



Bend City Council
May 2, 2007 Council Meeting

Issue Summary

Staff Member: Jim Long, Affordable Housing Manager
Economic Development Department

Purchase of Property at 3705 North Highway 97, Bend, Oregon

Staff Review and Recommendation to the Board: That City Council approve the purchase of 3705 North Highway 97, Bend, Oregon for \$2.5 Million, and authorize the City Manager to sign the attached Intergovernmental Agreement with Deschutes County for the purchase.

History:

Presented for action: April 18, 2007 Executive Session

Background: At its Executive Session of April 18, the City Council discussed the potential acquisition of the motel located at 3705 North Highway 97. The property is currently owned by Rakesh and Anitaben Patel and is being utilized as a commercial hotel. The property is proposed for use by Bethlehem Inn as a replacement for their current shelter site.

Discussion of the Issue and Alternatives Explored: This proposal will be a partnership between the City of Bend, Deschutes County and Bethlehem Inn. The details of this purchase are as follows:

- City of Bend will act as the purchaser of the subject property
- Bethlehem Inn will lease the property from the City for a period of up to 24 months and operate a homeless shelter
- Deschutes County will pay the \$30,000 Earnest Money, which will be applied to the down payment
- City of Bend will be responsible for making the remaining down payment (\$220,000, to come from re-allocated CDBG funds) for the purchase of the subject property. An additional \$12,000 in CDBG funds will be utilized for closing costs, appraisal and level one environmental review
- Deschutes County will satisfy the monthly debt service, estimated at approximately \$12,000 per month, beginning August 2007 up to \$220,000 and City of Bend will share equally in the monthly debt service payment after that time

- These debt service payments will be made by the City and County for a maximum period of 24 months from the time of closing of the property
- Debt service payments will be considered a loan to the Bethlehem Inn and will be repaid by fundraising proceeds
- Within 24 months from time of closing of the property purchase, Deschutes County/Bethlehem Inn will purchase property from City, thus repaying the debt service
- The purchase price at that time will be the remaining principal balance. City will consider the original down payment as a grant and will not require repayment
- County will be responsible for fundraising efforts to fund the purchase from City
- Closing is scheduled to occur approximately June 11, 2007

Recommendation to Council: That City Council authorize the City Manager to enter into an Intergovernmental Agreement with Deschutes County and approve the purchase of 3705 North Highway 99, Bend, Oregon for \$2.5 Million.

Budgetary Considerations: City staff proposes using re-allocated funds from the 2005/2006 Community Development Block Grant allocation, to total \$232,024. Council will need to amend the 2005/06 Annual Plan to reallocate these funds. Due to HUD public notice requirements, the public hearing cannot be held until the Council meeting of June 6. A public hearing for a supplemental budget to amend the City Budget will be scheduled for the same Council meeting. Upon approval of the plan amendments by HUD, the sale can be finalized.