitalized terms used in this Trust Deed have the meanings assigned to them in the attached Appendix A.

1.2 **ORS Chapter 86.** Unless the context clearly indicates otherwise, terms used in this Trust Deed that are defined in ORS Chapter 86 have the meanings assigned to them in ORS Chapter 86.

1.3 **UCC Terms.** Unless the context clearly indicates otherwise, terms used in this Trust Deed that are defined in the Uniform Commercial Code have the meanings assigned to them in the Uniform Commercial Code. The term "instrument" has the meaning assigned to it in ORS Chapter 79 rather than ORS Chapter 73.

2. Trust Deed.

2.1 Transfer. As security for the full and prompt payment and performance of the Obligations, Grantor transfers and assigns to Trustee in trust for the benefit of Beneficiary, with power of sale, all of Grantor's right, title, and interest in and to the Trust Property, subject to the provisions of this Trust Deed.

2.2 Recording and Perfection. Beneficiary may record this Trust Deed in the mortgage records in Jefferson County, Oregon. Upon Trustee's or Beneficiary's request, Grantor will take any actions that Trustee or Beneficiary deems necessary to perfect and continue Trustee's and/or Beneficiary's rights under this Trust Deed. Grantor will pay all the fees, costs, and expenses of recording this Trust Deed and any other document that Trustee or Beneficiary deems necessary to perfect and continue Trustee's and/or Beneficiary's rights under this Trust Deed.

2.3 Reconveyance. Within ninety (90) days after the full payment and performance of the Obligations, Beneficiary will deliver a written request to Trustee to reconvey the Trust Property to Grantor. Within thirty (30) days after Beneficiary delivers the written request to reconvey to Trustee, Trustee will reconvey the Trust Property to Grantor.

3. Assignment of Lease Rights.

3.1 Assignment. Grantor assigns and transfers to Beneficiary all of Grantor's rights under each Lease, together with all prepaid rent and existing and future security or other deposits that each Tenant has paid and will pay with respect to the Tenant's Lease.

3.2 No Assumption. Beneficiary will not assume any of Grantor's liabilities or obligations under any Lease.

3.3 Revocable License. Beneficiary grants Grantor a revocable and exclusive license to (a) retain, collect, and receive any prepaid rent and existing and future security or other deposits that each Tenant has paid or will pay with respect to the Tenant's Lease, but only to the extent that the prepaid rent and deposits are applied for the purposes required by the Tenant's Lease, to the Obligations, or to any other commercially reasonable purpose, (b) collect and receive the rent and other payments due to Beneficiary under the Leases, but only to the extent that the payments are applied to the Obligations or to any other commercially reasonable purpose, and (c) enforce Beneficiary's rights under the Leases.

3.4 Automatic Reassignment and Termination. Upon the full payment and performance of the Obligations, (a) all of Beneficiary's rights under the Leases, together with all prepaid rent and existing security or other deposits that each Tenant has paid to Grantor or Beneficiary with respect to the Tenant's Lease, will be automatically reassigned and transferred to Grantor, and (b) the license described in Section 3.3 will automatically terminate.

3.5 Indemnification. Grantor will defend, indemnify, and hold Beneficiary and each Beneficiary Representative harmless for, from, and against any and all claims, actions, proceedings, damages, liabilities, and expenses of every kind, whether known or unknown, including, without limitation, attorney fees, resulting from or arising out of, whether directly or indirectly, any liability and/or obligation of Grantor under any Lease.

4. Representations and Warranties of Grantor. In addition to any other representation and/or warranty made by Grantor under this Trust Deed, Grantor jointly and severally represents and warrants to Beneficiary as follows:

4.1 Authority; Binding Obligation; No Conflicts. Grantor has full power and authority to sign and deliver this Trust Deed and to perform all of Grantor's obligations under this Trust Deed. This Trust Deed is the

legal, valid, and binding obligation of Grantor, enforceable against Grantor in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, or other similar laws of general application or by general principles of equity. The signing and delivery of this Trust Deed by Grantor and the performance by Grantor of all of Grantor's obligations under this Trust Deed will not (a) breach any agreement to which Grantor is a party, or give any person the right to accelerate any obligation of Grantor, (b) violate any law, judgment, or order to which Grantor is subject, and/or (c) require the consent, authorization, and/or approval of any person, including, without limitation, any governmental body.

4.2 Real Property. Grantor's use of the Trust Property complies with all applicable zoning laws. Grantor's use of the Trust Property is not subject to any permitted nonconforming use and/or to any structure classification. No fixture and/or improvement on any parcel of land not included in the Trust Property encroaches onto the Trust Property. The Trust Property abuts and has direct vehicular access to a public road or to a permanent, irrevocable, appurtenant easement that provides direct vehicular access to a public road.

4.3 Title to Trust Property. Except as encumbered by any Permitted Encumbrances, Grantor has good title to the Trust Property free from any and all Encumbrances.

4.4 Commercial Purposes. Grantor has used the Trust Property exclusively for commercial purposes.

4.5 Name of Grantor. The exact full legal name of Grantor is Lee Baggett and Jerry Baggett.

4.6 Lease. Grantor has delivered to Beneficiary copies of all Leases in effect as of the Effective Date. The Leases are legal, valid, and binding obligations of Grantor and the Tenants and both Grantor and the Tenants are in full compliance with the Leases.

4.7 Compliance With Laws. Grantor will comply with all applicable laws relating to the ownership, lease, use, and/or operation of the Trust Property. No event has occurred or circumstances exist that will likely result in Grantor's failure to comply with any applicable law relating to the ownership, lease, use, and/or operation of the Trust Property.

4.8 Environmental. Grantor has delivered to Beneficiary complete copies of all environmental reports, studies, analyses, tests, and site assessments relating to the Trust Property. Grantor has no liabilities and/or obligations of any kind arising out of or related to, whether directly or indirectly, any Environmental Law, whether known or unknown, fixed or contingent, disputed or undisputed, matured or unmatured, liquidated or unliquidated, or secured or unsecured. Grantor is not a party to any contract, settlement agreement, or other similar arrangement that requires or may require Grantor to have any liability or obligation of any kind arising out of any Environmental Law. No event has occurred or circumstances exist that will likely result in Grantor having any liability or obligation of any kind arising out of any Environmental Law. Grantor has complied with all applicable Environmental Laws. No event has occurred or circumstances exist that will likely result in Grantor's failure to comply with any applicable Environmental Law. Grantor has not received any notice from any governmental authority or other person regarding (a) any actual, alleged, and/or potential failure by Grantor to comply with any Environmental Law, and/or (b) any actual or threatened liability or obligation of Grantor arising out of any Environmental Law with respect to the Trust Property. No action, arbitration, audit, hearing, investigation, litigation, suit, and/or other proceeding relating to any Environmental Law is pending or, to Grantor's Knowledge, threatened against Grantor. Grantor is not subject to any judgment or order relating to any Environmental Law. No Hazardous Substance is present on the Trust Property. No Hazardous Substance has been spilled, discharged, and/or otherwise released on and/or into the Trust Property. To Grantor's Knowledge, no Hazardous Substance is present on any real property that geologically or hydrologically adjoins the Trust Property. To Grantor's Knowledge, no Hazardous Substance has been spilled, discharged, or otherwise released on and/or into any real property that geologically or hydrologically adjoins the Trust Property. No underground storage tank is present on the Trust Property. The Trust Property does not contain any wetlands or other protected areas, flora, or fauna.

4.9 Taxes. Grantor has filed on a timely basis all tax returns and reports required to be filed by applicable laws. All of Grantor's filed tax returns are complete and accurate in all respects. Grantor has paid – or made provision for the payment of – all taxes that have become due for all periods. No taxing authority has asserted – or informed Grantor that it intends to assert – any deficiency in the payment of any taxes by Grantor. Grantor is not the beneficiary of any extension of time within which to file a tax return.

4.10 No Material Adverse Change. Grantor has no Knowledge of any facts or circumstances that will likely result in a material adverse change in the financial condition of Grantor.

4.11 Non-foreign Person. Grantor is not a “foreign person” for purposes of Section 1445 of the Internal Revenue Code.

5. Covenants of Grantor. Grantor jointly and severally covenants to Beneficiary that Grantor will perform the following obligations and observe the following conditions until the Obligations are fully paid and performed:

5.1 Obligations. Grantor will fully and promptly pay and perform the Obligations when due.

5.2 Ownership of Trust Property. Grantor will defend Trustee's and Beneficiary's rights under this Trust Deed against the adverse claim of any person.

5.3 Restriction on Transfer. Grantor will not Transfer all or any interest in the Trust Property without Beneficiary's prior written consent.

5.4 Condition of Trust Property. Grantor will keep the Trust Property in good repair and condition, reasonable wear and tear excepted, and will not commit or permit any waste of the Trust Property. Grantor will not remove, demolish, and/or materially alter any improvement on the Trust Property, except in connection with the replacement of an improvement in the ordinary course of Grantor's business.

5.5 Use of Trust Property. Grantor will not initiate, support, and/or consent to any rezoning of the Trust Property and/or any change in any public or private covenant, condition, and/or restriction relating to the use of the Trust Property. Grantor will use the Trust Property exclusively for commercial purposes, and will ensure that this Trust Deed does not become a residential trust deed.

5.6 Name of Grantor. Grantor will not change Grantor's legal name.

5.7 Leases. Grantor will fully and promptly pay and perform all of Grantor's obligations under each Lease. Unless and until the license described in Section 3.3 is revoked by Beneficiary, Grantor will, at Grantor's own cost and expense, use commercially reasonable efforts to (a) collect the rent and other payments due to Beneficiary under the Leases, except that Grantor will not collect any prepaid rent or other payments that are due under any Lease more than thirty (30) days before the due date of the payment, and (b) enforce Beneficiary's rights under the Leases. Grantor will promptly notify Beneficiary if Grantor or any Tenant materially breaches any Lease. Grantor will not renew, materially amend, waive any right under, and/or terminate any Lease without the prior written consent of Beneficiary. Grantor will not enter into any new Lease without the prior written consent of Beneficiary. Grantor will not pay, contest, and/or settle any claim relating to any Lease without the prior written consent of Beneficiary.

5.8 Estoppel Certificates. Upon Beneficiary's request, Grantor will use commercially reasonable efforts to obtain from each Tenant an estoppel certificate signed by the Tenant, in form and substance reasonably satisfactory to Beneficiary.

5.9 Notification. Grantor will promptly notify Beneficiary if any of the following occurs: (a) any material change in the business of Grantor; (b) any material loss or damage with respect to the Trust Property

with a value over Five Thousand Dollars (\$5,000.00), whether or not the loss or damage is covered by insurance; (c) any adverse change in the financial condition of Grantor; and/or (d) an Event of Default.

5.10 Future Commercial Tort Claims. Grantor will promptly notify Beneficiary if Grantor obtains any rights to any commercial tort claim relating to the ownership, lease, use, and/or operation of the Trust Property. Grantor will ensure that the notice includes the adverse parties to the claim and the specific facts out of which the claim arose.

5.11 Inspection. Upon Beneficiary's request, Grantor will permit Beneficiary to (a) inspect the Trust Property, and (b) inspect and copy Grantor's books of account and records related to the Trust Property including, without limitation, all contracts involving the ownership, lease, use, and/or operation of the Trust Property.

5.12 Compliance With Laws. Grantor will comply with all laws, ordinances, regulations, directions, rules, and requirements of all governmental authorities and others applicable to the use and/or occupancy of the Trust Property.

5.13 Environmental. Grantor will comply with all applicable Environmental Laws. Grantor will comply with the terms and conditions of each judgment and order relating to any Environmental Law to which Grantor is subject. Grantor will not cause or permit any Hazardous Substance to be present on or to be spilled, discharged, and/or otherwise released on and/or into the Trust Property. Grantor will fully and promptly pay and perform all of Grantor's obligations arising out of any Environmental Law. Grantor will comply with the terms and conditions of any contract, settlement agreement, and/or other similar arrangement that requires or may require Grantor to have any liability or obligation of any kind arising out of any Environmental Law. Grantor will promptly notify Beneficiary if Grantor obtains Knowledge of the occurrence after the Effective Date of any fact or condition that would cause Grantor to breach any representation or warranty in Section 4.8 if the representation or warranty were made as of the date of the occurrence.

5.14 Taxes. Grantor will file on a timely basis all tax returns and reports required to be filed by applicable laws. All of Grantor's filed tax returns will be complete and accurate in all respects. Grantor will pay – or make provision for the payment of – all taxes that become due for all periods. Grantor will promptly notify Beneficiary if any taxing authority asserts – or informs Grantor that it intends to assert – any deficiency in the payment of any taxes by Grantor. Grantor will not seek any extension of time within which to file a tax return.

5.15 Insurance. Grantor will obtain and maintain at all times during the term of this Trust Deed insurance policies that provide adequate insurance coverage for the Trust Property for all risks normally insured against by a person owning similar real property in a similar location, and for any other risks to which the Trust Property is normally exposed. If any portion of the Trust Property is located in a special flood hazard area, Grantor will obtain flood insurance under the National Flood Insurance Program. Each insurance policy that covers the Trust Property will (a) be in form and substance reasonably satisfactory to Beneficiary, (b) name Beneficiary as a loss payee, and (c) provide that the insurance policy may not be amended or cancelled without ten (10) days' prior written notice to Beneficiary. Upon Beneficiary's request, Grantor will deliver a copy of each insurance policy to Beneficiary.

5.16 Sales; Change in Ownership. Grantor will not enter into any transaction or series of transactions involving the sale and/or transfer of substantially all of Grantor's assets in any one transaction or series of transactions unless Grantor obtains Beneficiary's prior written consent.

6. Damage or Destruction. Grantor will perform the following obligations and observe the following conditions until the Obligations are fully paid and performed:

6.1 Assignment of Proceeds. Grantor assigns and transfers to Beneficiary all of Grantor's rights to receive insurance proceeds under all insurance policies that provide coverage to Grantor for the Trust Property.

6.2 Application of Proceeds. If any damage or destruction occurs with respect to the Trust Property, and if Beneficiary receives any insurance proceeds under any insurance policy that provides coverage to Grantor for the Trust Property, (a) Beneficiary may hold the proceeds as additional security for the full and prompt payment and performance of the Obligations, subject to the provisions of this Section 6.2, and (b) Beneficiary may, in Beneficiary's sole discretion, apply the proceeds (1) to the Obligations, whether or not the Obligations are then due, and/or (2) to the cost and expense of restoring the portion of the Trust Property that was damaged or destroyed, subject to any conditions that Beneficiary deems reasonably necessary to ensure that the Trust Property is properly restored, including, without limitation, holding the proceeds until the restoration is complete.

7. Prior Encumbrance. This Trust Deed will be subordinate only to the Permitted Encumbrances.

8. Condemnation. Grantor will perform the following obligations and observe the following conditions until the Obligations are fully paid and performed:

8.1 Notice. Grantor will promptly notify Beneficiary if all or any portion of the Trust Property is condemned or threatened with condemnation. The notice will include a copy of all correspondence relating to the condemnation or the threat that Grantor received from any third-party.

8.2 Proceeding. Beneficiary may elect to control the condemnation matter described in Grantor's notice by notifying Grantor within twenty (20) days after the delivery of Grantor's notice. If Beneficiary elects to control the condemnation matter within the twenty-day period after the delivery of Grantor's notice Beneficiary may institute a condemnation proceeding, in which case (1) Beneficiary must diligently prosecute the proceeding, with counsel reasonably satisfactory to Grantor, (2) Grantor may participate in the prosecution of the proceeding, at Grantor's own cost and expense, and (3) Beneficiary may settle the matter with the consent of Grantor, which Grantor may not unreasonably withhold, condition, and/or delay. If Beneficiary does not elect to control the condemnation matter within the twenty-day period after the delivery of Grantor's notice Grantor may institute a condemnation proceeding, in which case (1) Grantor will diligently prosecute the proceeding, with counsel reasonably satisfactory to Beneficiary, (2) Beneficiary may participate in the prosecution of the proceeding, at Beneficiary's own cost and expense, and (3) Grantor may settle the matter with the consent of Beneficiary. In any condemnation proceeding that is subject to the provisions in this Section 8.2, Grantor and Beneficiary will keep each other fully informed of the status of the proceeding, cooperate with each other with respect to the prosecution of the proceeding, and attempt to preserve in full any attorney-client and work-product privileges and the confidentiality of any confidential information.

8.3 Assignment of Compensation. Grantor assigns and transfers to Beneficiary all of Grantor's rights to receive compensation as a result of any condemnation of all or any portion of the Trust Property.

8.4 Application of Compensation. If all or any portion of the Trust Property is condemned, and if Beneficiary receives any compensation as a result of the condemnation, (a) Beneficiary may hold the compensation as additional security for the full and prompt payment and performance of the Obligations, subject to the provisions of this Section 8.4, and (b) Beneficiary may, in Beneficiary's sole discretion, apply the compensation (1) to the Obligations, whether or not the Obligations are then due, and/or (2) to the cost and expense of restoring or improving the remaining portion of the Trust Property, if any, subject to any conditions that Beneficiary deems reasonably necessary to ensure that the remaining portion of the Trust Property is properly restored or improved, including, without limitation, holding the proceeds until the restoration or improvement is complete.

9. Payment of Taxes and Other Charges by Beneficiary. Whenever Grantor fails to pay when due any taxes, assessments, interest on prior mortgages, insurance premiums, and/or other charges necessary to be paid for the protection of Trustee's and/or Beneficiary's rights under this Trust Deed, Beneficiary may pay the same. Such payments will be added to the Obligations and will bear interest at the default interest rate specified in the Note.

BENEFICIARY'S WARNING TO GRANTOR

Unless you [Grantor] provide us [Beneficiary] with evidence of the insurance coverage as required by our contract or loan agreement, we may purchase insurance at your expense to protect our interest. This insurance may, but need not, also protect your interest. If the collateral becomes damaged, the coverage we purchase may not pay any claim you make or any claim made against you. You may later cancel this coverage by providing evidence that you have obtained property coverage elsewhere.

You are responsible for the cost of any insurance purchased by us. The cost of this insurance may be added to your contract or loan balance. If the cost is added to your contract or loan balance, the interest rate on the underlying contract or loan will apply to this added amount. The effective date of coverage may be the date your prior coverage lapsed or the date you failed to provide proof of coverage.

The coverage we purchase may be considerably more expensive than insurance you can obtain on your own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

10. Defaults and Remedies.

10.1 Events of Default. The occurrence of any one or more of the following events constitutes an event of default under this Trust Deed (each an "Event of Default"): (a) Grantor fails to make any payment Obligation when due; (b) Grantor fails to perform any non-payment Obligation within ten (10) days after Beneficiary notifies Grantor of the failure to perform the Obligation when due; (c) any representation or warranty made by Grantor in this Trust Deed is found to have been untrue or misleading in any respect as of the Effective Date; (d) an Encumbrance other than a Permitted Encumbrance attaches to the Trust Property; (e) any Transfer of the Trust Property and/or any interest in the Trust Property to any person other than Trustee or Beneficiary, unless the Transfer is expressly permitted by this Trust Deed; (f) any material loss or damage with respect to the Trust Property occurs that is not covered by insurance; (g) any material portion of the Trust Property is condemned; (h) Grantor fails to pay, becomes insolvent or unable to pay, or admits in writing an inability to pay Grantor's debts as they become due, or makes a general assignment for the benefit of creditors; (i) a proceeding with respect to Grantor is commenced under any applicable law for the benefit of creditors, including, without limitation, any bankruptcy or insolvency law, or an order for the appointment of a receiver, liquidator, trustee, custodian, or other officer having similar powers over Grantor and/or the Trust Property is entered; (j) an event of default occurs under (1) any Loan Document, and/or (2) any agreement securing the performance of any of the obligations of any guarantor of the Obligations; and/or (k) the occurrence of any event that has or may reasonably be expected to have an adverse effect on Grantor's financial condition and/or Grantor's ability to pay and perform the Obligations.

10.2 Remedies. On and after an Event of Default, Beneficiary may exercise the following remedies, which remedies are cumulative and which may be exercised singularly or concurrently: (a) upon notice to Grantor, the right to accelerate the due dates of the Obligations so that the Obligations are immediately due, payable, and performable in their entirety; (b) upon notice to Grantor, the right to take possession, control, and charge of the Trust Property; (c) the right to institute an action to appoint a receiver to take charge of the Trust Property; (d) the right to institute an action to obtain a temporary restraining order; (e) upon notice to Grantor, the right to pay and perform any of the Obligations; (f) any remedy available to Beneficiary under any Loan Document and/or any agreement securing the performance of any of the obligations of any guarantor of the

Obligations; (g) any remedy available to Beneficiary under ORS Chapter 86, including, without limitation, the foreclosure of this Trust Deed by advertisement and sale in the manner provided in ORS 86.705 to ORS 86.795; (h) the right to foreclose this Trust Deed as provided by law for the foreclosure of mortgages on real property; (i) any remedy available to Beneficiary under the Uniform Commercial Code; (j) the right to revoke the license described in Section 3.3 and to (1) retain, collect, and receive all prepaid rent and existing and future security or other deposits that each Tenant has paid and will pay with respect to the Tenant's Lease, (2) collect and receive the rent and other payments due to Beneficiary under the Leases, and (3) enforce Beneficiary's rights under the Leases; (k) the right to deliver to each Tenant a letter, in form and substance reasonably satisfactory to Beneficiary, notifying the Tenant that (1) all of Grantor's rights under the Tenant's Lease have been assigned to Beneficiary, and (2) all future rent and other payments must be paid to Beneficiary; and/or (l) any other remedy available to Beneficiary at law or in equity.

10.3 Additional Rights and Obligations. After an Event of Default, (a) upon Beneficiary's request, Grantor will sign for each Tenant the letter described in Section 10.2, and (b) upon Beneficiary's request, Grantor will otherwise assist Beneficiary in exercising any remedy available to Beneficiary under this Trust Deed.

10.4 Possession and Protection of Trust Property. If Beneficiary or a receiver takes possession, control, and/or charge of the Trust Property after an Event of Default, Grantor will peacefully relinquish possession of the Trust Property upon Beneficiary's or the receiver's request. After taking possession, control, and/or charge of the Trust Property, Beneficiary or the receiver may (a) manage, develop, improve, partition, change the character of, or abandon the Trust Property, (b) make ordinary or extraordinary repairs or alterations to the Trust Property, demolish any improvements, and raze existing or erect new party walls or buildings, (c) subdivide the Trust Property, make or obtain the vacation of plats, or adjust boundaries, (d) enter into a lease of all or any portion of the Trust Property, (e) insure the Trust Property against damage or loss, (f) borrow and advance money for the protection of the Trust Property, and for all expenses, losses, and liability sustained in the protection of the Trust Property, (g) pay, contest, and/or settle any claim relating to the Trust Property, (h) pay taxes, assessments, and other expenses incurred in the protection of the Trust Property, (i) employ persons to advise or assist Beneficiary or the receiver in the protection of the Trust Property, and act without independent investigation upon their recommendations, (j) prosecute or defend actions, claims, and/or proceedings for the protection of the Trust Property, and/or (k) take any other actions that Trustee or the receiver deems reasonably necessary to protect the Trust Property. Any payments made or indebtedness incurred by Beneficiary or the receiver in connection with protecting the Trust Property will be added to the Obligations and will bear interest at the default rate specified in the Note. If Beneficiary or the receiver receives any rent or other payments after taking possession, control, and/or charge of the Trust Property, (y) Beneficiary may hold the payments as additional security for the full and prompt payment and performance of the Obligations, subject to the provisions of this Section 10.4, and (z) Beneficiary may, in Beneficiary's sole discretion, apply the payments (1) to the Obligations, whether or not the Obligations are then due, and/or (2) to the cost and expense of protecting the Trust Property.

10.5 Sale of Trust Property. After an Event of Default, Trustee may sell the Trust Property at auction to the highest bidder for cash. Any person, including Beneficiary, but excluding Trustee, may bid at the sale. The attorney for Trustee, or any agent designated by Trustee or the attorney, may conduct the sale and act in the sale as the auctioneer of Trustee.

10.6 Proceeds of Sale of Trust Property. After an Event of Default and a sale of the Trust Property by Trustee, Trustee must apply the proceeds of the sale as follows: (a) to the expenses of the sale, including the compensation of Trustee, and a reasonable charge by the attorney for Trustee; (b) to the Obligations; (c) to all persons having recorded liens subsequent to the interest of Trustee in this Trust Deed as their interests may appear in the order of their priority; and (d) the surplus, if any, to Grantor or to the successor in interest of Grantor entitled to such surplus.

10.7 No Obligation to Pay or Perform. Beneficiary has no obligation to pay or perform any Obligation.

11. Release, Indemnification, and Waivers.

11.1 Release and Indemnification. Grantor releases and will jointly and severally defend, indemnify, and hold Trustee, Beneficiary, and each Beneficiary Representative harmless for, from, and against any and all claims, actions, proceedings, damages, liabilities, obligations, costs, and expenses of every kind, whether known or unknown, including, without limitation, attorney fees, resulting from or arising out of, whether directly or indirectly, the following: (a) any action that Trustee, Beneficiary, and/or any Beneficiary Representative take to perfect or continue Trustee's and/or Beneficiary's rights under this Trust Deed; (b) the exercise of any remedy available to Beneficiary under this Trust Deed, without regard to cause or the negligence of Trustee, Beneficiary, any Beneficiary Representative, and/or any other person; (c) any breach and/or inaccuracy of any Grantor representation, warranty, and/or covenant made in this Trust Deed and/or any Loan Document; and/or (d) any failure by Grantor to pay and/or perform any covenant and/or obligation required to be performed by Grantor under this Trust Deed and/or any Loan Document. This indemnification and hold harmless provision will survive the termination of this Trust Deed and the satisfaction of the obligations of Grantor to Beneficiary under this Trust Deed.

11.2 Waiver by Grantor. Grantor waives demand, presentment for payment, notice of dishonor or nonpayment, protest, notice of protest, and lack of diligence in collection, and agrees that Beneficiary may amend any agreement evidencing, guaranteeing, or securing any of the Obligations or extend or postpone the due dates of the Obligations without affecting Grantor's liability.

11.3 No Waiver by Beneficiary. No waiver will be binding on Beneficiary unless it is in writing and signed by Beneficiary. Beneficiary's waiver of a breach of a provision of this Trust Deed or any agreement evidencing, guaranteeing, or securing any of the Obligations will not be a waiver of any other provision or a waiver of a subsequent breach of the same provision. Beneficiary's failure to exercise any remedy under this Trust Deed or any agreement evidencing, guaranteeing, or securing any of the Obligations will not be considered a waiver by Beneficiary of Beneficiary's right to exercise the remedy.

12. Environmental Indemnification.

12.1 Indemnification. Grantor will jointly and severally defend, indemnify, and hold Trustee, each Trustee Representative, Beneficiary, and each Beneficiary Representative harmless for, from, and against any and all claims, actions, proceedings, damages, liabilities, and expenses of every kind, whether known or unknown, including, without limitation, attorney fees, resulting from or arising out of, whether directly or indirectly, Grantor's breach of any representation, warranty, covenant, and/or other obligation of Grantor in Section 4.8 and/or Section 5.13.

12.2 Survival. All representations, warranties, covenants, and other obligations of Grantor in Section 4.8, Section 5.13, and Section 12.1 will survive the reconveyance of the Trust Property to Grantor and the foreclosure of this Trust Deed.

13. Successor Trustee. At any time, Beneficiary may appoint in writing a successor to Trustee. If the appointment of the successor to Trustee is recorded in the mortgage records in Jefferson County, Oregon, the successor to Trustee will be vested with all the powers of Trustee.

14. Non-foreign Affidavit. Contemporaneously with the signing and delivery of this Trust Deed, Grantor will deliver to Beneficiary a non-foreign affidavit signed by Grantor for purposes of Section 1445 of the Internal Revenue Code, in form and substance reasonably satisfactory to Beneficiary.

15. Miscellaneous.

15.1 Time of Essence; No Assignment; Binding Effect. Time is of the essence with respect to all dates and time periods in this Trust Deed. Grantor may not assign or delegate any of Grantor's rights or

obligations under this Trust Deed to any person without the prior written consent of Beneficiary, which Beneficiary may withhold in Beneficiary's sole discretion. This Trust Deed will be binding on the parties and their respective heirs, personal representatives, successors, and permitted assigns, and will inure to their benefit.

15.2 Amendment; Notice. This Trust Deed may be amended only by a written document signed by the party against whom enforcement is sought. Any notice required under this Trust Deed must be in writing. Any notice will be deemed given when personally delivered or delivered by facsimile transmission (with electronic confirmation of delivery), or will be deemed given three business days following delivery of the notice by U.S. mail, postage prepaid, certified, return receipt requested, by the applicable party to the address of the other party first shown above (or any other address that a party may designate by notice to the other party), unless that day is a Saturday, Sunday, or legal holiday, in which event it will be deemed given on the next following business day.

15.3 Severability; Further Assurances; Remedies. If a provision of this Trust Deed is determined to be unenforceable in any respect, the enforceability of the provision in any other respect and of the remaining provisions of this Trust Deed will not be impaired. The parties will sign other documents and take other actions reasonably necessary to further effect and evidence this Trust Deed. Beneficiary will have all remedies available to it at law or in equity. All available remedies are cumulative and may be exercised singularly or concurrently.

15.4 Governing Law; Venue. This Trust Deed is governed by the laws of the State of Oregon, without giving effect to any conflict-of-law principle that would result in the laws of any other jurisdiction governing this Trust Deed. Any action or proceeding arising out of this Trust Deed will be litigated in courts located in Jefferson County, Oregon. Each party consents and submits to the jurisdiction of any local, state, or federal court located in Jefferson County, Oregon.

15.5 Attorney Fees. If any arbitration or litigation is instituted to interpret, enforce, and/or rescind this Trust Deed, including, without limitation, any proceeding brought under the United States Bankruptcy Code, the prevailing party on a claim will be entitled to recover with respect to the claim, in addition to any other relief awarded, the prevailing party's attorney fees and other fees, costs, and expenses of every kind, including, without limitation, the costs and disbursements specified in ORCP 68 A(2), incurred in connection with the arbitration, the litigation, any appeal or petition for review, the collection of any award, or the enforcement of any order, as determined by the arbitrator or court.

15.6 Entire Agreement. This Trust Deed contains the entire understanding of the parties regarding the subject matter of this Trust Deed and supersedes all prior and contemporaneous negotiations and agreements, whether written or oral, between the parties with respect to the subject matter of this Trust Deed.

15.7 No Waiver by Beneficiary. No failure and/or delay of Beneficiary in exercising any right, power, and/or remedy under this Trust Deed and/or any other Loan Document will operate as a waiver of such right, power, and/or remedy of Beneficiary or of any other right. A waiver of any provision of this Trust Deed and/or any other Loan Document will not constitute a waiver of or prejudice Beneficiary's right to demand strict compliance with that provision and/or any other provision. Any waiver, permit, consent, and/or approval of any kind or character on the part of Beneficiary must be in writing and will be effective only to the extent specifically set forth in writing.

15.8 Interpretation and Exercise of Discretion. All pronouns contained herein and any variations thereof will be deemed to refer to the masculine, feminine, or neutral, singular or plural, as the identity of the parties may require. The singular includes the plural and the plural includes the singular. The word "or" is not exclusive. The words "include," "includes," and "including" are not limiting. The titles, captions, or headings of the sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Trust Deed. When Beneficiary is exercising any consent, approval, determination, and/or similar discretionary action under this Trust Deed, the standard will be Beneficiary's sole

discretion. For purposes of this Trust Deed, the term "person" means any natural person, corporation, limited liability company, partnership, joint venture, firm, association, trust, unincorporated organization, government or governmental agency or political subdivision, or any other entity.

15.9 Attachments. Any exhibits, schedules, and other attachments referenced in this Trust Deed are part of this Trust Deed.

15.10 Waiver of Jury Trial and Hearing. GRANTOR IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY PROCEEDING HEREAFTER INSTITUTED BY OR AGAINST GRANTOR IN RESPECT TO THIS TRUST DEED, THE NOTE, AND/OR ANY OTHER DOCUMENT PERTAINING TO THIS LOAN TRANSACTION. GRANTOR ACKNOWLEDGES THAT THE TRANSACTION OF WHICH THIS TRUST DEED IS A PART IS A COMMERCIAL TRANSACTION. TO THE EXTENT PERMITTED BY ANY STATE OR FEDERAL LAW, GRANTOR WAIVES ANY RIGHT GRANTOR MAY HAVE TO PRIOR NOTICE OF AND A HEARING ON THE RIGHT OF ANY HOLDER OF THIS TRUST DEED, THE NOTE, AND/OR ANY OTHER DOCUMENT PERTAINING TO THIS LOAN TRANSACTION TO ANY REMEDY OR COMBINATION OF REMEDIES THAT ENABLES SAID HOLDER, BY WAY OF FORECLOSURE, ATTACHMENT, GARNISHMENT, OR REPLEVIN, TO DEPRIVE GRANTOR OF ANY PROPERTY, AT ANY TIME, PRIOR TO FINAL JUDGMENT IN ANY LITIGATION INSTITUTED IN CONNECTION WITH THIS TRUST DEED, THE NOTE, AND/OR ANY OTHER DOCUMENT PERTAINING TO THIS LOAN TRANSACTION.

15.11 Joint and Several. If Grantor consists of more than one party, all Grantor representations, warranties, covenants, and obligations made under this Trust Deed are made by Grantor on a joint and several basis.

IN WITNESS WHEREOF, the undersigned has caused this Trust Deed to be executed and effective for all purposes as of the Effective Date.

GRANTOR:

David A. Potter

State of Oregon)
) ss.
County of Jefferson)

I certify that I know or have satisfactory evidence that David A. Potter signed this instrument, that he is authorized to execute this instrument and acknowledge it to be his free and voluntary act for the uses and purposes contained in this instrument.

Before me:

Notary Public for Oregon
Commission No.: _____
My Commission Expires: _____

Appendix A
Definitions

“Beneficiary Representative(s)” means Beneficiary and its successors, assigns, divisions, affiliates, and related entities, and all past, present, and future officers, directors, shareholders, members, managers, employees, attorneys, agents, volunteers, contractors, representatives, and insurers of the aforementioned.

“Encumbrance(s)” means any liens, mortgages, pledges, security interests, reservations, restrictions, changes, claims, and/or any other encumbrances.

“Environmental Law(s)” means any law designed to minimize, prevent, punish, and/or remedy the consequences of actions that damage or threaten the environment or public health and safety.

“Event of Default” means any event specified in Section 10.1.

“Hazardous Substance(s)” means any hazardous or toxic substance, material, and/or waste, including, without limitation, the following: (a) any hazardous or toxic substance, material, and/or waste that is defined as such under any Environmental Law; and (b) petroleum, petroleum products, asbestos, presumed asbestos-contaminating materials, asbestos-contaminating materials, urea formaldehyde, and polychlorinated biphenyls.

“Knowledge” means, with respect to Grantor, the actual knowledge of each Grantor and any knowledge that each Grantor would have obtained if such individual(s) had conducted a reasonably comprehensive investigation of the relevant matter.

“Lease(s)” means any lease affecting the Trust Property to which Grantor is or becomes a party.

“Loan Document(s)” means (a) the Madras Redevelopment Commission – Urban Renewal Line of Credit Loan Agreement dated as of the Effective Date made by Grantor in favor of Beneficiary, (b) this Trust Deed, (c) the Note, and (d) any agreement evidencing, guaranteeing, and/or securing the performance of any of Grantor’s obligations arising out of or under the aforementioned.

“Note” means the Line of Credit Promissory Note dated as of the Effective Date in the principal amount of Eighteen Thousand Dollars (\$18,000.00) made by Grantor in favor of Beneficiary and referenced in the recital.

“Obligation(s)” means all present and future obligations of any kind owed by Grantor to Beneficiary, including, without limitation, all of Grantor’s obligations arising out of or under (a) the Note, (b) this Trust Deed, and (c) any other agreement evidencing, guaranteeing, and/or securing the performance of any of Grantor’s obligations arising out of or under the aforementioned agreements.

“Permitted Encumbrance(s)” means (a) any lien, mortgage, pledge, security interest, and/or other encumbrance in favor of Beneficiary, (b) _____, and (c) any lien, mortgage, pledge, security interest, or other Encumbrance arising by operation of law for taxes, assessments, or government charges not yet due.

“Real Property” means the real property (and all improvements located thereon) located at 401 NE Sixth Street, Madras, Oregon 97741 as more particularly described as follows:

The property in Jefferson County, Oregon, described as:

“Tenant(s)” means any person other than Grantor that is a party to any Lease.

“Transfer(s)” means (a) any transfer, including, without limitation, any sale, conveyance, exchange, gift, lease, encumbrance, foreclosure of an encumbrance, or attachment, regardless of whether the transfer occurs

voluntarily or involuntarily, by operation of law, or because of any act or occurrence, and (b) any agreement involving the ownership, lease, and/or use of all or any portion of the Property for a period longer than thirty (30) days.

“Trust Property” means all of Grantor’s right, title, and interest in and to the Real Property, together with the following:

- (a) all interests, estates, and rights that Grantor now has and/or may acquire in the Real Property;
- (b) any and all options, agreements, and contracts for the purchase or sale of all or any part or parts of the Real Property or interests in the Real Property;
- (c) all easements, rights-of-way, and rights used in connection with the Real Property and/or as a means of access to the Real Property;
- (d) all tenements, hereditaments, and appurtenances in any manner belonging, relating, and/or appertaining to the Real Property;
- (e) all interests, estates, and rights of Grantor, now owned or hereafter acquired, in and to any land lying within any streets, sidewalks, alleys, strips, and/or gores adjacent to or used in connection therewith;
- (f) all Grantor rights, titles, and interests, now owned or hereafter acquired, in and to any and all buildings and other improvements of every nature now or hereafter located on the Real Property and all fixtures, machinery, equipment, and other personal property located on the Real Property or attached to, contained in, or used in any such buildings and other improvements, and all appurtenances and additions to and substitutions and replacements of the Real Property (all of the foregoing being collectively referred to below as the “Improvements”);
- (g) any and all mineral, oil and gas rights, air rights, development rights, water rights, water stock, and water service contracts, drainage rights, zoning rights, and other similar rights or interests that benefit or are appurtenant to the Real Property or the Improvements or both, and any of their proceeds;
- (h) all Grantor rights, titles, and interests in and to all present and future licenses, permits, approvals, and agreements with or from any municipal corporation, county, state, or other governmental or quasi-governmental entity or agency relating to the development, improvement, division, or use of all or any portion of the Real Property to the extent assignable by law; and all other general intangibles relating to the Real Property, the Improvements, or their use and operation;
- (i) all Grantor rights in and to any escrow or withhold agreements, title insurance, surety bonds, warranties, management contracts, leasing and sales agreements, and service contracts that are in any way relevant to the ownership, development, improvement, management, sale, and/or use of all or any portion of the Real Property or any of the Improvements;
- (j) Grantor’s rights under any payment, performance, and/or other bond in connection with construction of any Improvements, and all construction materials, supplies, and equipment delivered to the Real Property or intended to be used in connection with the construction of any Improvements; and
- (k) all rights, interests, and claims that Grantor now has or may acquire with respect to any damage to or taking of all or any part of the Real Property and/or the Improvements, including, without limitation, any and all proceeds of insurance in effect with respect to the Improvements, any and all awards made for taking by eminent domain or by any proceeding or purchase in lieu thereof, of the whole or any part of the Real Property or the Improvements, and any and all awards resulting from any other damage to the Real Property or the Improvements, all of which are assigned to Beneficiary under this Trust Deed.

“Trustee Representative(s)” means each present and future director, officer, shareholder, employee, member, assignee, manager, partner, and authorized representative of Trustee.

DRAFT

CITY OF MADRAS
Request for Madras Redevelopment Commission Action

Date Submitted: February 24, 2016
Agenda Date Requested: March 2, 2016
To: Madras Redevelopment Commission
From: Nicholas Snead, Community Development Director
Subject: Discussion on Contract Services for Commercial Development Recruitment Services.

TYPE OF ACTION REQUESTED: (Check One)

- | | |
|--------------------------------------------------|-------------------------------------------|
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Ordinance |
| <input type="checkbox"/> Formal Action/Motion | <input checked="" type="checkbox"/> Other |
| <input type="checkbox"/> No Action - Report Only | |

OVERVIEW:

On February 3, 2016, the Madras Redevelopment Commission (MRC) approved the Urban Renewal Action Plan. Within the Plan there are two specific projects that the MRC is to complete to execute. Project A—Recruit General Merchandise Store calls for the MRC to, “consider working with a reputable retail recruiter to market the URD with potential retail brands and guide the MRC through this process.” Additionally, Project B—Recruit Brewery calls for the MRC to recruit a brewery to downtown Madras. Staff would like to discuss with the MRC options for obtaining services to assist the MRC recruit a developer for a general merchandise store, brewery, or any other type of new development within the Urban Renewal District.

DISCUSSION:

Types of Commercial Development

There are generally two types of commercial development that will occur in the Urban Renewal District in the future. The first type of development will be from national retailers and restaurateurs. These retailers and restaurateurs tend to make development decisions when the local market and demographic conditions meet their criteria. An example of this would be Fred Meyer, where they would likely be interested in opening a store in Madras when there are 20,000 or more households in Madras. The second type of commercial development is local or regional retailers and restaurateurs. These developers will tend to be local or regional property owners and or investors. They will tend to develop commercial and retail and restaurants uses that will not be associated with a national retailer or franchise.

Staff Limitations and Needs

The City Administrator, Public Works Director, and Community Development Director works hard as a team and collaborate on commercial development leads to identify the permitting process, development standards, development fees, and resolve any problems to assist the developer. This effort tends to be reactive, where staff receives a lead on a development and then staff works exhaustively to assist the developer. The weakness in this strategy is that it is reactive. Staff generally is only able to assist property owners, developers, realtor and the like when they are notified of a potential development. Additionally, staff has additional responsibilities that prevent them from putting forth the necessary efforts to recruit commercial development within the Urban Renewal District (i.e. proactive recruitment efforts). At this time staff cannot quantify how many leads or development opportunities were missed because of the current reactive recruitment strategy. However, it is staff's opinion that moving forward, if there is a commercial development lead that is not built, that the MRC would like to know why and be assured that staff and the MRC put forth their best effort to assist the development. In response to Projects A and B in the Urban Renewal Action Plan and the limitations to the current reactive recruitment strategy, there is a need for professional services to assist the MRC to recruit commercial development within the Urban Renewal District.

Options

Staff has determined that there are three different options (Table 1, pg. 3) for the MRC to consider for obtaining assistance with recruiting commercial development within the District.

Option A—Buxton Company:

Staff was able to contact the Buxton Company and discuss the MRC's needs and the cost structure for services. The Buxton Company would provide contact information to national retailers, restaurants, and franchises that would not be as easy to obtain otherwise. However, the Buxton Company would not assist the MRC in contacting national retailers. City staff would ultimately be responsible for contacting national retailers and discussing development options in Madras. Staff has concern for their availability to contact national retailers and put forth the necessary effort required to successfully recruit a national retail development. This option is the highest cost of the three options.

Option B—The Retail Research Group:

Staff was not able to contact the Retail Research Group and discuss the MRC's needs and the cost structure for services. This option would only provide additional market information and data of which staff would use when talking with national retailers. The Retail Research Group would not assist the MRC in contacting national retailers. City staff would ultimately be responsible for contacting national retailers and discussing development options in Madras. Staff has concern for their availability to contact national retailers and put forth the necessary effort required to successfully recruit a national retail development. This option is the second highest cost of the three options.

Option C—Local Recruitment Specialist:

Staff reached out to a local business that has experience recruiting non-national retailers, restaurants, and franchise to determine if it would be advantageous for the MRC to have local business assist the MRC in recruiting commercial development to the District. The conclusion was made that a local business likely wouldn't have the contacts of national retailers. However that a local business assisting the MRC would know local property owners, realtors, investors, developers, and financial institutions that would very likely need to be involved in recruiting new development to the District. As such, the MRC should consider this option. Comparably, this option is the least expense of the three options.

Table 1. Commercial Development Recruitment Services Options

Option	Description	Pros	Cons	Est. Cost	Procurement Method
Option A – <i>BUXTON COMPANY</i>	<ul style="list-style-type: none"> - Contract with firm that specializes in recruitment of national retailers, restaurants, franchises, etc. - 1-3 year service contract 	<ul style="list-style-type: none"> - Firm has contacts with 5,000+ national retailers & commercial businesses. - Will know market, demographic, and site characteristics needed for national retailers. - Will provide contact with each national retailer about development opportunities. - Small Rural community experience. 	<ul style="list-style-type: none"> - Will not know local property owners, realtors, financial institutions. - Limited to national retailers. - Worked with 2 Oregon cities - High cost for service - Cannot guarantee a successful recruitment - They don't call national retailers. - City staff would need to call/recruit national retailers. 	\$50,000 per year	Professional Services Agreement
Option B – <i>THE RETAIL RESEARCH GROUP</i>	<ul style="list-style-type: none"> - Contract with firm for additional market analysis and data to assist with a separate recruitment of grocery, drug store, general merchandisers. 	<ul style="list-style-type: none"> - Specializes in grocery, drug store, general merchandisers. - Provides market analysis & revenue projections for commercial developments. 	<ul style="list-style-type: none"> - Just provide market analysis and data. - Doesn't have contacts with national retailers. - City would need to contact and recruit national retailers. - Is not involved in actual recruitment efforts—only preparing data for City to use when recruiting. 	\$6,800-12,000	Professional Services Agreement
Option C – <i>LOCAL RECRUITMENT SPECIALIST</i>	<ul style="list-style-type: none"> - Contract with local firm that specializes in regional or local retail and commercial development 	<ul style="list-style-type: none"> - Specializes in regional and local retail & commercial development. - Understanding of regional & local market, development, & finance conditions trends, and needs. - Would work with property owners, realtors, investors, financial institutions, & developers to recruit development. - Has redevelopment and development. - Would be able to advocate more effectively to property owners, investors, realtors, and developers. 	<ul style="list-style-type: none"> - Doesn't have specific contacts with national retailers, restaurants, franchises, etc. 	\$5,000 per year	Professional Services Agreement

Recommendation:

Staff recommends that the MRC pursue Option C and direct staff to solicit businesses for MRC consideration at a future meeting. This would result in a Professional Services Agreement between the MRC and a business for Commercial Development Recruitment services.

SUMMARY:

- A. **Fiscal Impact:** None.
- B. **Funding Source:** No expenses are proposed at this time.
- D. **Supporting Documentation:**

Attachment A: Project Sheet A—Recruit General Merchandise Store
Attachment B: Project Sheet B—Recruit Brewery

STAFF RECOMMENDATION:

That the MRC pursue Option C—Local Recruitment Specialist and direct staff to begin soliciting businesses for MRC consideration at a future meeting.

DETAILED PROJECT SHEETS

A Recruit General Merchandise Store

Why: Rationale	Who: Lead
<p>The need for better general merchandise retail opportunities was the most frequently retail cited need among residents and stakeholders. General merchandise includes any non-food or non-grocery products, such as clothing, outdoor gear, cosmetics, jewelry, and other sundries. In a survey of area employees, a third of employees living outside of the city cited the lack of as a reason why they did not choose to live in Madras. In addition, the commercial development opportunities analysis showed an untapped demand for a general merchandiser. Recruiting a general merchandiser to Madras could help to catalyze other development along the north and south corridors.</p>	MRC
What: Project Description	
<p>The MRC will refine and implement a comprehensive strategy to attract a general merchandiser or a store (like Fred Meyer) that offers general merchandise goods in addition to grocery products. Beginning with the information in the Commercial Development Opportunities Analysis, the City will create a refined “recruitment package” that can serve as a starting point in marketing available sites to potential tenants and developers. The recruitment package will consolidate data regarding market demand, incentives, development processes and permitting information, and the benefits of Madras in one location. This analysis will help the MRC prepare for conversations with potential general merchandise partners on future deal structures and entitlement issues. The MRC will then target outreach to appropriate retailers.</p>	
How: Implementation Steps	<p>Create Recruitment Package. The Commercial Development Opportunities Analysis provides much of the following information, but some additional research may be needed:</p> <ul style="list-style-type: none"> ▪ Market demand: <ul style="list-style-type: none"> - Definition of trade area - Demographics (population, households, average HH income, median HH income, growth trends) compared with the retailers’ site & demographic criteria ▪ Competitive advantages: <ul style="list-style-type: none"> - Retail leakage information on unmet retail demand within specific categories - Possible capture rate from tourists and employees - Competitor analysis ▪ Retailer perspective: <ul style="list-style-type: none"> - How Madras meets the retailer’s business needs and wants - Data on specific consumer preferences ▪ Incentives available: <ul style="list-style-type: none"> - The materials should describe the type of assistance that could be available, including low-interest or forgivable loans, infrastructure assistance, or grants. This funding should be tied to the investment criteria in the plan to ensure that the proposed development meets community needs. ▪ Development sites: Each retailer will have a specific set of site requirements, but the MRC can bring information from this action plan that helps to identify sites that would be suitable for new retail. A 20,000 square foot general merchandiser will be looking for a site that is two to three acres in size. <p>Target outreach to appropriate retailers.</p> <ul style="list-style-type: none"> ▪ Consider attendance at International Council of Shopping Centers events. The MRC can bring summarized, refined findings of the information in a set of materials for prospective investors. More information on approaching these types of conventions can be found at icsc.org ▪ Identify attraction/recruitment specialist. The MRC should consider working with a reputable retail recruiter to market the URD with potential retail brands and guide the MRC through this process.

	<p>Examples of retail site analyst firms include Retail Research Group, the Retail Coach, and Buxton Co.</p> <ul style="list-style-type: none"> ▪ Support any existing retailers that are ready to expand their lines of business or size of their stores. <p>Identify opportunities for Public-Private Partnerships</p> <p>Using the development toolkit identified in Project C, identify possible sites, and work with property owners to make sites available when an interested retailer is ready to invest. Market these sites to brokers and others.</p>
When: Phasing	Short-term, high priority
Partners	Chamber
Funding Considerations	<p>Staff time for outreach</p> <p>Consulting contract with recruiter and to produce marketing materials (if done in house, then the cost is just staff time and printing costs)</p> <p>Incentives package for individual developments</p>

B Recruit Brewery

Why: Rationale	Who: Lead	
<p>The recruitment of a brewery to downtown Madras was a high priority among survey respondents and could help to spark other investments in downtown by capturing business from visitors. At the same time, a larger production brewery facility would create jobs in Madras that would help to recruit new residents to support other District businesses.</p>		MRC
What: Project Description		
<p>The MRC will work to recruit a brewery to Madras our unique assets. There are generally two categories of breweries: small production facilities or brewpubs (under 5,000 square feet and around \$700,000 in investment) and larger production facilities (around 10,000 square feet, and \$2 million in investment).¹</p>		
How: Implementation Steps	<ul style="list-style-type: none"> ▪ Issue identification and initial connections. <ul style="list-style-type: none"> - Hold meetings with Central Oregon brewery representatives to understand needs. - Identify and work with possible brokers or consultants to position Madras. There are consultants that work exclusively with breweries to help to identify potential growth opportunities and manage the brewery startup process. The MRC could consider working with one of these consultants to identify potential brewery partners and market the MRC's offerings. - Explore partnerships with the agricultural community, including the Mecca Grade Malt operation north of Madras. - Based on these conversations, identify sites that meet brewery requirements. These include, truck loading, a site with topography for gravity flow, and adequate power and water supply. ▪ Create brewery recruitment collateral. Develop summary of Madras' advantages for a brewery, including: high quality water, lack of competition, low cost of doing business, quality of life, through traffic, existing businesses (including Malt Grade's estate malt operation). The material should include the following: <ul style="list-style-type: none"> - Letter of introduction including compelling reasons why downtown Madras makes sense for their business. - General information and photos of the community highlighting its assets. - Current downtown market position and goal statements. - New developments demonstrating public and private investment downtown. - Trade area geographic definition and demographic and lifestyle data. - Non-resident consumer data (including daytime population and tourism visitation). - Major employers and institutions. - Vehicle and pedestrian traffic volume. - Mix of existing retail, service, dining, housing, office, and lodging in the market area. - Press coverage and testimonials highlighting success stories. - Downtown opportunity sites (based on information gathered in the first step). - Summary of city and other public incentives and other business assistance available in the business district. ▪ Identify leads. Use the information above to contact emerging entrepreneurs, existing businesses, and brewery consultants. In addition, the MRC should consider hiring a brewery consultant to contact successful existing breweries in other locations that may be interested in expanding or even relocating to new locations to take advantage of potential new markets – or, know of former employees, business partners, or other potential recruited individuals who would be interested in a 	

¹ Conversation with Tomas Sluiter, Brewery Consultant.

	<p>starting another brewery.</p> <ul style="list-style-type: none"> ▪ Send letters of introduction and make recruitment calls. Document these calls meticulously. ▪ As opportunities arise, identify suitable sites, work with property owners to make sites available, and negotiate a public-private partnership.
When: Phasing	Short-term
Partners	Chamber, businesses, ag community, investors
Funding Considerations	<p>Marketing materials</p> <p>Staff time for outreach</p> <p>Incentives package for individual developments to be determined</p>