

City of Beaverton DDA SPECIAL Meeting

February 22, 2023

DDA members: Mayor Ray Nau, Renee Lang, Jason Blades, Kurt Grove, Chair, David Shears, and Lou Stornello

Public: Kim Shea, Kennedy Cripps, Amy Dull, city attorney, Dave Porteous and Scott Govitz

Absent: Cindy Trumble

Meeting to discuss the transfer of lease between Flower Scents, Amy Dull, and new owners, Sugarbeet Blooms and Bridal, Kim Shea. Also to discuss issues of DDA being underwater on lease agreement.

Govitz outlined the history of why the DDA purchased the property and the intent for long term control of parking for downtown, the theatre, and all businesses.

1. Introductions of city attorney, Dave Porteous
2. Background – how we obtained the property, why, and future upgrades desired
 - a. DDA had good intentions, and good tenants but not everything is working out as planned. We are underwater and need to figure out a longer-term plan that will benefit everyone while maintaining strong businesses.
3. DDA obligated under a 10-year lease agreement that appears to be transferrable for duration of original lease timeline.
 - a. Desire a workable solution but other options are:
 - i. Sit and review short term immediate fixes to leases that might be workable solutions
 - ii. Midterm evaluation on sales options with an appraisal
 - iii. DDA keep building all of the properties
Underwater \$188.74 (combined rents)
DDA paying building insurance (determine amount)
DDA plowing all lots
No taxes on property currently being paid

Govitz went over items noted above and discussion ensued throughout. A lot of discussion around future ownership of property and DDA's desire not to be a long term landlord and to ultimately sell the property. Attorney outlined some things for consideration in a possible sale and gave options for the DDA to consider. Govitz indicated that the municipality and DDA has had public backlash on previous sales of property and just wanted on the record that the City is currently utilizing a professional real estate firm for all current municipal sales. There was a lot of discussion around tenants having first rights toward such purchase. The steps to get to a sale price were outlined including an appraisal and what portions the DDA would want to keep in its possession, which in general would be all parking and surrounding properties other than the building and the lot fronting Brown Street. This would all be a future discussion of items to be resolved.

Flower Scents needed to notify the DDA of pending sale and DDA needs to offer approval under contract.

Much discussion about rents and getting things in the black. Lessees indicated a willingness to get rents raised and Lou Stornello, owner of T & J's Auto would be willing to immediately pay the rent differences of \$188.74 to break even. This would require a lease amendment. Discussion about other elements like snow plowing. Govitz indicated that he thought the DDA should consider keeping all lots (other than Brown St.) if the building is sold and as such, those other than Brown Street lots are also currently being used for public parking and that should be a DDA continuation.

Discussion about insurance being paid. That amount is not known. We need to learn the amount and it would be a discussion about possibly adding to rents to make it break even.

Discussion about taxes. We are working off very old information for possible tax amount from 2019. So the possible actual tax collection isn't known unless an appraisal and sale occurs.

Discussion about the sale and possibly getting all matters in the black and the new owner having time to get established. Could we put off the tax issue for some time? A lot of different scenarios of time were discussed. One caution of going too long was discussed because then the DDA is in the same position of being a landlord and responsible for all fixes, like the roof and the door that was recently fixed and very expensive. So should look at a shorter period and sell. Such a sale would also depend on break even on the 25 year note (from start date). Would it appraise enough to break even? That is a decision that will need to be made.

The businesses can transfer remaining lease period, and they are under current lease amounts and agreement for what was an initial agreement period of ten years. The DDA can do nothing, but in an attempt to break even may want to look at sale more quickly. Discussed that we could possibly get the lease agreement up to speed on increased rents, and there appears to be no issue with any party on that, but that the further increase around an unknown insurance number would need to be discussed along with the issue of how long the DDA lingers before a sale of the property, assuming all numbers on appraisal and the payoff work out.

Motion, by Mayor Nau to approve Flower Scents to go forward with closing date March 13, 2023 with Sugarbeet Blooms and Bridal taking over lease, and supported by Renee Lang. All ayes, motion carried.

All voting aye, meeting adjourned at 6:40 PM