

Council Business Meeting

March 21, 2017

Title: Modification of Existing Jefferson Ave Loan/Grant Contracts
From: Adam Hanks Interim Assistant to the City Administrator
Adam.Hanks@ashland.or.us

Summary:

Brammo, Inc. is requesting a modification to the Trust Deed and Security Agreement associated with the current note payable with the City of Ashland to assist in facilitating the sale of one of the three properties currently securing the outstanding note. The request involves making an additional principle payment with the proceeds of the sale of one of the properties in exchange for removing the sale property from the security agreement, reducing the outstanding loan balance roughly proportionate with the security value reduction.

Actions, Options, or Potential Motions:

I move to accept the request for modification to the Trust Deed and Security Agreement between the City of Ashland and Brammo, Inc. as proposed and direct the City Administrator to execute the contract documents necessary to complete the transaction.

Staff Recommendation:

Staff recommends acceptance of the request from Brammo, Inc. as it maintains or improves the ratio of the value of the security instrument to the value of the remaining note payable to the City.

Resource Requirements:

This action requires staff time from the offices of the City Attorney and City Administrator to review and execute final contract amendment documents. No other costs shall be borne by the City of Ashland as part of this transaction.

Policies, Plans and Goals Supported:

N/A

Background and Additional Information:

In February of 2007, The City of Ashland was the recipient of a combination loan and grant from Business Oregon (Oregon Department of Economic Development) to fund the construction of the extension and connection of Jefferson Avenue to provide access and utility services to a proposed Brammo Motorsports (now Brammo, Inc.) production facility.

After several amendments to the initial loan and grant award, the construction bid for the project was approved on September 7, 2010 and completed in July of 2011

Both the loan of \$390,000 and grant of \$310,000 were awarded to the City based upon job retention and creation commitments by Brammo, Inc. The City entered into contract with

Brammo, Inc, for loan repayment as well as created contract provisions in the event that the grant portion required repayment if Brammo was unable to meet the job creation commitment within the specified timeframe.

Loan/Grant Summary

Business Oregon determined that the grant of \$310,000 was primarily satisfied with Brammo job creation over the course of the project. The final note payable included the loan of \$390,000 and the grant reimbursement of \$28,100 for a total of \$418,100.

Since the completion of the project Brammo, Inc. has made the first four of the ten scheduled annual payments to the City of \$54,145.86 and is in good standing leaving a remaining current balance of \$274,821.74.

Trust Deed and Security Agreement Request

The Brammo note is secured through a trust deed and security agreement placing the City of Ashland as a lien holder (2nd position) on the three parcels (originally one parent parcel) benefitting from the project improvements. Using the Jackson County tax assessor data as a basis for approximate value of the properties (no current appraisal available), the total real market value for the three properties is \$1,939,690.

Brammo, Inc. proposes to remove one of the three properties from the security agreement, which reduces the total real market value of the remaining security to \$1,363,140. In exchange for the removal of one parcel from the security agreement, Brammo, Inc. proposes to make a principle payment of \$60,000 towards the total balance owed. The combination of this principle payment and the four previous annual installment payments reduce the overall note to a balance of \$214,821.

In summary, the proposal from Brammo, Inc. results in a slightly increased ratio of the loan balance to the Jackson County Assessors calculation of real market value, from a current position of 14.17% to a new position of 15.76%. See table 1 below for complete figures.

Current		Proposed	
Estimate of Security Value		Estimate of Security Value	
	RMV		RMV
Parcel 1	699,750	Parcel 1	699,750
Parcel 2	576,550	Parcel 2	0
Parcel 3	663,390	Parcel 3	663,390
Total	\$1,939,690	Total	\$1,363,140
Current		Proposed New	
Loan Amount	274,821	Loan Amount	214,821
Loan to		Loan to	
Security Ratio	14.17%	Security Ratio	15.76%

Attachments:

Brammo, Inc. Proposal letter to City

Jefferson St Site Plan

Jackson County Assessor Parcel Assessment Account Information

Alexis “Lexi” Packer, a 20-year Ashland resident, practicing attorney, and entrepreneur, has contracted to purchase 2.34 acres of E-1/M-1 (dual-zoned) land on Jefferson Street from Brammo, Inc.

The parcel is the westernmost of 3 parcels partitioned & annexed into Ashland in 2008 under a Development and Security Agreement memorializing the parties’ sincere expectation that Ashland’s financing Jefferson St ROW improvements would enable Brammo to develop an R & D facility creating over 100, family-wage jobs.

When Brammo’s financiers changed the company’s business plan, they listed the parcels for sale in early 2014, and all have languished on the market since. Although the street improvements are weathering gracefully, the lots are currently...



overgrown with blackberries...



strewn with rubbish, and



home to several hobo camps.

In an admirable, philanthropic effort to resuscitate the 37K sf Ashland Tennis and Fitness Club, preserve its 30-year-old, closely-knit community, and restore its decomposing facilities, Lexi has also contracted to purchase the Club & its land/building/equipment.

The Club's history of losing money is only rivaled by the author's, so Lexi faces substantial risk of financial loss and appears to be the only person with the resources to save the club from bankruptcy. The Club & its community have improved the health of a lot of people, provided structured recreation for many, Ashland youths, and even produced some champion tennis players. An expanded club would provide more health and recreation opportunities to our community and an improved venue that could attract more tournaments and competitions.

She needs the adjoining land whether the club prospers & grows or fails & liquidates: Because the Club is under-parked and at its maximum coverage ratio, Lexi can neither expand the Club to broaden its fitness menu nor hedge her potential loss without acquiring additional land for expansion & parking. City code allows the Club's nonconforming use to expand up to 50%, so if the club is successful, some of the Brammo land would enable the Club to expand another 18K sf and the remainder could be used to develop a conforming, light industrial structure with parking shared by both. If the Club fails, Lexi would have enough land to repurpose the Club's building to a conforming use with sufficient, additional land to meet parking requirements and build additional structure(s).

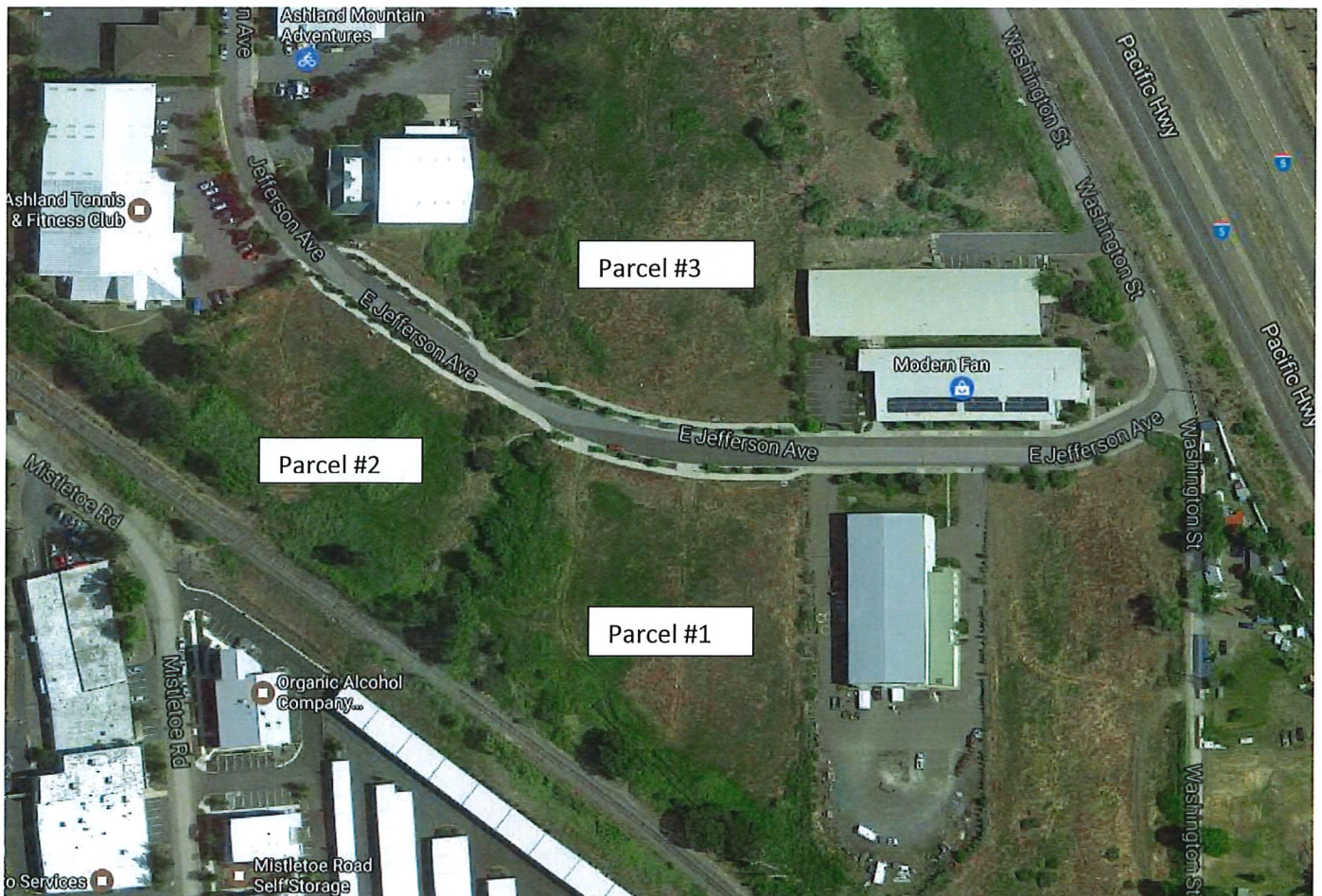
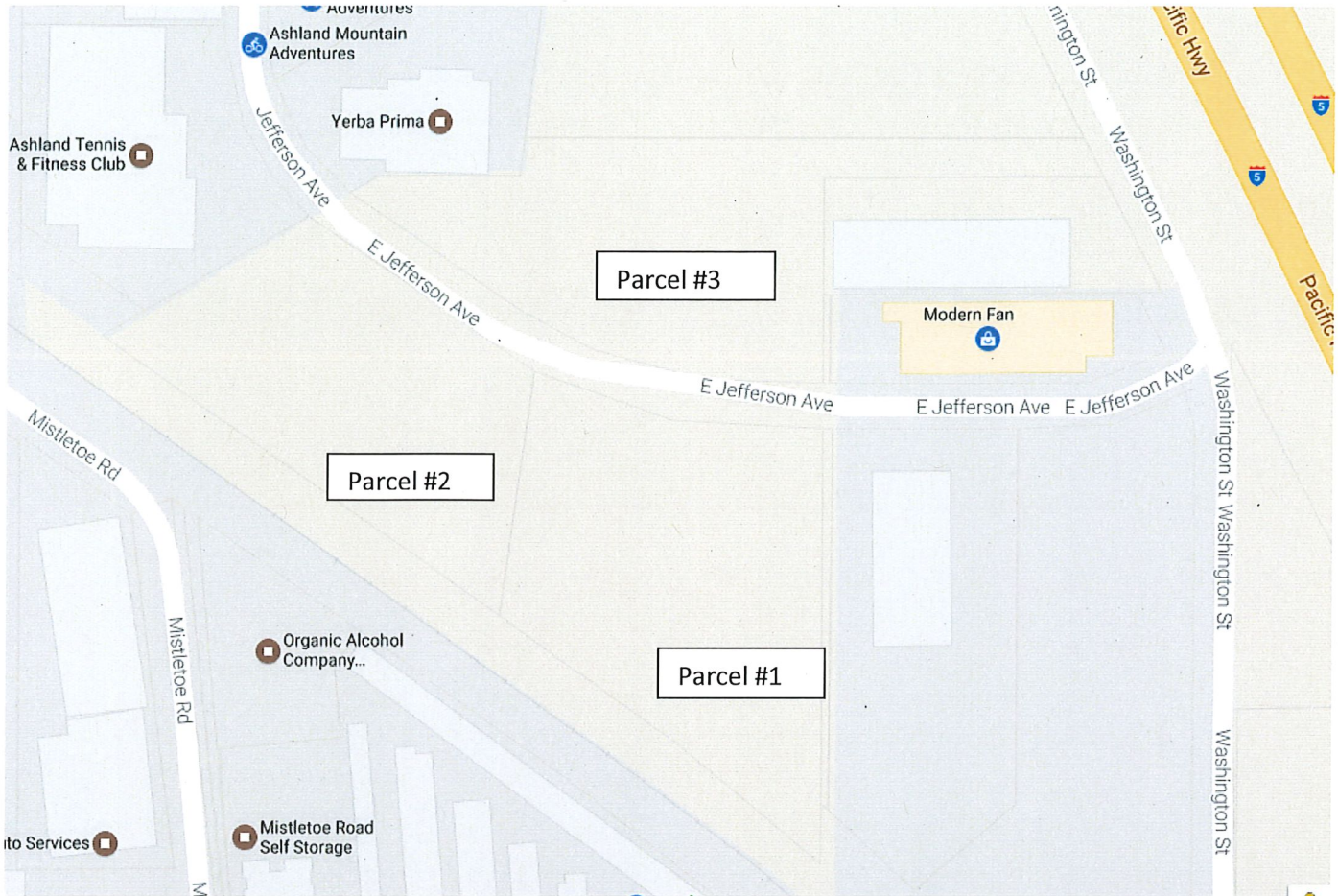
Lexi has sufficient capital to acquire the two parcels & restore the Club's deteriorating facilities, but she cannot undertake this endeavor if it requires more than another \$15K.

In addition to preserving one of Ashland's enduring, fitness and recreation alternatives, reducing the lien-release amount so these transactions can close would benefit Ashland's citizenry by

1. Breaking the stalemate that currently exists between Brammo & the City
2. Expanding/enhancing fitness and recreation opportunities for Ashland's residents
3. Drawing more traffic to Jefferson St & increase the likelihood that another employer would consider developing one or both of Brammo's remaining lots
4. Eliminating the rodent-harboring overgrowth, transient camps, and trash on the property

Brammo Inc - Jefferson Avenue Infrastructure Project

Site Plan



1/1

[Account Sequence](#)[Map TL Sequence](#)Assessment Year **2016** ▼[Print Window](#)[Close Window](#)**Assessment Info for Account 1-099072-0 Map 391E14AC Taxlot 101**

Report For Assessment Purposes Only Created March 09, 2017

Account Info		Tax Year 2016 Info		Land Info	
Account	1-099072-0	Pay Taxes Online		Tax Code	5-01
Map	391E14AC 101			Acreage	2.34
Taxlot				Zoning	
Owner	BRAMMO INC	Tax Report	Details	Land Class	
Situs Address		Tax Statement	Details	UNK 2.34 Ac	
763 E JEFFERSON AVE ASHLAND R		First Tri Statement	Details	Property Class	300
		Second Tri Statement	Details	Stat Class	000
Mailing Address	BRAMMO INC 300 W VALLEY VIEW RD TALENT OR, 97540	Tax History	Details	Unit ID	201238-3
<input type="checkbox"/> Associated Taxlots	2 Acct	Tax Code 5-01		Maintenance Area	2
5-01 R	1-062312-0 391E14AC 100 ACTIVE	Tax Type	Due Date	Amount	Neighborhood
5-01 R	1-099072-1 391E14AC 102 ACTIVE	Advalorem	11/15/16	\$8,457.77	Study Area
Appraiser		Tax Rate		15.9849	Account Status
		District Rates		Details	Tax Status
		District Amounts		Details	Sub Type
		Tax Rate Sheet		Details	NORMAL

Sales Data (AS 400)☒ **Value Summary Detail (For Assessment Year 2016)**☐ **Market Value Summary (For Assessment Year 2016)**

Code Area	Type	Acreage	RMV	M5	MAV	AV
5-01	LAND	2.34	\$ 576,550	\$ 576,550	\$ 712,980	\$ 576,550
Value History	Details	Total:	\$ 576,550	\$ 576,550	\$ 712,980	\$ 576,550

Improvements**Images / Plans**

Image type	Item Number	Image Files	
ACCOUNT PHOTOS	1	1	PDF
RESIDENTIAL	2	1	PDF
All in One Report			PDF

Appraisal Maintenance

2010 - VALID COMMERCIAL R.T. (C-COMMERCIAL/APARTMENT/INDUST.)

☐ **Account Comments**

...03/04/2008 annexation to city; ... zoning change from RR-5 to M-1...3/8/2010 SUBSEQUENT YEAR MAV CALCULATION (CPR),
BALANCED IN 2009 DUE TO PARTITION #158 >>> 05/19/10 changed SA from 21 to 00; dba37 >>>

☐ **Exemptions / Special Assessments / Notations / Potential Liability**

Notations			
Description	Tax Amount	Year Added	Value Amount
CARTOGRAPHIC ACTIVITY		2009	

☐ **Location Map**[Close Window](#)[Print Window](#)

[Account Sequence](#)[Map TL Sequence](#)

Assessment Year 2016 ▼

[Print Window](#)[Close Window](#)

Assessment Info for Account 1-062312-0 Map 391E14AC Taxlot 100
Report For Assessment Purposes Only Created March 09, 2017

Account Info		Tax Year 2016 Info		Land Info	
Account	1-062312-0	Pay Taxes Online		Tax Code	5-01
Map	391E14AC 100			Acreage	2.59
Taxlot				Zoning	
Owner	BRAMMO INC			Land Class	
<input checked="" type="checkbox"/> Situs Address		Tax Report	Details	UNK 2.59 Ac	
758 E JEFFERSON AVE ASHLAND R		Tax Statement	Details	Property Class	200
766 E JEFFERSON AVE ASHLAND R		First Tri Statement	Details	Stat Class	000
		Second Tri Statement	Details	Unit ID	201238-3
		Tax History	Details	Maintenance Area	2
Mailing Address	BRAMMO INC 300 W VALLEY VIEW RD TALENT OR, 97540	Tax Code 5-01		Neighborhood	000
<input checked="" type="checkbox"/> Associated Taxlots	2 Acct	Tax Type	Due Date	Amount	Study Area
5-01 R	1-099072-0 391E14AC 101 ACTIVE	Advalorem	11/15/16	\$8,710.08	Account Status
5-01 R	1-099072-1 391E14AC 102 ACTIVE	Tax Rate		15.9849	Tax Status
Appraiser	69	District Rates		Details	Sub Type
		District Amounts		Details	NORMAL
		Tax Rate Sheet		Details	

Sales Data (ORCATS)

Last Sale (consideration > 0)	Sale Date	Instrument Number	Sales History
\$ 1,719,700	Sep 05, 2008	2008-33636	Details

+ Value Summary Detail (For Assessment Year 2016)**- Market Value Summary (For Assessment Year 2016)**

Code Area	Type	Acreage	RMV	M5	MAV	AV
5-01	LAND	2.59	\$ 663,390	\$ 663,390	\$ 557,740	\$ 557,740
Value History	Details	Total:	\$ 663,390	\$ 663,390	\$ 557,740	\$ 557,740

Improvements**Images / Plans**

Image type	Item Number	Image Files	
ACCOUNT PHOTOS	1	1	PDF
RESIDENTIAL	2	3	PDF
All in One Report			PDF

- Appraisal Maintenance

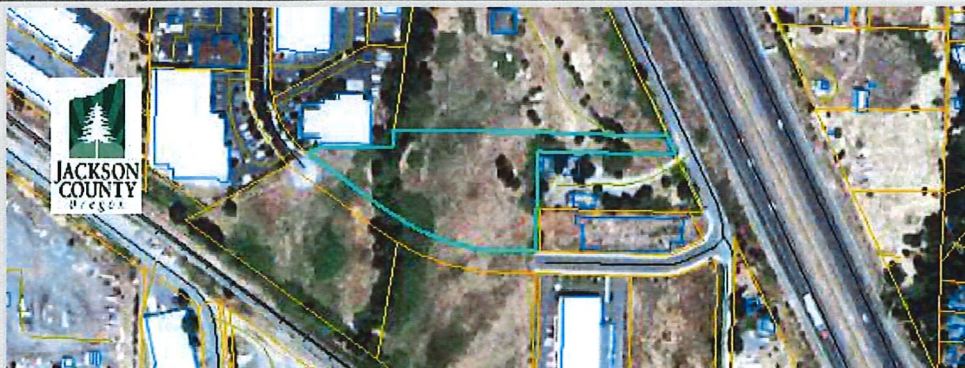
2010 - VALID COMMERCIAL R.T. (C-COMMERCIAL/APARTMENT/INDUST.)
2012 - HISTORY ONLY R.T.

- Account Comments

<<< 8-3-05 CORRECTED THE 2004 TREND TABLES THAT WERE INCORRECT FOR THE PERIOD 2-05 THROUGH 8-05 PER #23
>>>...03/04/2008 annexation to city; ... zoning change from RR-5 to E-1... >>> 3/8/2010 SUBSEQUENT YEAR MAV CALCULATION (CPR),
BALANCED IN 2009 DUE TO PARTITION #158 >>> 05/19/10 changed SA from 21 to 00; dba37 >>>

- Exemptions / Special Assessments / Notations / Potential Liability

Notations			
Description	Tax Amount	Year Added	Value Amount
RECALCULATION		2016	
CARTOGRAPHIC ACTIVITY		2009	
CARTOGRAPHIC ACTIVITY		2008	

- Location Map[Close Window](#)[Print Window](#)