

UNOFFICIAL MINUTES

Executive Session of the Oregon City Urban Renewal
Commission

Subject: Negotiations on The Rivers

July 12th, 2011

[Chair Walters]: This executive session meeting will be called to order.

Nancy Ide: Present are: Doug Neeley - "here", Betty Mum - "here", Kathy Roth - "here", James Nicita - "here", Rocky Smith - "here", Philip Yates - "here", Brian Shaw - "here", Paul Edgar - "here", Graham Peterson - , and Nancy Walters - "here".

Chair Walters: All persons are advised that no information from this session shall be disclosed. This session is pursuant to ORS 192.660 Sub-Section 2E - To conduct deliberations with persons designated by the governing body to negotiate real property transactions.

David Frasher: Thank you, madam chair. It was kind of doubtful in my mind whether we should have this executive session tonight but the reason I wanted to have it is because I wanted to give you a chance to ask me any questions or for me to provide you with feedback regarding our negotiations with Fred Bruning of CenterCal on the Rivers. It's been pretty widely covered in the newspaper. I know there's been - we've sent out memos and other communications letting you know what we could about what occurred there - Mr. Bruning said some things to me about his reasons and rationale but I think I only have part of the story.

Part of the story I got from Mr. Parker about how much he was asking for the property, which was roughly \$14 million. Mr. Bruning said to me things like the property is worth - it's worth anywhere from zero- and then 'cause he thought the mitigation for the landfill consequences was so high that the property was worth nothing. That was my first conversation with him and by the time we had our last conversation right before the - right after Mr. Parker sent the letter - he said that they would have paid as much as 12. So somewhere between zero and 12 things went badly and they couldn't come to terms. But I think you, and I said this to Mr. Bruning, that I thought it was reasonable for the commission to want a sales agreement and he could have made that agreement conditional on approval of help from urban renewal and I think he was well aware of that. We had talked about that before as a possibility. But what he said to me essentially was he thought there were a couple of factors and he kept mentioning the political environment in Oregon City. He mentioned that multiple times. He felt that the Urban Renewal Commission was quote 'stacked against approval of his project'.

And I kept saying well - I kept trying to say - or did keep saying - that well they haven't made the decision yet so until all the information is in, I said you need to assume they're negotiating with you in good faith, and I believe they are, but you know there's a lot of history there with that project. And I think - I think maybe his mind was made up on that several months ago even though we started negotiations after the invitation that you directed us to convey to him.

So that's kind of it in a nutshell. I think there may be other reasons - it could be economic reasons, it could be that I know he's got some big projects out of state - in other jurisdictions that they're working on, so it could be a factor of those things together. But it's - it was a large investment that he had made up to this point. So, if there are any questions about what happened, I'll be happy to tell you what I know.

Phil Yates: How much money did he invest?

Frasher: Dan do you know...what he invested? I know what he claimed? He said he invested millions of dollars.

Dan Drentlaw: Yeah, he claims \$3 or \$4 million but -and I know that they did a lot of probing into the site for- you know testing for your system and where - how deeply they would have to go and actually dug some holes.

Frasher: And, they paid Parker options payments, I think before I came here.

Betty Mumm: Did they redesign the interchange down there?

Drentlaw: They spent some - not all - of the cost - but they contributed to some of the initial designs on that interchange

Yates: You mean the Judghandle?

Frasher: And to some extent, I mean I think this complicates things a great deal with Cabela's wanting to locate in Oregon City because the feedback I have from them is that they do not want to be on the site by themselves. They want to be part of a larger retail

development. They also don't want to proceed in Oregon City or anywhere else on a landfill without an experienced developer who's got experience on landfills. And when you put those things together - Fred Bruning isn't the only guy but he's - there's just a handful- it's a pretty small number of people that have both financing, major retailer connections and experience on landfills. And what Cabela's is about is selling their stuff, and they're not developers. They don't want to be in the development business. They have done some developments themselves. Many of you are familiar with their larger retail stores that are kind of like a stand-alone campus, if you will. It's around one giant store. Apparently their corporate philosophy has changed a good deal in the last two or three years and they are now looking at smaller stores that are part of bigger retail complexes. I think that they believe that minimizes their exposure, minimizes their risks that they'll take losses. And the store they have in Salem apparently is exceeding all of their own projections and so they're anxious - that's actually making them want to open a store more quickly than even before in the Portland Metro.

Roth: In Salem?

Neeley: Springfield, I think.

Frasher: Springfield, I'm sorry. I was going to mention the other reason they want to go with - as part of a bigger development. It puts them in a better position to negotiate for free land because a developer with other stores...

Yates: Because an anchor tends to..

Drentlaw: Yeah, they're an anchor tenant and they'll bring in money with other stores...

Frasher: And I imagine they're going to make that pitch - I haven't been a part of their conversations with Mr. Parker - but I imagine that they're going to ask him for a free site and then assure him that they'll make money on all the others.

Neeley: I was just going to say I think Scott Parker was approaching Cabela's and the situation was that they won't build on landfills. Somebody else is going to have to do it for them - someone that knows what they're doing, and so...

Frasher: Yes, - they want low risk. It makes it...all I'm saying is it makes it much less likely that Cabela's will come to Oregon City without some developer involved in a multi-big box project, or at least other anchors on the site. And I think Mr. Parker - I told him myself, I thought his price was high. I don't know anybody now that can get what they paid for their house 3 years ago. But he's going to have to go through the market.

Jim Nicita: I want to make a comment and a make a suggestion. And I'm going to confess that part of why I am making this suggestions has to do with my own political self interests as someone who's up for reelection next year. David, I don't want to get in an argument with you in a public setting but I do want to say...

Frasher: I rather not to get in one at all...

Laughter.

Nicita: I do want to say that I think Nancy's points, to an extent, are well taken. I think they're - we could have done a better job [the tape cuts out here: the point was that the City could have done a better job informing the public about the progress of the negotiations.]

Frasher: About the transaction itself?

Rocky Smith: Yeah.

Frasher: Any other negotiation questions you might have? Because we haven't had a meeting since that kind of blew up and honestly when Scott Parker sent that letter I didn't know it was coming, and I was a little surprised.

Nancy Walters: And so, I'm curious, in December, Fred Bruning said that they intended to put \$20 million dollars into building the Cabela's store, at least that was what he suggested in a public hearing. Is that something that you're aware of - do you know whether that agreement was in place?

Frasher: I saw a letter of intent from Cabela's to Mr. Bruning -I never got to read it or. He showed it to me, I think me and Rocky when we met with him, and I believe that was it

Rocky Smith: I saw the word 'Cabela's' on it. That's all I saw.

Laughter.

Frasher: Neither one of us read it. So I don't know. To the extent of their negotiations and I know that they were negotiating. Fred is going to be demanding certain

some things from the retailer and I'm sure they're going to be haggling over the price. My guess is that he is now looking for, trying to relocate them in another place in the metro, where he can be part of the development. But that's just a guess. Any other questions about the transaction that hasn't been reported on?

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[Discussion on The Rivers terminated; executive session continued into a discussion on The Cove.]