



City Council

December 1, 2025

6pm

Newberg Public Safety Building 401 E. Third Street

Denise Bacon Community Room

Online: <https://us06web.zoom.us/j/89536547180>

[Public Comment Registration](#)

[View Slides](#)

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- 1. Call to Order**
 - 2. Roll Call**
 - 3. Pledge of Allegiance**
 - 4. Executive Session Pursuant to ORS 192.660 (2)(e)**
 - 5. [City Manager Report](#)**
 - 5.1. [November Narrative](#)**
 - 6. Public Comments**
 - 7. Consent Calendar**
 - 7.1. [AI Policy](#)**
 - a. [Policy Document](#)**
 - 8. New Business**
 - 8.1. [Sister City Relationship](#)**
 - a. [Presentation](#)**
 - 8.2. [Yamhill County Transient Lodging Tax Proposal Discussion](#)***
 - a. [Attachment 1: Agenda Item on TLT from Yamhill County Commission Meeting](#)***
 - 9. Public Hearing**
 - 9.1. [Butler Property Sale](#)**
 - a. [Resolution 4003](#)**
 - b. [Exhibit A: Property Sale Agreement](#)**
 - c. [Exhibit B: Public Notice](#)**
 - d. [Exhibit C: Property Appraisal](#)***

Adjournment

ADA Statement: Contact the City Recorder's Office for physical or language accommodation at least 2 business days before the meeting. Call (503) 537-1283 or email cityrecorder@newbergoregon.gov. For TTY services please dial 711.

*Indicates supplementary item

REQUEST FOR COUNCIL ACTION



Date Action Requested: (December 1, 2025)

Order ☐ Ordinance ☐ Resolution ☐ Motion ☐ Information ☒ Proclamation ☐	
Subject: CM narrative for November 2025 events	Staff: Will Worthey CM Department: Administration
Work Session ☐ Business Session ☒	Order On Agenda: CM report

Is this item state mandated? Yes ☐ No ☒

If yes, please cite the state house bill or order that necessitated this action: NA

Recommendation: NA

Executive Summary: The summary of events conducted by city departments in November 2025.

Fiscal Impact: All were conventionally budgeted items.

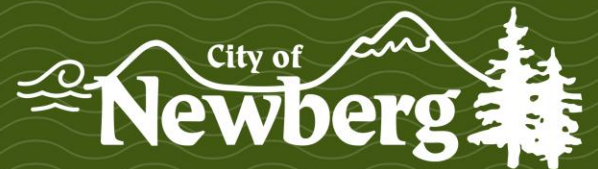
Council Goals:

Goal 4: Create and maintain a high level of transparency with our residents in order to build trust.

O1: Expand communication outreach in regard to regular city events and additional involvement with city businesses by the end of 2026.

Newberg CM report

Monthly Events for November 2025



Community Development

- All TVFR land use temporary and main station reviews issued
- Seeing uptick in vacation rental applications since new rules in place and compliance letters mailed
- West Branch Apts (across from Drive-In) all permits have been approved. They intend to start construction in March
- Completed an inter-departmental review of the permit process for street closures and encroachments. Code amendments to follow
- Collina Phase 1 is now recorded, and Phase 2 should be recorded by time this gets to Council. Amenity building construction to start off Villa once Ph 2 is recorded

CE November Highlights

- Shared exciting news on childcare infrastructure growth thanks to SDC removal
- Boosted participation in the ongoing Stormwater Survey
- Kicked off the Street Sweeper Naming Contest with the Library & Public Works
- Shared resources to remind residents not to dump Fat, Oils, and Grease down their pipes during the holidays. Protect our pipes!
- Shared emergency preparedness resources for vulnerable and medically fragile populations for the winter

CE Campaigns



CE Campaigns

Don't invite a F.O.G. clog to your Thanksgiving!

Fats, Oils, and Grease clog pipes
and cause expensive backups

1.

Cool it

Let grease sit after cooking until it is cool and safe to handle.



2.

Can it

Transfer grease to a disposable container like an aluminum food can.



3.

Trash it

Dispose full can in trash cart for normal collection.



CE Campaigns

Letting the public
know who to call



City Recorder

- Working on our work plan for 2026
- Finalizing applications for Board, Committee, and Commission Terms beginning in 2026
- Held an OGEC Public Meetings Training and hosted several officials from other local government entities in addition to our own staff
- Hosted a very well received City County Dinner
- Brought Emergency Management onto our team- Welcome Karen!
- Developed a training on the freshly adopted Council and Committee Rules

Admin Grants Update

- Grant Writer has taken another fantastic position and will be missed
- \$35k will be received from FEMA in the next few weeks
- Another \$340k from FEMA is in process and will arrive soon
- All other grants have been passed on to other staff while we hire

Groundwater Treatment Plant Filter Covers

- Structural fabrication is underway for the steel buildings that will cover the filter basins. Anticipated delivery date for the structures is December.
- Final submittal approval is nearly complete for the fabric building that will cover the two contact basins. Anticipated delivery date for the structure is early 2026.
- Installation of the structures will immediately follow delivery.
- Final completion date for this project is April 16, 2026, and Cedar Mill Construction appears to be ahead of that schedule.

Clarifier Stress Test

- Rainy weather was welcomed in late October as it opened the door to complete the clarifier stress test
- Operations completed three days of successful stress testing for Secondary Clarifier #3, from November 5th-8th
- Initial observations appear positive in terms of the existing clarifier's ability to handle additional flow beyond the current DEQ rating
- Keller is preparing a report to confirm and summarize results of the stress test. The report will be submitted to DEQ for approval
- The report will determine the number of clarifiers needed to accommodate future growth

For the month of November Finance did the following

- UB Clerk attended the Sensus Water Meter Conference
- Finance and HR attended the virtual BOLI Updates Conference
- Discussed new W2 requirements for Big Beautiful Bill Overtime Ruling
- Met with Novoaglobal team on red-light camera implementation and rollout
- Court staff is working on rolling out electronic submissions to DMV for convictions

HR Events

- HR attended the PSHRA PERS Disability webinar
- Attended the BOLI 41st Annual Employment Conference
- Coordinated with CIS to set up an Anti-Harassment, Discrimination, and Retaliation training for new supervisors and employees

Library Highlights

- The library's front doors reopened on November 18th after some major repairs to the steps and ramp (see pic)
- All 48 spots for the Kids' Craft Sale are full! Come support your local youth crafters and artists on Saturday, December 5th, 10:30-12:30 p.m. & 1:30-3:30 p.m. (two sessions)
- Cozy Reading for all ages is November 22, 2025 – January 3, 2026 – keep up the reading habit during the Winter Break!
- The 2nd Library Puzzle Competition drew a crowd of competitors at the library!



PW Report

Beavers are not your friends!

Had to remove 2 beaver damaged
trees at Fernwood Lift Station...

15



PW Operations (Just Some of Our Missions)

- Installed new composite sampler for our influent flows.
- New echopod (fuel level indicator) installed and programmed for diesel tank on Chehalem Lift Station generator
- Replaced failed block heater on generator at Andrew Lift Station
- Repaired a flat tire on our John Deere tractor
- Had contractor remove 2 beaver damaged trees at Fernwood Lift Station
- Still working on the Screw Press!

PW Clarifier Stress Test Details

- We were able to send 8.5 million gallons per day (nearly 6000 gpm) through 1 clarifier
- Keller is currently working with the state to re-rate our existing clarifier capacity it would prevent the need for 1 (or possibly both) of the 2 additional clarifiers that would be required to meet the projected 2037 flows
- Shoutout to the whole Operations Division team who went above and beyond their regular duties to get the plant conditions optimal for the testing, performed all the extra lab testing and

Water Treatment – Just a Few of the Many Tasks

- Hydroxide pump motor replaced
- Flow meter replaced on Hypochlorite generator water softener
- WTP entrance gate was repaired
- Booster Station fence was repaired
- Backflow Device inspections and database cleanup
- Hypochlorite generator rectifier wiring was repaired



PW Maintenance (Just Some of Our Work Orders)

- Storm pipe cleaned – 275 ft.
- Sewer Main Clean – 11,655 ft
- Sweeping Debris – 207 cubic yds (20.7 dump truck loads)
- Sweeping Miles – 120 mi.
- Maintained Hydrants - 1
- Water Mains Flushed – 16,960 ft.
- Water Valves Exercised – 11

PW Facilities

- Burnt-out flat- panel lights were replaced, and the toilet in the evidence room was repaired
- Many items were moved to City Hall, and setup was completed for the latest red cross blood drive

PW Fleet

- It was an average month in terms of tasks completed, with a total of 21 completed items
- We now have a new Bucket Truck in the fleet →



At **517 Michelle Ct**, a new water service was installed, including the tap, meter, and meter box. Services were split to accommodate the duplex at this location





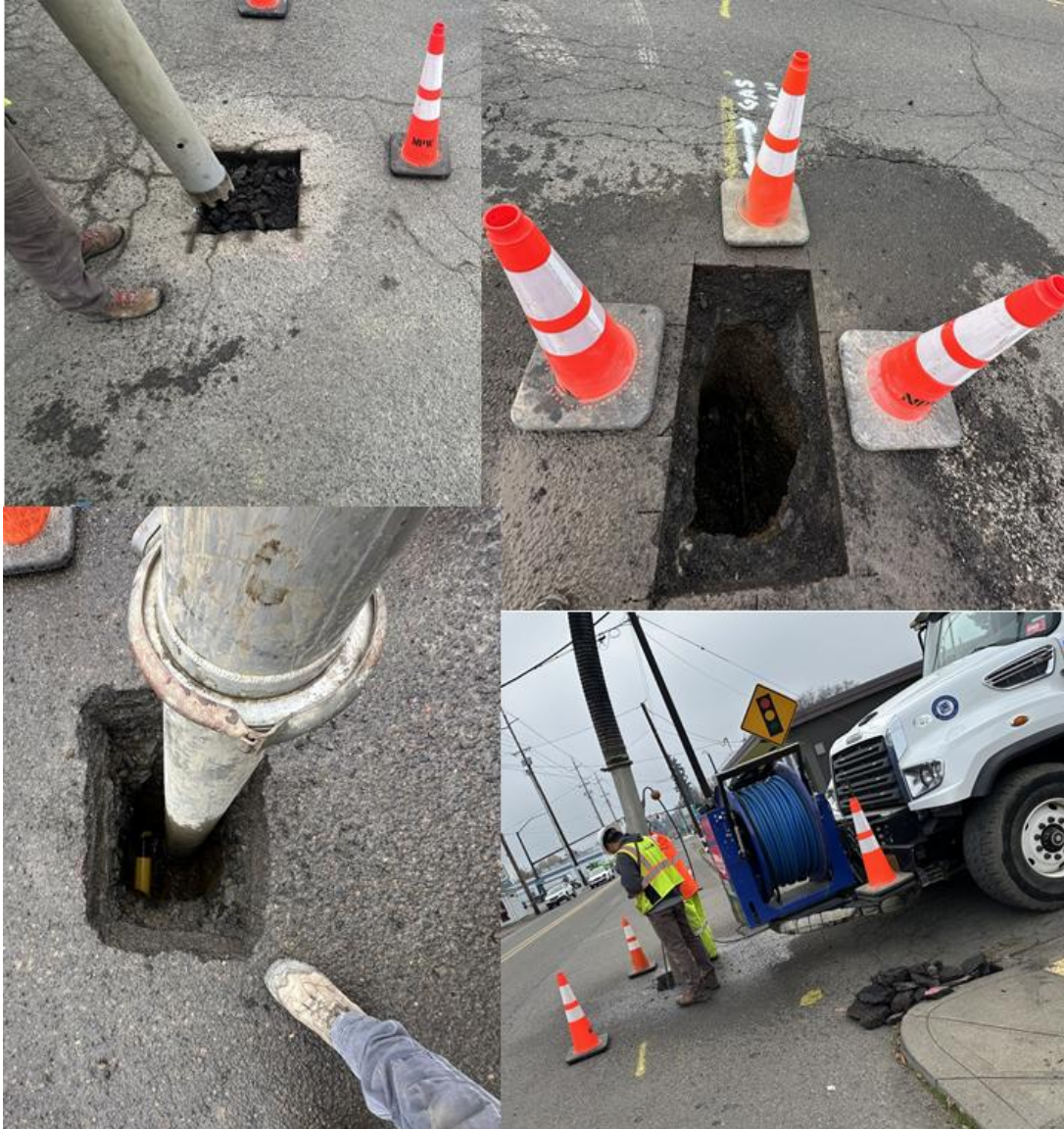
At **2526 Holiday Lane**,
a leak on the customer
side was repaired.

A new meter box,
handle, and custom
stop were installed.



Leaf season has arrived, and our storm crew is working diligently to clear streets and prevent storm drain clogs.





Main Street Waterline Reporting

The ODOT and City of Newberg engineering teams are collaborating on reporting and planning for upcoming waterline projects along Main Street.

So that's it for November!

As you can see, residents' tax dollars have been hard at work as usual.

Questions?

REQUEST FOR COUNCIL ACTION



Order ☐ Ordinance ☐ Resolution ☒ Motion ☐ Information ☐ Proclamation ☐

No. 2025-4002

Subject: Appropriate Use of Artificial Intelligence Systems Policy

Staff: Emily Salsbury
Department: Admin

Business Session

Order On Agenda: Consent

Hearing Type: Administrative

Date Action Requested: November 17, 2025

Is this item state mandated? Yes ☐ No ☒

If yes, please cite the state house bill or order that necessitated this action:

Recommendation: Motion to approve Resolution 2025-0000 to enact a new policy (Exhibit A) guiding the appropriate use of artificial intelligence (AI) systems in city operations.

Executive Summary: The City of Newberg recognizes the potential productivity benefits of Artificial Intelligence (AI). This policy defines key terms and offers guidance to City employees and affiliates on the responsible use of AI systems, promoting community support while protecting against risks such as data breaches and the exposure of personally identifiable information (PII). This policy will be reviewed and updated as necessary to reflect evolving technologies and best practices.

This document dictates which AI systems may be used and which members of city staff are covered under this policy. It provides general expectations for use, as well as specific guidelines for internal/private use in city operations and for public/external use in city communications.

A summary of the policy guidelines:

General Expectations

- AI is a support tool, not a replacement for human judgment or accountability.
- Supervisors must ensure staff understand and follow the policy.
- Employees are personally responsible for any work produced with the help of AI.

Closed-System AI Tools (Internal Use, Example: Video analysis of sewer pipes, road condition diagnostics, flagging potential fraud in financial documents)

- Permitted for internal tasks like data analysis and reporting.
- Supervisor approval is required before use.
- All data must remain confidential and comply with privacy and security standards.

Open AI Tools (External/Public Use, Example: Large Language Models like ChatGPT, Grammarly, Document summary generation tools)

- Allowed for proofreading and editing public-facing content (e.g., newsletters, social media).

- Employees must be able to explain their work and are accountable for the final product.
- Human review and approval are mandatory before publishing.
- Sensitive or non-public data (including PII) must not be entered into open AI tools.

Fiscal Impact: This resolution will have no direct fiscal impact.

Council Goals: This resolution directly impacts Council Goal 4, relating to transparency and building trust with Newberg's community. For a small team relative to the size of Newberg's population, generative AI tools can improve efficiency and reduce strain, allowing staff more time to work toward council goals. Conversely, lack of oversight and editing when using gen AI tools can degrade trust in government communication and has the potential for unintentional spread of incorrect information. This policy aims to ensure that excellent customer service standards are upheld.



RESOLUTION No. 2025-4002

A Resolution enacting a new policy providing guidelines for the appropriate use of artificial intelligence (AI) systems in city operations.

Recitals:

1. The use of artificial intelligence (AI) systems is saturating every sector, including local government. The City of Newberg does not currently have a policy regulating the use of these systems.
2. To provide guidance to employees and partners of the City of Newberg on the use of AI systems, this policy outlines best practices regarding specific AI systems and use cases.

The City of Newberg Resolves as Follows:

1. City Council approves the new AI use policy (Exhibit A) as presented.

Effective Date of this resolution is the day after the adoption date, which is: _____, 2025.

Adopted by the City Council of Newberg, Oregon, this _____ day of _____, 2025.

Rachel Thomas, City Recorder

Attest by the Mayor this _____ day of _____, 2025.

Bill Rosacker, Mayor

Appropriate Use of Artificial Intelligence Systems

Purpose

The City of Newberg recognizes the potential productivity benefits of Artificial Intelligence (AI). This policy provides guidance for City employees and affiliates to responsibly use AI systems in ways that support the community, while safeguarding against risks such as data breaches or exposure of personally identifiable information (PII). This policy will be reviewed and updated as necessary to reflect evolving technologies and best practices.

Scope

This policy applies to all City of Newberg employees, volunteers, interns, contractors, consultants, and third-party personnel working on behalf of the City.

Definitions

A. Closed-System AI Tools

Closed-system AI tools are artificial intelligence platforms that operate within a secure, controlled environment. These tools are typically hosted on internal servers or within private, enterprise-level environments where data access, storage, and processing are limited to authorized users and systems. Examples include AI systems developed in-house, hosted on-premises, or accessed through government-approved or vendor-managed secure platforms. These tools do not send data to external, public servers and are generally compliant with internal data governance and security policies.

Examples:

- On-premise data analysis tools with AI capabilities
- Secure chatbots or virtual assistants developed for internal use
- AI tools included in enterprise software suites with managed data environments (e.g., Microsoft Copilot in a government-licensed tenant)
- Centerline AI – NDPD automated police report drafting platform

B. Open-System AI Tools

Open-system AI tools are publicly available artificial intelligence services that operate via cloud-based platforms. These tools are accessible over the internet and typically involve data being transmitted to and processed by third-party servers outside the organization's direct control. While often powerful and easy to use, open AI systems raise additional considerations around data privacy, security, and oversight.

Examples:

- ChatGPT (public version)
- Grammarly
- Google Gemini
- AI features in social media platforms or design software (e.g., Canva, Adobe Express)

Sources:

- [Bipartisan Policy Center](#)
- [Gallagher](#)
- [Wikipedia: Open-source artificial intelligence](#)
- [LinkedIn Article](#)

Policy

A. General Expectations

- Use of AI should complement—not replace—human judgment and accountability.
- Supervisors are responsible for ensuring staff understand and comply with this policy.
- Any employee using AI to complement their work will be held personally responsible for the product.

B. Closed-System AI Tools – Internal/Private Use

- Staff may use closed-system AI tools (e.g., tools hosted internally or through secure platforms) for internal data gathering, analysis, and reporting purposes.
- All use of closed AI systems must be reviewed and approved by a supervisor prior to implementation.
- Data used with closed AI systems must remain confidential and comply with applicable data privacy and security standards.

C. Open AI Tools – External/Public Use

- Staff may use open AI tools (e.g., ChatGPT, Grammarly, etc.) to assist in proofreading and editing content intended for public release, such as newsletters, social media posts, reports, and other communications.
- Employees should always be able to explain the process and intent behind their work and will be held responsible for the work they produce, with or without using AI as a tool.
- Final content must always be reviewed, edited as needed, and approved by a human prior to publication or distribution.
- Staff **must not** input data not intended for public consumption or personally identifiable information (PII) into open AI tools.

Violations

Employees are expected to follow this policy at all times. Knowingly violating it—or helping someone else do so—is a violation of City policy. Employees who do not comply may face disciplinary action, up to and including termination. If a violation also breaks federal, state, or local laws, legal prosecution may apply.

REQUEST FOR COUNCIL ACTION



Date Action Requested: December 1, 2025

Order ☐	Ordinance ☐	Resolution ☐	Motion ☐	Information ☒	Proclamation ☐
Subject: Re-examine our sister city relationships				Staff: Alison, Will, and Rachel Department: Admin and HR	
Work Session ☐ Business Session ☐				Order On Agenda:	

Is this item state mandated? Yes ☐ No ☒

If yes, please cite the state house bill or order that necessitated this action:

NA

Recommendation:

Based upon a SWOT analysis Staff recommend suspension of the sister city relationship with Poysdorf, Austria.

Staff could return and repeal the resolution if this is the will of council.

Executive Summary:

Re-Evaluation of Sister City Relationships and policies regarding travel and participation of employees and elected officials. It is the opinion of staff that after analysis this is of limited value to the residents.

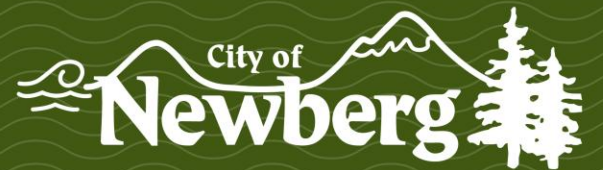
Fiscal Impact:

Staff are seeking direction from Council at this meeting. The potential impact could be approximately \$10,000 per year.

Council Goals:

This discussion would align with Council Goal 5 concerning fiscal prudence, making sure that any costs associated with a sister city relationship established in 2007 are still beneficial to the residents of Newberg in 2025.

Sister City Relationships



The origins of the Sister City Relationship

- ❖ In North America first one in 1931.
Generally, an outcome of WWII and supported by President Eisenhower in 1956 in a White House Meeting “the People to Peoples Program”.
- ❖ The City of Newberg passed resolutions in 2007 to set up relationships with Poysdorf and Wadeyama (Asago). 2696 and 2697.
- ❖ 10 local cities with Japan sister cities, 27 in Oregon. Newberg alone with Austria.
- ❖ The main goals are to foster understanding, exchange ideas and commercial ties through citizen-led diplomacy.

What are the current commitments?

Based on a 4-year cycle for Poysdorf. They come here every two years; we go there two years after that. Last time we went the City Manager and Mayor paid for themselves.

Exchange with Japan is annual but the city has not been sending staff. Primarily a student exchange involving Chehalem Valley Middle School and Chehalem Valley Chamber of Commerce.

Travel Policies and Costs

- 2024 Employee Handbook, which does not pertain to Council members: *The City of Newberg will reimburse reasonable business-related expenses you incur in the performance of your job responsibilities (Based on GSA standards)*
- No Council policies
- Approximate costs: Let's be the MOST economical and say \$900 roundtrip to Vienna from Portland and \$800 roundtrip to Osaka Kansai (both economy, not expensive times of year. GSA rates Japan: \$330, Austria \$359 if includes hotel. If not, \$110/\$130 meals. 7-9 days roughly \$1000. Roughly \$2000 person plus gifts if low fare economy/no hotels. With hotels: \$4000 Japan/ \$4200 Austria + gifts
- How many people: Mayor and spouse (normal representation). City Manager and one staff person or just one staff person. \$6,500 or \$13,000. Biennial budget cost \$20,000. Not luxury travel.

SWOT for Council Consideration

- Strengths: Continue long-standing relationships. The economic importance of Japan in Oregon (mostly agricultural). Japan is a major source of foreign investment.
- Weaknesses: The world has changed. Original purposes of sister cities no longer relevant. Will not be of value to the city or its residents. Optics!!
- Opportunities: I can see the value for the wine industry, tourism and student exchanges.
- Threats: Suspending a sister city relationship sends a message.

Decisions and Alternatives

Council
Discussion
and
Direction to
Staff



Continue both relationships as they are and allot budget funding with policy.

Suspend sister city relationship with Poysdorf and or Asago. This requires Council resolution and notification process.

Ask the Willamette Valley Wineries Association to take over the relationship with Poysdorf?

Turn over Asago student exchange to the school district/George Fox? No great change.

Create economic visit to Japan once in 4 years through consulate with reciprocal visit.

REQUEST FOR COUNCIL ACTION



Date Action Requested: (December 1, 2025)

Order ☐ Ordinance ☐ Resolution ☐ Motion ☐ Information ☒ Proclamation ☐	
Subject: Discovering the will of council with respect to the Yamhill County TLT Proposal Discussed at the County Commission on November 13 2025 Session	Staff: Will Worthey Department: Administration
Work Session ☐ Business Session ☒	Order On Agenda: New Business

Is this item state mandated? Yes ☐ No ☒

If yes, please cite the state house bill or order that necessitated this action:

NA

Recommendation:

Staff recommend that the Council should send a letter of opposition to the County Commission on this proposed 9% unincorporated, 2% municipal overlay TLT.

Executive Summary:

The proposal being considered by the County is problematic for several reasons:

First the proposal from Commissioner King is not supported (at least in the Yamhill County packet that I reviewed) with a survey of major hoteliers in McMinnville, Newberg, Carlton, and Dayton. Shifting the business bottom line for these employers and tourism destinations should surely be backed by support from the businesses that are most impacted?

For example, it may be that hoteliers would support an additional 1% - 2% if the hoteliers feel that the new revenue is likely to increase economic activity by driving tourists into our area. At this time this is an unknown.

Second, at face value this is a strange proposition. It is my understanding that in Yamhill unincorporated areas lodging owners may only operate bed and breakfasts not hotels or other types of STRs. If this is the case (and I will defer to the legal opinion of my honorable colleague), then this move represents a tax harvest that will have an impact on our business and our tourism economy with little to no risk for the County. Is this fair or even a good business move for the County as a whole? It would become fairer if other sorts of short term rentals become an option in Yamhill County.

Third is elevated room rates result from this move it will represent a transfer of TLT revenue from municipal coffers to the County general fund. This is hardly equitable when it is our hotels that are the driver of the trade. See fiscal impact below.

Fiscal Impact:

While exact numbers cannot be known it is a basic economics tenant that when something is taxed at a higher rate the taxes are likely to be passed through to the customer in the form of higher charges. We can rationally expect that higher room rates will marginally lower room occupancy in the impacted municipalities. This will likely reduce lengths of stays and marginally hurt our economy.

In the real world what portion of the listed \$1.66 million cited by Commissioner King will come out of Newberg's general fund annually? You should never make an economic gamble with no skin in the game.

Council Goals:

The County TLT initiative runs counter to Newberg City Goal 7:

Goal 7: Preserve the balance between the needs of the tourism industry and preserving the character of our town. O1: Implement and codify the new STR rules within one year.

This is because the balance between revenue for tourism promotion and keeping room rates affordable is delicate. Increasing the cost of room rental (that will fall almost exclusively upon the municipalities) is unlikely to encourage the careful and thoughtful growth of our tourism industry.

This document is an extract from the Yamhill County Commission
Packet for November 13 2025.

Agenda Item J8

Yamhill County Transient Lodging Tax (TLT) Implementation

Prepared by Commissioner Bubba King with the support of economic development stakeholders throughout Yamhill County, including previous Yamhill County Tourism and Economic Development Committee members, lodging owners, winery owners, and Destination Marketing Organization leaders across the county.

1. Executive Summary

Between 2020-2025, **Yamhill County missed the opportunity** to collect from visitors for the **infrastructure and services they utilized** during their stay of **\$8,675,640; \$6,072,942** for marketing and facilities and **\$2,602,692 towards the county general fund**.

Intent and Objectives: Create a stable and reliable revenue stream for the county general fund structural deficit, while simultaneously supporting economic development in Yamhill County, focusing taxes and fees on out of county visitors that can afford to travel, protecting Yamhill County working families from future tax hikes for essential government services.

This proposal establishes a **Yamhill County-wide Transient Lodging Tax (TLT) overlay** and re-instates an advisory board, similar to the previous **Yamhill County Tourism & Economic Development Committee (YCTEDC)**, to manage, oversee, and guide transparent use of TLT revenues.

Recommended structure:

- **9% TLT on non-TLT areas** (unincorporated Yamhill County)
- **2% County overlay on cities with existing TLTs** (McMinnville, Newberg, Carlton, Dayton)

Results:

- Generates **≈ \$1.66 million annually** in new, visitor-paid revenue.
- Funds both **tourism investment (70%)** and **county general services (30%)**.

- Re-establishes a representative, public advisory body to ensure fair and effective distribution of funds.

2. Economic and Legal Context

Tourism's Economic Role

- Yamhill County's **visitor economy** exceeds **\$120 million in annual visitor spending** and supports nearly **2,000 local jobs**.
- The **wine industry** alone generates **\$687 million** annually, **\$132 million in wages**, and **6,700 direct and indirect jobs**
YCTP Board Letter vFinal
- The **City of McMinnville** recorded **\$38.9 million in travel spending**, supporting **430 jobs** and **\$1.4 million in local tax revenue**
McMinnville19 2 (1)
-

Tourism is therefore one of Yamhill County's most powerful economic drivers—connecting agriculture, recreation, lodging, and small business vitality.

Visitor Funding Equity

Visitors depend on local infrastructure—roads, parks, law enforcement—yet contribute little to their maintenance.

A **TLT ensures visitors pay their fair share**, relieving local working families and stabilizing county budgets.

Legal Authority

Under **ORS 320.300–320.365**, counties may levy a transient lodging tax on overnight stays in hotels, motels, B&Bs, and short-term rentals.

Revenue from **new or increased TLTs** must be allocated:

- **70% for tourism promotion and/or tourism-related facilities, including parks, fairgrounds, and trails.**
- **30% for other governmental purposes** (public safety, dog control, infrastructure, administration, etc.)

3. Financial Projection: Recommended TLT Structure

Proposed Scenario:

Note: these numbers do not represent the new Fairfield Hotel in Newberg, the new Dundee hotels, or the new Dayton hotel. The below are conservative estimates.

Rate and Base

Area	Lodging Base (\$M)	Rate	Annual Revenue (\$)
Non-TLT areas (unincorporated)	12.26	9 %	1,103,400
TLT cities overlay	27.93	2 %	558,150
Total Annual Revenue	40.19	—	1,661,550 

Statutory 70/30 Split

Purpose	%	Annual Allocation (\$)	Use Examples
Tourism Investment Fund	70 %	1,163,085	DMO contracts (Visit McMinnville, Taste Newberg, Carlton, Dayton), visitor infrastructure, trails, arts & culture, wayfinding, recreation amenities
County General Fund	30 %	498,465	Public safety patrols, roads & traffic management, parks maintenance, restrooms & waste management
Total	100 %	1,661,550	—

5-Year Forecast (3 % annual growth)

Year	Total TLT Revenue (\$)	Tourism 70 % (\$)	General Fund 30 % (\$)
1	1,661,550	1,163,085	498,465
2	1,711,397	1,198,0	513,397
3	1,762,739	1,233,917	528,822
4	1,815,621	1,270,935	544,686
5	1,870,089	1,309,062	561,027

5-year total: \$8.9 million visitor-funded, with \$6.2 million reinvested in tourism assets and \$2.7 million bolstering the County General Fund.

4. Oversight: Reinstating a similar committee to Yamhill County Tourism & Economic Development Committee (YCTEDC)

The YCTEDC would revamp and refresh the Yamhill County Tourism Partnership (YCTP) bylaws as its framework.

Purpose

- To **advise the Yamhill County Board of Commissioners** on tourism, lodging tax policy, and visitor-related economic development.
- To ensure **transparency, fairness, and accountability** in TLT allocation.

Structure

- **7–9 voting members**, appointed by the Board.
- **Representation** from city DMOs, lodging, food & beverage, recreation, arts & culture, agriculture, and business sectors.
- **Ex-officio members**: one County Commissioner, one staff liaison.
- **Officers**: Chair, Vice Chair, Secretary (elected annually).
- **Meetings**: Quarterly, open to the public per ORS 192.610–192.672.
- **Reporting**: Annual presentation to the Board and public summary of TLT revenue and outcomes.

Mandate

- Review and recommend **TLT allocations and agreements** with local DMOs (Visit McMinnville, Taste Newberg, Visit Carlton, Dayton DMO).
- Advise on **tourism-related infrastructure investments** (parks, trailheads, parking, signage, broadband for rural tourism areas).
- Coordinate countywide messaging and leverage **Travel Oregon** grant opportunities.
- Establish measurable outcomes and maintain data transparency.

5. Implementation Plan

Phase	Timeline	Key Actions
1. Committee Reinstatement	Month 1–2	Board resolution reestablishing YCTEDC; appoint members.
2. TLT Ordinance Development with Taxing Structure	Month 3–4	Draft and adopt TLT ordinance (9% non-TLT, 1% overlay); define collection/admin procedures.
3. Stakeholder Engagement	Month 5–6	Partner with DMOs and lodging operators; public outreach emphasizing “visitors pay the tax.”
4. System Setup	Month 7–9	Launch TLT collection portal; set up remittance to County Finance.
5. Go-Live & Reporting	Month 9+	Begin collection; YCTEDC produces first annual report at Year 1 close.

6. Why This Approach Works

Economic Development

- Converts tourism into a sustainable funding stream for infrastructure, parks, and economic growth.
- Keeps Yamhill County competitive with peer regions like Clackamas and Deschutes, both of which maintain successful county-level TLTs.

Fiscal Responsibility

- Relieves fiscal pressure on local residents.
- Unlike park fee increases, the TLT targets **out-of-county visitors** who benefit most from local amenities.

Governance and Collaboration

- Restores Yamhill County's **representation within Oregon's state tourism framework**.
- Empowers a **diverse local committee** to ensure fair distribution among all communities.

7. Key Messages

- **This is not a new tax on Yamhill County families — it's a visitor contribution to the services they use.**
- **Tourism is economic development.** Every dollar visitors spend circulates through local businesses and jobs.
- **By reinstating the YCTEDC, we ensure transparency, fairness, and local control over visitor-generated revenue.**

- **A modest 9% / 1% structure funds both tourism promotion and essential public services — sustainably.**

8. Summary Recommendation

Adopt the following Board actions:

1. **Approve implementation of a 9% Transient Lodging Tax in non-TLT areas and a 1% overlay in TLT cities within Yamhill County or give authority to Yamhill County Tourism & Economic Development Committee to craft recommended tax structure to be presented to the Yamhill County Board of Commissioners.**
2. **Reinstate the Yamhill County Tourism & Economic Development Committee (YCTEDC)** as the official advisory body overseeing the TLT fund allocation and tourism strategy.
3. **Adopt enabling ordinances** to formalize the TLT structure and YCTEDC operations.
4. **Launch by FY2026-2027** to support public safety, roads, and recreation while leveraging tourism growth for the entire county.

A practical plan to implement a County-wide Transient Lodging Tax (TLT) overlay in Yamhill County

The below options for TLT implementation in Yamhill County incorporates stakeholder feedback, tourism data from city DMOs, and what is possible within Oregon law.

1) Why a TLT overlay now (and why it's fair)

- **The visitor industry continues to ask if there is potential for a countywide TLT to support economic development and growth.**
- **Visitors are back and spending.** Oregon visitor spending topped **\$14B in 2023**, with rising tourism employment and earnings.
- **McMinnville alone generated \$38.9M in direct travel spending (2019)**, supporting **430 jobs** and **\$1.4M in local tax revenue**—about **30% of all county travel impacts occur inside the city**. *Chart and tables, pp.1–4 of the Dean Runyan report for McMinnville.*
- **Recreation/tourism counties attract residents with higher household incomes** and see **faster earnings growth** than non-recreation peers—an economic-development tailwind. *Figures and findings, pp.1–7.*
- **TLT is paid by visitors, not local working families.** By statute, TLT is levied on overnight stays (hotels, STRs, intermediaries like Airbnb/OTAs). It is collected by whoever takes the payment and remitted monthly/quarterly. ([Oregon](#))

Positioning: Park fee increases fall on Yamhill County residents and yield comparatively small sums; a TLT overlay targets **out-of-county visitors who use our roads, parks, and public safety**, and—per your attached projections—can raise **\$0.4M–\$3.6M+/yr.** depending on rate and scope.

2) Legal framework (what we can and can't do)

- **Authority & definitions:** ORS 320.300–320.365 govern state and local TLTs, define covered lodging, STRs, “transient lodging tax collectors,” and record/return duties. ([Oregon Legislature](#))
- **The 70/30 rule for new or increased local TLTs (post-July 1, 2003):** At least **70%** of *net new* revenue must fund **tourism promotion and/or tourism-related facilities**; **≤30%** may fund other governmental services (e.g., Sheriff, roads, parks O&M). ([OregonLaws](#))
- **Collection mechanics:** Whoever receives payment (operator or intermediary) must collect and remit; jurisdictions can administer in-house or via the Oregon Department of Revenue. ([Oregon](#))

Practical examples to model: **Clackamas County** (countywide 6% with STR registration & forms) and **Deschutes County** (8% in **unincorporated** areas) show two workable Oregon patterns, including overlays alongside city TLTs. ([Clackamas County](#))

3) Partnering with local DMOs (and why an overlay helps them help the County)

- **Visit McMinnville** – established DMO with audited Runyan impacts and reporting. (See McMinnville 2015–2019 impacts above.)
- **Taste Newberg** – the **official DMO for Newberg** (501(c)(6) DBA Taste Newberg, formed 2019). An overlay creates stable co-op funds and regional campaigns. ([Taste Newberg](#))
- **Visit Carlton** – official tourism site operated with the City; Carlton has **among the most tasting rooms per capita** and a lodging base that benefits from countywide promotions and visitor management. ([Visit Carlton](#))
- **Dayton** – community tourism presence (“Visit Dayton”) that can plug into countywide grants for historic square activation, wayfinding, and trailheads. ([Dayton Oregon](#))
- **Travel Oregon DMO system** – the state’s Regional DMO network is designed for local DMOs to **leverage budgets**; a county overlay provides the match dollars needed to pull more state funds into Yamhill. ([Travel Oregon](#))

Governance note: The bylaws of the former **Yamhill County Tourism Partnership (YCTP)** already outline a broad, representative advisory model to “produce positive economic impact through visitor spending and improving livability” (membership, meetings, open-meeting compliance). *Bylaws pp. 1–3*. Consider reviving this as the **County TLT Advisory Committee**.

The YCTP dissolution letter (2021) documents the **size and importance of the visitor economy** and the need for a county voice.

4) Revenue options - TLT Yamhill County Scenarios Table

Tax Rate (%) (Applied to Unincorp./ Non- TLT Base, Except Scen. 1)	Scenario 1: Countywide Tax (on \$40.19M Total)	Scenario 2: Tax ONLY on Areas w/o TLT (on \$12.26M)	Scenario 3: Scen. 2 Rate + Flat 1% on Areas w/ TLT	Scenario 4: Scen. 2 Rate + Flat 2% on Areas w/ TLT	Scenario 5: Scen. 2 Rate + Flat 3% on Areas w/ TLT
1%	\$401,850	\$122,550	\$401,850	\$681,150	\$960,450
2%	\$803,700	\$245,100	\$524,400	\$803,700	\$1,083,000
3%	\$1,205,550	\$367,650	\$646,950	\$926,250	\$1,205,550
4%	\$1,607,400	\$490,200	\$769,500	\$1,048,800	\$1,328,100
5%	\$2,009,250	\$612,750	\$892,050	\$1,171,350	\$1,450,650
6%	\$2,411,100	\$735,300	\$1,014,600	\$1,293,900	\$1,573,200
7%	\$2,812,950	\$857,850	\$1,137,150	\$1,416,450	\$1,695,750
8%	\$3,214,800	\$980,400	\$1,259,700	\$1,539,000	\$1,818,300
9%	\$3,616,650	\$1,102,950	\$1,382,250	\$1,661,550	\$1,940,850

(Numbers below are pulled from the above table; they illustrate annual revenue potential at different rates and geographies.)

- **Scenario 1 – Countywide overlay on the full base (\$40.19M)**
1%: **\$401,850**; 3%: **\$1,205,550**; 5%: **\$2,009,250**; 9%: **\$3,616,650**.
- **Scenario 2 – Only areas without an existing city TLT (\$12.26M base)**
1%: **\$122,550**; 3%: **\$367,650**; 5%: **\$612,750**; 9%: **\$1,102,950**.
- **Scenario 3 – Scenario 2 rate + flat 1% in areas with a city TLT**
3% example: **\$646,950**; 5%: **\$892,050**; 7%: **\$1,137,150**.
- **Scenario 4 – Scenario 2 rate + flat 2% in areas with a city TLT**
3% example: **\$928,250**; 5%: **\$1,171,350**; 7%: **\$1,416,450**.
- **Scenario 5 – Scenario 2 rate + flat 3% in areas with a city TLT**
1%: **\$960,450**; 3%: **\$1,205,550**; 5%: **\$1,450,650**; 7%: **\$1,695,750**.

Takeaway: Even conservative designs (e.g., Scenario 3 at 3%) exceed **\$600k/yr**; countywide at 3–5% generates **\$1.2–\$2.0M+**—orders of magnitude more than incremental park fees, while also providing a stable revenue stream to support the structural deficit of the county general fund.

5) Compliant allocation model (meets the 70/30 rule)

An **Example**: Targeting a 3–5% overlay (start at 3%, revisit after 24 months):

- **70% Tourism Investment Fund (\$0.84–\$1.4M at 3–5% countywide)**
 - **Baseline DMO agreements** with Visit McMinnville, Taste Newberg, Visit Carlton, and Dayton (scope: marketing, visitor information, event support, STR education).
 - **Countywide projects**: wayfinding; park/trailheads; rural broadband for visitor safety; visitor impact mitigation (restrooms, litter, parking).
 - **Competitive grants** for smaller communities and cultural assets (arts, ag-tourism).
- **Up to 30% General Fund (\$0.36–\$0.6M at 3–5% countywide)**
 - **Public safety**: seasonal patrols in high-visitor corridors, DUII overtime, search-and-rescue readiness.
 - **Roads & traffic**: shoulder maintenance to tasting rooms/trailheads; weekend traffic control near event clusters.
 - **Parks O&M**: trash, restrooms, wear-and-tear offset—**relieves the pressure that park fee hikes place on families** while visitors help pay.

(Allocation proportions are dictated by ORS 320.350; “tourism promotion/facilities” categories qualify the 70% share. ([OregonLaws](#)))

6) Implementation steps & timeline (6–9 months)

1. Pre-work (Weeks 1–6)

- Convene a **TLT Working Group** (County Admin, Counsel, Sheriff, Roads, Parks, Finance, city managers, DMOs, Chambers, Downtown Coalitions).
- Decide overlay geography (Scenario 1, 2, 3, 4, or 5).
- Draft **intergovernmental MOUs** with cities (to coordinate collection, avoid double-tax confusion, and set DMO deliverables).
- Choose **admin model** (County Finance vs. DOR administration) and set **collection reimbursement charge** for operators/intermediaries. ([Oregon](#))

2. Ordinance package (Weeks 7–12)

- Draft ordinance mirroring Oregon exemplars (registration, returns, exemptions, audits, penalties, appeals). ([Oregon Cities](#))
- Establish **TLT Advisory Committee** by resolution (revive YCTP bylaws framework; quorum, open-meetings, sector representation). *Bylaws, Articles I–IV*.

3. Public process (Weeks 13–18)

- Joint city-county info sessions (explain 70/30 and that **visitors** pay it).
 - i. Explain the goal of keeping taxes and fees on Yamhill County residents low by implementing TLT as a visitor-based funding strategy for Yamhill County services in the general fund.
- Publish **Use Plan & Five-Year Tourism Investment Strategy** (projects, fairness across communities, and measurable outcomes).

4. Systems & launch (Weeks 19–36)

- Launch **operator portal & STR registration** (monthly returns; OTA remittance flow). Use Clackamas/Deschutes forms as templates. ([Clackamas Apps](#))
- Execute DMO agreements with **KPIs** (overnight stays, off-peak dispersion, mixed-mode travel, visitor management outcomes).
- Go live **90 days** after adoption to allow contracts, training, and setup.

7) Messaging used across the state

- **“A TLT is paid by visitors.”** Oregon law defines who collects and pays; locals only pay when they choose an overnight stay. ([Oregon](#))
- **“It protects working families.”** Unlike park fee hikes, TLT revenues flow primarily from **out-of-county travelers**.
- **“It funds both safety and prosperity.”** By statute most funds improve visitor management and facilities; up to 30% helps **Sheriff, roads, and parks**—the very services visitors use. ([OregonLaws](#))
- **“It leverages state dollars.”** Dedicated funds unlock **Travel Oregon** co-ops and grants through the RDMO system. ([Travel Oregon](#))
- **“It’s scalable.”** The scenario table shows meaningful revenue at **modest rates** (e.g., **~\$1.2M/yr at 3%** countywide), with clear paths to adjust. (*Above table.*)

8) Appendix: useful references & examples

- **Oregon TLT Statutes & 70/30 rule:** ORS 320.300–.365; 70/30 distribution for new or increased local TLTs. ([Oregon Legislature](#))
- **State admin & who must collect:** Oregon DOR program page & brochure. ([Oregon](#))
- **County models to copy:** Clackamas (6% countywide; STR registration) and Deschutes (8% in unincorporated areas). ([Clackamas County](#))
- **Travel impact data (for slides/handouts):**
 - Oregon 2023p statewide summary (Runyan for Travel Oregon).
 - McMinnville 2015–2019 visitor impacts (Runyan). *See table/figures pp. 1–4 & p. 6.*
 - Recreation counties attract residents & higher incomes (Headwaters Economics).

Bonus: governance boilerplate you can reuse (from YCTP bylaws)

- Committee purpose: *“Produce positive economic impact through visitor spending and improve livability in Yamhill County; advise the Board on visitor-economy matters.”*
Article I.
 - Structure & openness: 7–9 members; sector diversity; open meetings under ORS 192.
Articles II–IV.
-

REQUEST FOR COUNCIL ACTION



Order ☐ Ordinance ☐ Resolution ☒ Motion ☐ Information ☐

No. 2025-4003

Subject: Resolution approving the sale of certain real property and authorizing the City Manager to negotiate and execute an agreement for the sale of real property

Staff: Will Worthey

Department: Administration

Business Session

Order On Agenda: Continued Business

Hearing Type: Legislative ☐ Quasi-Judicial ☐ Administrative ☒ Not Applicable ☐

Date Action Requested: (December 1, 2025)

Is this item state mandated? Yes ☐ No ☒

If yes, please cite the state house bill or order that necessitated this action:

Recommendation:

Staff recommends the sale of the Butler Property to assist with the city debt reduction effort and further revitalize our downtown corridor.

Executive Summary:

The City owns real property located at 411 E 1st St, Newberg, Oregon, commonly known as the “Butler Property.” The Butler Property has been vacant under the City’s ownership since 2001. On May 6, 2024, the City declared the Butler Property as surplus under Resolution No. 2024-3925. The City determined that the City is not using the Butler Property, has no plans to use it, and that the Butler Property is no longer suitable or needed for the duties and responsibilities of the City or for a public purpose. Resolution No. 2024-3925 authorized the City Manager to begin the disposition process for surplus property. Council expressed its desire that the Butler Property be developed to include a building with residential and commercial units and in a manner that keeps with the character of the downtown commercial corridor.

On June 13, 2025, the City received an offer to purchase the Butler Property from Brent and Polly Peterson. After reviewing the offer, on July 7, 2025, Council authorized Miller Nash LLP to negotiate the sale of the Butler Property with Mr. and Ms. Peterson. The City, Mr. Peterson, and Ms. Peterson executed a nonbinding letter of intent for the sale of the Butler Property on July 15, 2025 (the “LOI”). After executing the LOI, Mr. Peterson informed the City that the purchaser of the Butler Property will be Heated Candle, LLC. Mr. and Ms. Peterson, along with two other individuals, are members and managers of Heated Candle, LLC.

Based on the terms of the LOI, the parties negotiated a purchase and sale agreement (the “PSA”) for the sale of the Butler Property. Key terms of the PSA include the following:

- Purchase price of \$341,250 (reflecting the fact that under the PSA, the City will not be required to pay commission to broker or finder of the purchaser).
- Purchaser is required to provide verification of readily available funds in the amount of the purchase price within five days of the effective date of the PSA.
- Earnest money in the amount of \$10,000.
- A due diligence period of 30 days from the effective date of the PSA, with closing occurring no later than 10 days after the end of the due diligence period.
- Purchaser will purchase the Butler Property “as-is” in its present condition.

Brent Peterson has executed the PSA in his capacity as a manager of Heated Candle, LLC.

Under ORS 221.725, the City is required to publish a notice of the proposed sale of the Butler Property in a newspaper of general circulation and hold a public hearing before executing the PSA. The City published the required notice in the Newberg Graphic on November 26, 2025 and Newsberg on November 25, 2025 and the hearing will be held at Council’s regular meeting on December 1, 2025, at 6:00 p.m.

Fiscal Impact:

The sale of this property will add funds to assist with the current debt reduction effort to the total of just over \$330,000.

Council Goals:

Goal 5: Implement a careful and prudent fiscal policy.

O1: Begin reducing and eventually eliminate the City’s debt in a steady, prudent way without compromising the City’s ability to provide essential services and functions.

RESOLUTION No. 2025-4003



A RESOLUTION APPROVING THE SALE OF CERTAIN REAL PROPERTY AND AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND EXECUTE AN AGREEMENT FOR THE SALE OF REAL PROPERTY

Recitals:

1. **WHEREAS**, the City of Newberg (the “City”) owns real property located at 411 E 1st St, Newberg, Oregon, which is depicted and described in more detail in the copy of the Purchase and Sale Agreement (the “PSA”), attached as Exhibit A to this Resolution (the “Property”);
2. **WHEREAS**, pursuant to ORS 271.310, the Newberg City Council (“Council”) adopted Resolution No. 2024-3925 on May 6, 2024, declaring that the Property is no longer suitable or needed for the duties or responsibilities of the City or for a public purpose and is surplus;
3. **WHEREAS**, on July 7, 2025, Council authorized Miller Nash LLP to negotiate the sale of the Property with a representative of Heated Candle, LLC (the “Purchaser”);
4. **WHEREAS**, on November 25 and 26, 2025, the City published notice of a public hearing concerning the sale of the Property as required under ORS 221.725 (the “Notice”) in the Newberg Graphic and Newsberg;
5. **WHEREAS**, the Notice set forth the time, date, and place of the hearing as well as a description of the Property, the proposed uses of the Property, and the reasons Council considers it necessary and convenient to sell the City’s interest in the Property;
6. **WHEREAS**, on December 1, 2025, Council held the hearing described in the Notice and, as part of the hearing, disclosed the nature of the proposed Property sale and the general terms thereof, including evidence of the market value of the Property;
7. **WHEREAS**, members of the public were given an opportunity to present written or oral testimony at the hearing;
8. **WHEREAS**, Council wishes to move forward with the sale of the Property subject to the terms of the PSA.

The City of Newberg Resolves as Follows:

1. Council hereby approves the sale of the Property to the Purchaser in the amount of \$341,250.
2. Council authorizes the City Manager to negotiate and execute the PSA, and any other documents necessary to complete the transaction contemplated under the PSA.

Effective Date of this resolution is: December 2, 2025.

Adopted by the City Council of Newberg, Oregon, this 1st day of December, 2025.

Rachel Thomas, City Recorder

Attest by the Mayor this 1st day of December, 2025.

Bill Rosacker, Mayor

Resolution 2025-4003

Exhibit A- Purchase Sale Agreement

<u>Exhibit No.</u>	<u>Exhibit Name</u>
A	Legal Description
B	Investigative Documents
C	Form of Deed
D	CC&Rs

PURCHASE AND SALE AGREEMENT (the Butler Property)

THIS PURCHASE AND SALE AGREEMENT (the "Agreement") is dated for reference purposes as _____, 20__ by and between the **City of Newberg, an Oregon municipal corporation** ("Seller"), and **Heated Candle, LLC, an Oregon limited liability company** ("Buyer"). The date that this Agreement is executed by both Buyer and Seller and a fully-executed copy is delivered to each party is the "Effective Date."

RECITALS

A. Seller is the owner of the real property and improvements commonly known as "the Butler Property" (herein referred to as the "Property") and located at 411 E. First St, Newberg, OR, County of Yamhill, State of Oregon, and more particularly described on Exhibit A, attached. Buyer and Seller will amend this Agreement to replace the current legal description set forth in Exhibit A with the legal description included in the Title Report (described in Section 6.1) once Seller receives the Title Report.

B. Buyer desires to purchase from Seller, and Seller desires to sell to Buyer the Property. The terms of this Agreement are as follows:

AGREEMENT

- 1. Purchase and Sale.** Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, the Property upon the terms and conditions set forth in this Agreement.
- 2. Deposit.** Within five business days after the Effective Date, Buyer shall deposit with First American Title Insurance Company located at 515 E. Hancock St., Newberg, Oregon (the "Title Company") into escrow the sum of \$10,000 (the "Earnest Money"). The term "Earnest Money" includes any additional sums required to be deposited into escrow or with Seller pursuant to terms of this Agreement and any accrued interest. If the Earnest Money is retained by Seller, Seller shall receive the interest. If the Earnest Money is returned to Buyer, Buyer shall receive the interest.
- 3. Purchase Price.** The purchase price for the Property shall be \$341,250 (the "Purchase Price"). Within five business days of the Effective Date, Buyer shall provide verification of readily available sums in the amount of Purchase Price. The Purchase Price shall be payable as follows:
 - 3.1 Earnest Money.** At Closing (as hereinafter defined), the Earnest Money, together with interest on it, shall be credited toward payment of the Purchase Price.
 - 3.2 Cash Balance.** On or before the Closing Date (as hereafter defined), Buyer shall deposit into escrow the cash by a wire transfer of funds in the amount of the balance of the Purchase Price plus any other sums Buyer is required to pay

pursuant to the terms of this Agreement or required to be paid by Buyer to close the purchase.

4. **Opening of Escrow.** With the deposit by Buyer of the Earnest Money, escrow shall be opened for consummating this transaction. Within five business days after the Effective Date, Buyer and Seller shall deliver a fully executed copy of this Agreement to the Title Company. Buyer and Seller hereby authorize their respective attorneys to execute and deliver into escrow any additional or supplemental instructions as may be necessary or convenient to implement the terms of this Agreement and to close this transaction. In the event of any conflict between such additional or supplemental instructions and the express terms of this Agreement, the terms of this Agreement shall control.
5. **Closing Date.** This transaction shall close on a date that is mutually agreed upon between Buyer and Seller, but in no event shall the Closing be later than ten days after the Due Diligence Deadline Date (the "Closing Date"). The term "Closing" means the date that the Deed described in Section 11.1.1 is recorded and the cash portion of the Purchase Price is available for distribution to Seller in accordance with the settlement statement prepared by the Title Company and approved in writing by Seller.
6. **Title Report.**
 - 6.1 **Preliminary Title Report.** Within one business day after the Effective Date, Seller, at Seller's cost and expense, shall order from Title Company its preliminary title report or title commitment on the Property (the "Title Report"), along with copies of all documents that give rise to exceptions listed in the report (the "Exception Documents"). Seller will require Title Company to deliver the Title Report to Buyer.
 - 6.2 **Buyer's Title Notice.** Within the five days of receiving the Title Report and the Exception Documents, Buyer shall give Seller written notice ("Buyer's Title Notice") setting forth the title exceptions that are not acceptable to Buyer (the "Unacceptable Exceptions"). If Buyer fails to provide the Buyer's Title Notice within the required time period, then Buyer shall be deemed to have waived Buyer's right to object to the Title Report. All title exceptions other than those objected to or deemed objected to shall be deemed acceptable to Buyer ("Permitted Exceptions").
 - 6.3 **Seller's Title Notice.** Seller shall have five days after receiving Buyer's notice within which to give Buyer Seller's written notice ("Seller's Title Notice") (a) that Seller has either cured or removed the Unacceptable Exceptions, or (b) agrees to, and will give written assurances satisfactory to Buyer of, cure or removal of the Unacceptable Exceptions before Closing. If (a) Seller fails to provide the Seller's Title Notice within the required time period or (b) Buyer objects to Seller's Title Notice within five days of receiving it, then Buyer shall have the right to waive its objections to the Unacceptable Exceptions or terminate this Agreement. In the event of termination as provided for in this Section, Buyer and Seller shall be

discharged from all further obligations and the Earnest Money with interest thereon will be returned to Buyer.

- 6.4 Title Company Revision to Title report.** Buyer may terminate this Agreement and receive a refund of any Earnest Money if the Title Company revises the Title Report to add exceptions that are materially adverse to Buyer or modifies a title exception in a manner that is materially adverse to Buyer, if within five business days of Buyer's receipt of the revised Title Report, Buyer notifies Seller that such additions or modifications are not acceptable to Buyer and if Seller fails to take such action to cause such additions or modifications to not be shown on the Title Report by the Closing Date. Except as otherwise specifically provided in this Agreement, Seller agrees to remove any exceptions or encumbrances to title which are created by Seller after the Effective Date and before the Closing Date.
- 7. Document Review.** Within five business days after the Effective Date, Seller shall deliver or cause to be delivered to Buyer all documents pertaining to the Property that Seller has in its reasonable, actual possession (the "Investigative Documents"), described in Exhibit B. If this Agreement terminates, Buyer shall promptly deliver to Seller all studies, reports, surveys, and other information and materials Buyer has received, prepared, or obtained pertaining to the Property.
- 8. Site Study Review.**
- 8.1 Right to Inspect.** Beginning on the Effective Date and ending on the Due Diligence Deadline (defined below), Seller shall permit Buyer and its employees, agents, representatives, contractors, architects, engineers, and consultants, to enter on and in the Property for the purpose of having the Property inspected by one or more licensed professionals of Buyer's choice and for conducting any tests, surveys, environmental studies, investigations, or other analyses that Buyer deems appropriate (collectively, "Investigations"). Any Investigations shall be at the sole cost and expense of Buyer. Buyer shall, prior to entry onto the Property, coordinate its timing of entry with Seller. Buyer shall obtain Seller's prior consent to the location of any proposed invasive inspections that may include testing or removal of any portion of the Property; such consent not to be unreasonably withheld. Buyer shall restore the Property to substantially the same pre-Investigation condition, and shall be responsible and pay for all damages caused to the Property by reason of its said activities.
- 8.2 Indemnification of Seller.** Buyer shall defend, indemnify, and hold Seller harmless from, for, and against any loss, damage, or liability arising out of or relating to the Investigations or the access of Buyer or its employees, agents, representatives, contractors, architects, engineers, and consultants to the Property under this Section 8.
- 8.3 Inspection Period.** The Due Diligence Deadline is 30 days after the Effective Date. The Due Diligence Period commences on the Effective Date and ends on the Due Diligence Deadline. It is agreed that Buyer's obligations hereunder are

conditioned upon Buyer being satisfied within the Due Diligence Deadline, in Buyer's sole discretion, with the Buyer's inspection of the Property as permitted under Section 8.1 above. On or before the Due Diligence Deadline, Buyer shall either: (a) provide Seller with written notice that it is satisfied with the condition of the Property and elects to proceed with the purchase of the Property; or (b) provide Seller with written notice that it is not satisfied with the condition of the Property and therefore elects to terminate this Agreement.

9. Seller's Contingencies. Seller's obligation to close this transaction shall be subject to:

9.1 No Default. Buyer is not in default of Buyer's covenants, representations, or warranties under this Agreement and all contingencies of Closing which are for benefit of Seller have been satisfied.

9.2 Deliveries. Buyer's delivery to the Title Company on or before the Closing Date, for disbursement as provided herein, of the Purchase Price and the documents and materials described in this Agreement.

9.3 Approval. The obligation of Seller to close shall be subject to obtaining the approval of Buyer's board of directors, shareholders, partners, or members. This contingency must be satisfied in writing or waived no later than the Due Diligence Deadline date.

10. Buyer's Contingencies. Buyer's obligation to close this transaction is contingent upon satisfaction of each of the following conditions:

10.1 Due Diligence Contingency. Buyer's approval, in Buyer's sole discretion, with the results of Buyer's inspections of the physical and environmental condition of the Property pursuant to Section 8 and the documents provided to Buyer under Section 7, and any matter that would be shown by a correct and current survey of the Property (the "Due Diligence Contingencies") and the satisfaction or waiver by Buyer of such Due Diligence Contingencies on or before the Due Diligence Deadline. If Buyer does not deliver to Seller a written notice waiving all of Buyer's Due Diligence Contingencies in this Section 10.1 on or before the Due Diligence Deadline, or if Buyer terminates this Agreement in writing on or prior to the Due Diligence Deadline, then this Agreement shall be deemed to have terminated, and the Earnest Money shall be refunded to Buyer in full and neither party shall have any further obligation to the other hereunder other than those obligations that expressly survive the termination of this Agreement.

10.2 No Material Changes. At the Closing Date, there shall have been no material adverse changes related to or connected with the Property.

10.3 No Default. Seller is not in default of Seller's covenants, representations, or warranties under this Agreement and all contingencies of Closing which are for the benefit of Buyer have been satisfied.

10.4 Seller's Deliveries. Seller shall have timely delivered each and every item to be delivered by Seller pursuant to this Agreement.

11. Deliveries to Title Company.

11.1 By Seller. On or before the Closing Date, Seller shall deliver the following in escrow to the Title Company:

11.1.1 Deed. A **Statutory Warranty Deed**, duly executed and acknowledged in recordable form by Seller, in the form of Exhibit C, conveying the Property to Buyer subject only to the Restrictive Covenants and any Permitted Exceptions, exclusive of the standard printed exceptions found in the policy of title insurance issued by the Title Company.

11.1.2 CC&Rs. The CC&Rs described in Section 25, duly executed and acknowledged by Seller.

11.2 By Buyer. On or before the Closing Date, Buyer shall deliver the following in escrow to the Title Company:

11.2.1 Purchase Price. The purchase price in accordance with Section 2 above.

11.2.2 CC&Rs. The CC&Rs described in Section 25, duly executed and acknowledged by Buyer.

11.2.3 Prorations. The amount due Seller, if any, after the prorations are computed in accordance with Section 15 below.

12. Deliveries to Buyer at Closing.

12.1 Possession. Seller shall deliver possession of the Property to Buyer at close of escrow.

13. Title Insurance. At Closing, Seller shall provide a commitment from the Title Company to issue a standard owner's title insurance policy in the amount of the Purchase Price, insuring title vested in Buyer, subject only to the usual preprinted exceptions and the Permitted Exceptions. Buyer shall have the right, if Buyer so elects, to cause the title policy to be issued as an extended coverage policy, provided Buyer pays the additional premiums and all survey costs associated therewith. If Buyer elects extended coverage, then Seller shall execute and deliver to the Title Company at Closing a certificate and indemnity in the form reasonably required by the Title Company.

14. Adjustments. Seller shall pay for one-half of all escrow fees and costs, one-half of the Title Company's general fees, any real property transfer or excise taxes, and Seller's share of prorations pursuant to Section 15 below. Buyer shall pay for recording charges, the standard coverage title insurance policy, one-half of all escrow fees and costs, one-half of

the Title Company's general fees, sales taxes, and Buyer's share of prorations pursuant to Section 15 below. Buyer and Seller shall each pay its own legal and professional fees of other consultants incurred by Buyer and Seller, respectively. All other costs and expenses shall be allocated between Buyer and Seller in accordance with the customary practice in the county where the Property is located. At Closing, Buyer shall contribute any funds necessary to pay its share of adjustments.

15. Prorations, Taxes, and Assessments.

15.1 Taxes and Assessments. At Closing, Seller shall pay or credit to the Purchase Price all delinquent taxes, including penalties and interest, and all assessments which are a lien on the Closing Date. At Closing, Seller shall also pay or credit against the balance of the Purchase Price, all other unpaid real estate taxes, including penalties and interest for such taxes, which are past due for years prior to Closing and a portion of such taxes for the year of Closing, prorated through date of Closing and based on a 365-day year and, if undetermined, on the most recent available tax rate and valuation, giving effect to applicable exemptions, change in valuation, and similar factors, whether or not certified.

15.2 Method of Proration. Except as otherwise provided in this Agreement, all prorations shall be made in accordance with customary practice in the county where the Property is located, except as expressly provided herein. If the bill for current taxes on the Property is not available as of the Closing Date, the parties shall prorate in escrow based on taxes for the prior year and out of escrow when the bill for the current taxes is available, shall prorate any remaining amounts. Such prorations, if and to the extent known and agreed on as of the Closing Date, shall be paid by Buyer to Seller (if the prorations result in a net credit to Seller) or by Seller to Buyer (if the prorations result in a net credit to Buyer) by increasing or reducing the cash to be paid by Buyer at Closing. Any such prorations not determined or not agreed on as of the Closing Date shall be paid by Buyer to Seller, or by Seller to Buyer, as the case may be, in cash as soon as practicable following the Closing Date.

16. Seller's Representations and Warranties. In addition to any express agreements of Seller contained herein, the following constitute representations, warranties, and covenants of Seller to Buyer:

16.1 Representations Regarding Seller's Authority.

16.1.1 Seller is a duly organized and validly existing municipality in good standing under the laws of the State of Oregon. Seller has the legal power, right, and authority to enter into this Agreement and the instruments and documents referenced herein, and to consummate the transactions contemplated hereby. The individuals executing this Agreement and the instruments referenced herein on behalf of Seller hereby represent and warrant that they have the power, right, and authority to bind Seller.

16.1.2 All requisite action has been taken by Seller and all requisite consents and approvals have been obtained in connection with the entering into of this Agreement and the instruments and documents referenced herein, and the consummation of the transactions contemplated hereby, and no consent or approvals of any other party is required.

16.1.3 This Agreement is, and the other Closing documents shall be at the time of their execution and delivery, legal, valid, and binding obligations of Seller and at the Closing shall be sufficient to convey title.

16.1.4 With the exception of the bronze mouse statue (which will be removed from the Property by Seller prior to Closing and will not be conveyed to Buyer as part of the transaction described in this Agreement), no fixtures, equipment, or personal property included in this sale shall be removed from the Property prior to Closing.

16.1.5 If prior to Closing, Seller discovers any information or facts that would materially change the representations and warranties of Seller contained herein, Seller shall immediately give written notice to Buyer of those facts and information.

16.1.6 Seller owns fee simple title to all the Property for Seller to convey title to the Property to Buyer.

16.2 Due Inquiry, Actual Knowledge. With respect to all of the representations made in this Agreement, Seller shall have no obligation, notwithstanding any other provision of this Agreement, to perform any inquiry including without limitation hiring any experts to advise Seller. In addition, the representations of Seller shall be limited to the present current actual knowledge of City Manager Will Worthey, not the knowledge of any other employee, member, officer, director, councilor, manager, or agent of Seller.

17. As Is. Seller is selling and Buyer is acquiring the Property AS IS, WHERE IS, with all faults and defects, whether patent or latent. Except as otherwise provided in this Agreement, Seller has not made any other representations, express or implied, regarding the Property and Buyer has not relied on any. Buyer acknowledges that any and all information, feasibility or marketing reports, environmental or physical condition reports, or other information of any type that Buyer has received or may receive from Seller or Seller's agents is furnished on the express condition that Buyer shall or would make an independent verification of the accuracy of any and all such information, all such information being furnished without any warranty whatsoever. Buyer shall rely upon its own inspection and its own professional advisors in its examination of the Property and all improvements thereon. Buyer hereby represents, warrants, and covenants to Seller that Buyer has conducted Buyer's own investigation of the Property and the physical condition thereof, including, without limitation, accessibility and location of utilities, use of hazardous materials on, from, or under the Property, earthquake preparedness of the

Property, all matters concerning the Property with respect to taxes, assessments, income and expense data, bonds, permissible uses, zoning, covenants, conditions and restrictions, and other matters which in Buyer's judgment are necessary or advisable or might affect or influence Buyer's use of the Property, or bear upon the value and suitability of the Property for Buyer's intended purposes, or Buyer's willingness to enter into this Agreement. Buyer recognizes that Seller would not sell the Property except on an as is, where is basis, and acknowledges that Seller has made no representations or warranties of any kind in connection with the Property. Buyer expressly waives all claims it may have against Seller in any way relating to the Property or its condition, with the sole exception of Buyer's claims under this Agreement, and the Deed or other documents or instruments being delivered by Seller. Buyer and anyone claiming by, through, or under Buyer hereby fully and irrevocably waives and releases Seller and each of its shareholders, employees, officers, managers, representatives, agents, successors, and assigns, and any contractors or subcontractors (including without limitation architects and engineers) who may have performed work related to the Property, regardless of whether there is any direct privity of contract to Seller or any person previously having an ownership interest in the Property (collectively "released party") from any and all claims that it may now have or hereafter acquire against any released party for and against any costs, losses, demands, penalties, fines, liens, judgments, injuries, liabilities, damages, expenses, demands, claims, actions, or causes of action, whether direct or indirect, known or unknown, foreseen or unforeseen, arising from or related to the Property, or any portion thereof, and/or any construction defects, errors, omissions, or other conditions, latent or otherwise, geotechnical and seismic, affecting the Property, or any portion thereof, including, without limitation the environmental condition of the Property or any law applicable thereto.

18. Buyer's Representations and Warranties. In addition to any express agreements of Buyer contained herein, the following constitute representations and warranties of Buyer to Seller:

- 18.1** Buyer has the legal power, right, and authority to enter into this Agreement and the instruments referred to herein and to consummate the transactions contemplated herein.
- 18.2** All requisite action (corporate, trust, partnership, or otherwise) has been taken by Buyer in connection with entering into this Agreement and the instruments referred to herein and the consummation of the transactions contemplated herein. No further consent of any partner, shareholder, member, manager, creditor, investor, judicial or administrative body, governmental authority, or other party is required.
- 18.3** The persons executing this Agreement and the instruments referred to herein on behalf of Buyer have the legal power, right, and actual authority to bind Buyer to the terms and conditions of this Agreement.

- 18.4** This Agreement and all documents required by it to be executed by Buyer are and shall be valid, legally binding obligations of, and enforceable against Buyer in accordance with their terms.
- 18.5** Neither the execution and delivery of this Agreement and documents referred to herein, nor the incurring of the obligations set forth herein, nor the consummation of the transactions contemplated, nor compliance with the terms of this Agreement and the documents referred to herein conflicts with or results in the material breach of any terms, conditions, or provisions of or constitute a default under any bond, note, or other evidence of indebtedness, or any contract, indenture, mortgage, deed of trust, loan, partnership agreement, lease, or other agreements or instruments to which Buyer is a party.
- 19. Limitation of Liability for Breach of Warranties and Representations.** Each party shall have the right to bring an action against the other on the breach of a representation or warranty hereunder within any contractual or statutory limitation period. Neither party shall have any liability after Closing for the breach of a representation or warranty hereunder of which the other party hereto had knowledge as of the Closing Date. Notwithstanding any of the provisions of this Agreement, any agreement contemplated by this Agreement, or any rights which Buyer might otherwise have at law, equity, or by statute, whether based on contract or some other claim, Buyer agrees that Seller shall not be liable to Buyer for any lost profits, special, incidental, punitive, exemplary, or consequential damages including but not limited to frustration of economic or business expectations.
- 20. Damage or Destruction; Condemnation.** Until the Closing Date, the risk of loss shall be retained by Seller. Seller shall keep the Property fully insured until close of escrow. In the event all or any material portion of the Property is damaged, destroyed, or condemned or threatened with condemnation before the Closing Date, Buyer may terminate this Agreement. In such event, escrow will be terminated, the Earnest Money will be promptly returned to Buyer, and this Agreement shall have no further force or effect whatsoever. If a nonmaterial portion of the Property is destroyed or condemned, this Agreement shall remain in full force and effect, including, without limitation, Buyer's obligation to close this transaction as provided for herein and to pay the full purchase price to Seller less any cost of repairs to be paid by Buyer, if any, to the extent not covered by insurance or condemnation proceeds. In such event, Buyer shall be assigned all insurance proceeds or condemnation proceeds payable to or for the account of Seller.
- 21. Notices.** All notices or other communications required or permitted under this Agreement shall be in writing and shall be (a) personally delivered (including by means of professional messenger service), which notices and communications shall be deemed received on receipt at the office of the addressee; (b) sent by registered or certified mail, postage prepaid, return receipt requested, which notices and communications shall be deemed received three days after deposit in the United States mail; (c) sent by overnight delivery using a nationally recognized overnight courier service, which notices and communications shall be deemed received one business day after deposit with such courier; (d) if a telefax number is shown below, sent by telefax, which notices and

communications shall be deemed received on the delivering party's receipt of a transmission confirmation, or (e) if an email address is shown below, sent by email, which notices and communications shall be deemed received on the delivering party's receipt of a transmission confirmation.

To Buyer: Heated Candle, LLC
3247 Lakeside Dr
Eugene, OR 97401
Attn: Brent Peterson
Email address: bhp4534@gmail.com

With a copy to: Brent and Polly Peterson
453 SW Viewmont Dr.
Dundee, OR 97115
Email address: bhp4534@gmail.com

To Seller: City of Newberg
414 E First St
Newberg, OR 97132
Attn: Will Worthey, City Manager
Email address: will.worthey@newbergoregon.gov

With a copy to: Miller Nash LLP
1140 SW Washington St Ste 700
Portland, OR 97205
Attn: James Walker, Partner
Email address: james.walker@millernash.com

Notice of change of address shall be given by written notice in the manner detailed in this Section.

- 22. Broker.** Seller is represented by CPD Portland, LLC, a Colorado limited liability company, in connection with the transactions contemplated by this Agreement. Seller represents and warrants to Buyer that no other broker or finder has been engaged by it in connection with any of the transactions contemplated by this Agreement, or to its knowledge is in any way connected with any of such transactions. In the event of any claims for additional brokers' or finders' fees or commissions in connection with the negotiation, execution, or consummation of this Agreement, and subject to the limitations of the Oregon Tort Claims Act and the Oregon Constitution, Seller shall defend, indemnify, and hold harmless Buyer if such claims are based on any statement, representation, or agreement made by Seller. Sean Heaton is a licensed real estate professional in the state of Oregon.

Buyer represents and warrants to Seller that no broker or finder has been engaged by Buyer in connection with any of the transactions contemplated by this Agreement, or to its knowledge is in any way connected with any of such transactions. Buyer further represents and warrants to Seller that no brokerage commission or other compensation or

remuneration shall be due or owed to Bella Casa Real Estate Group, LLC, an Oregon limited liability company, or to Brent Peterson, or to any other broker or finder, in connection with the transactions contemplated by this Agreement. In the event of any claims for additional brokers' or finders' fees or commissions in connection with the negotiation, execution, or consummation of this Agreement, then Buyer shall defend, indemnify, and hold harmless Seller from and against such claims if they are based on any statement or representation or agreement by Buyer. Brent Peterson is a licensed real estate professional in the state of Oregon.

- 23. Required Actions of Buyer and Seller.** Buyer and Seller agree to execute all such instruments and documents and to take all actions pursuant to the provisions of this Agreement in order to consummate the purchase and sale contemplated and shall use their best efforts to accomplish the Closing Date in accordance with the provisions herein.
- 24. Development, Seller's Option to Purchase.** The following shall apply with respect to Buyer's development of the Property:
 - 24.1** Buyer will construct a development on the Property that includes improvements with the following components as part of the same building: (a) ground-level commercial retail units; and (2) long-term or short-term residential rental units (the "Project"). Buyer will, in good faith, consider design options for the Project that would accommodate a restaurant in the ground-level commercial retail space.
 - 24.2** Buyer will secure all necessary approvals, including permits, required by any authority having jurisdiction to construct the Project meeting the requirements set forth in Section 24.1 (the "First Project Milestone") within one year from the Closing Date (the "First Trigger Date"). Buyer will commence construction of the Project meeting the requirements set forth in Section 24.1 (the "Second Project Milestone") within two years from the Closing Date (the "Second Trigger Date"). Buyer will substantially complete construction of the Project meeting the requirements of Section 24.1 (the "Third Project Milestone") within four years from the Closing Date (the "Third Trigger Date"). Collectively, the requirements set forth under this Section 24.2 are the "Development Requirements."
 - 24.3** Seller has an invocable right, at its option, to purchase the Property from Buyer for an amount equal to the Purchase Price:
 - 24.3.1** On or after the First Trigger Date, but only if Buyer fails to achieve the First Project Milestone on or before the First Trigger Date.
 - 24.3.2** On or after the Second Trigger Date, but only if Buyer fails to achieve the Second Project Milestone on or before the Second Trigger Date.
 - 24.3.3** On or after the Third Trigger Date, but only if Buyer fails to achieve the Third Project Milestone on or before the Third Trigger Date.

- 24.4** At any time after Buyer has satisfied all of the Development Requirements, Seller shall execute and acknowledge such recordable document as Buyer and the Title Company reasonably require to reflect the extinguishment of Seller's right to purchase the Property under Section 24.3. If any Development Requirement has not been satisfied as required under this Agreement, upon Seller's delivery of Seller's notice to Buyer of the exercise of its right to purchase, then Buyer shall convey the Property to Seller for an amount no greater than the Purchase Price. The Property must be delivered in its then "as is" condition by a statutory warranty deed subject to all covenants, conditions, and restrictions then of record.
- 25. Conditions, Covenants, and Restrictions.** In exchange for Seller agreeing to sell the Property to Buyer, Buyer hereby covenants and agrees to develop the Property as set forth in Section 24 above. This covenant shall run with the land and be binding on future owners of the Property, all on the terms and conditions contained in the Agreement Regarding Conditions, Covenants, and Restrictions (the "CC&Rs"), attached hereto as Exhibit D. The CC&Rs will be in recordable form, executed and acknowledged by Seller and Buyer, and recorded at Closing in the real property records of Yamhill County, Oregon, immediately after the Deed is recorded.
- 26. Remedies.**
- 26.1 Default by Seller.** In the event the Closing Date and the consummation of the transaction herein contemplated do not occur by reason of any default by Seller, Buyer's only remedy shall be the return of the Earnest Money with Buyer thereby waiving any other remedy, including specific performance, which Buyer shall have against Seller. Seller shall not be liable to Buyer for any lost profits, special, incidental, punitive, exemplary or consequential damages including but not limited to frustration of economic or business expectations.
- 26.2 Default by Buyer.** In the event the Closing Date and the consummation of the transaction herein contemplated do not occur by reason of any default by Buyer, Buyer and Seller agree that it would be impractical and extremely difficult to estimate the damages that Seller may suffer. Therefore, Buyer and Seller agree that a reasonable estimate of the total net detriment that Seller would suffer in the event that Buyer defaults and fails to complete the purchase of the Property is and shall be, and Seller's sole and exclusive remedy for Buyer's failure to complete the purchase of the Property by reason of Buyer's default (whether at law or in equity), an amount equal to the Earnest Money. The payment of this amount as liquidated damages is not intended as a forfeiture or penalty, but is intended to constitute liquidated damages to Seller. Upon default by Buyer, this Agreement shall be terminated and neither party shall have any further rights or obligations under it, each to the other, except for the right of Seller to collect such liquidated damages from Buyer. Notwithstanding Seller's retention of the Earnest Money as damages if Buyer fails to close, Buyer will also be responsible to Seller for any damage that Buyer or Buyer's agents and contractors may cause to the Property before Closing.

27. **Assignment.** This Agreement is binding on and will inure to the benefit of Seller, Buyer, and their respective heirs, legal representatives, successors, and assigns. Buyer shall not have the right to assign its rights and obligations under this Agreement without the consent of Seller, which consent may be withheld at the sole discretion of Seller. Any attempted assignment without the prior written consent of Seller shall be void and Buyer shall be deemed in default hereunder. Any authorized assignee shall succeed to all the rights and remedies under this Agreement, including but not limited to the specific performance of this Agreement.
28. **Tax-Free Exchange.** Either Buyer or Seller may elect to structure the sale of the Property as a like-kind exchange under Internal Revenue Code Section 1031 at the sole cost and expense of the electing party. The other party shall reasonably cooperate therein, provided that: (i) the Closing Date shall in no event be extended as a result of the exchange, (ii) the other party shall incur no additional costs, expenses, or liabilities in connection with the exchange, (iii) the other party shall not be required to take title to or contract for the purchase or sale of any other property, (iv) the electing party shall remain fully liable hereunder, and (v) the electing party shall indemnify, defend, protect, and hold the other party harmless from and against any and all loss, cost, damage, or expense (including attorneys' fees) incurred by the other party relating to or arising out of its participation in such exchange. The other party agrees that the electing party may at the electing party's sole option, assign this Agreement to a qualified exchange intermediary for purposes of structuring a tax deferred exchange for the electing party's benefit. If the electing party uses a qualified intermediary to effectuate the exchange, any assignment of the rights or obligations of the electing party hereunder shall not relieve, release, or absolve the electing party of its obligations under this Agreement. If Buyer or Seller consists of more than one person, each person shall separately have the right to enter into a like-kind exchange on the basis set forth in this Section.
29. **Miscellaneous.**
- 29.1 **Partial Invalidity.** If any term or provision of this Agreement or the application to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each such term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.
- 29.2 **Waivers.** No waiver of any breach of any covenant or provision contained herein shall be deemed a waiver of any preceding or succeeding breach thereof, or of any other covenant or provision herein contained. No extension of time for performance of any obligation or act shall be deemed an extension of the time for performance of any other obligation or act.
- 29.3 **Exhibits.** The exhibits referenced in this Agreement are a part of this Agreement as if fully set forth in this Agreement.

- 29.4 Survival of Representations.** The covenants, agreements, representations, and warranties made herein shall survive the Closing Date and shall not merge into the Deed and the recordation of it in the official records or the delivery at Closing of any assignment of leases, general assignment, or bill of sale.
- 29.5 Liability of Parties.** In the event that Seller or Buyer consists of more than one legal entity, the liability of each entity comprising Seller or Buyer shall be joint and several.
- 29.6 Electronic Signatures.** Facsimile or PDF transmission of any signed original document, and retransmission of any transmission, will be the same as delivery of an original, but the party transmitting a signature by facsimile or PDF then must send the original signature by overnight delivery service. This Section shall not apply to any document that must be recorded.
- 29.7 Representation.** This Agreement was prepared by Miller Nash LLP, who represented Seller. Buyer represents that Buyer had an opportunity to consult with separate legal counsel prior to executing this Agreement. Buyer waives any claim that any term or condition should be construed against the drafter. This Agreement will be construed as if it had been prepared by both of the parties.
- 29.8 Attorneys' Fees.** Buyer agrees to pay Seller's costs incurred in enforcing any of the covenants, agreements, or provisions of this Agreement against Buyer, including reasonable attorneys' fees. In the event, however, a party to this Agreement brings any action or suit against another party to this Agreement by reason of any breach of any of the covenants, agreements, or provisions on the part of the other party arising out of this Agreement, then in that event the prevailing party shall be entitled to have and recover from the other party all costs and expenses of the action or suit, including actual attorneys' fees, at trial and on appeal.
- 29.9 Entire Agreement.** This Agreement (including any exhibits attached to it) is the final expression of, and contains the entire agreement between the parties with respect to the subject matter of the Agreement and supersedes all prior negotiations, discussion, agreements, and understandings between the parties with respect to it. This Agreement may not be modified, changed, supplemented, or terminated, nor may any obligations under it be waived, except by written instrument signed by the party to be charged or by its agent duly authorized in writing or as otherwise expressly permitted herein. The parties do not intend to confer any benefit on any person, firm, or corporation other than the parties hereto.
- 29.10 Counterparts.** This Agreement may be executed in counterparts, each of which will be considered an original and all of which together will constitute one and the same agreement.

29.11 Time of Essence. Seller and Buyer hereby acknowledge and agree that time is strictly of the essence with respect to each and every term, condition, obligation, and provision.

29.12 Construction. Headings at the beginning of each Section are solely for the convenience of the parties and are not a part of this Agreement. Whenever required by the context of this Agreement, the singular shall include the plural, and the masculine shall include the feminine, and vice versa. This Agreement shall not be construed as if it had been prepared by one of the parties, but rather as if both parties had prepared it. Unless otherwise indicated, all references to Sections are to this Agreement. Unless otherwise specified, in computing any period of time described in this Agreement, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period so computed is to be included, unless the last day is a Saturday, Sunday, or legal holiday, in which event the period shall run until the end of the next day which is neither a Saturday, Sunday, nor legal holiday. As used in this Agreement, "business day" means a day other than a Saturday, Sunday, or legal holiday.

29.13 Governing Law, Dispute Resolution. The parties acknowledge that this Agreement has been negotiated and entered into in the state of Oregon. The parties expressly agree that this Agreement shall be governed by, interpreted under, construed, applied, and enforced in accordance with the laws of the State of Oregon. Any controversy or claim arising under or relating to the terms of this Agreement or any of the exhibits attached to it, and any proceedings to enforce this Agreement or rights under this Agreement and its exhibits shall be resolved through litigation. All litigation will be held in the state of Oregon with venue in Yamhill County Circuit Court or, if the litigation is required to be filed in a federal court, the U.S. District Court for the District of Oregon.

30. STATUTORY LAND USE DISCLAIMER. THE PROPERTY DESCRIBED IN THIS INSTRUMENT MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS THAT, IN FARM OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE AND THAT LIMIT LAWSUITS AGAINST FARMING OR FOREST PRACTICES, AS DEFINED IN ORS 30.930 (DEFINITIONS FOR ORS 30.930 TO 30.947), IN ALL ZONES. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300 (DEFINITIONS FOR ORS 195.300 TO 195.336), 195.301 (LEGISLATIVE FINDINGS) AND 195.305 (COMPENSATION FOR RESTRICTION OF USE OF REAL PROPERTY DUE TO LAND USE REGULATION) TO 195.336 (COMPENSATION AND CONSERVATION FUND) AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE

APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 (DEFINITIONS FOR ORS 92.010 TO 92.192) OR 215.010 (DEFINITIONS), TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO VERIFY THE EXISTENCE OF FIRE PROTECTION FOR STRUCTURES AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300 (DEFINITIONS FOR ORS 195.300 TO 195.336), 195.301 (LEGISLATIVE FINDINGS) AND 195.305 (COMPENSATION FOR RESTRICTION OF USE OF REAL PROPERTY DUE TO LAND USE REGULATION) TO 195.336 (COMPENSATION AND CONSERVATION FUND) AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010.

IN WITNESS WHEREOF, the parties have executed this Agreement.

SELLER:

City of Newberg, a municipal corporation

By: _____

Name: _____

Its: _____

Date _____

BUYER:

Heated Candle, LLC, an Oregon limited liability company

By: *Brent Peterson*

Name: **Brent Peterson**

Its: Manager

Date: **11/03/2025**

EXHIBIT A
LEGAL DESCRIPTION

All of Lots numbered 7 and 8, Block 16, CENTRAL ADDITION to the City of Newberg, Yamhill County, State of OR,

Except that portion associated with rights of the public to any roadway.

EXHIBIT B

INVESTIGATIVE DOCUMENTS

- General Ledger for Property-related transactions dated March 20, 2003 – August 15, 2023 and July 17, 2023 – March 31, 2004
- Fax dated October 29, 2003 from Jessica Eckart to Bob Bielman re Waste Management Waste Profile Sheet and Analytical Reports, 36 pages total
- Letter from Oregon Department of Environmental Quality to Bob Bielman dated November 3, 2005
- Risk-Based Evaluation Report dated July 7, 2006
- Letter from Oregon Department of Environmental Quality to David Beam dated October 25, 2006
- Full Scale Asbestos Abatement Contractor License, Issue Date December 23, 2022
- Oregon Department of Environmental Quality Solid Waste Disposal Site Permit No. 306
- Map showing Estimated Extent of Benzene Exceeding RBCs (HartCrowser 15322-01/Task 7, Figure 7, 10/05), Site Photograph, Newberg Site Demolition and Environmental Cleanup Budget dated December 15, 2005
- Klienfelder, Inc. Sample Location Map of Former Butler Chevrolet Site and email from Howard Hamilton to Bob Bielman, dated January 23, 2004, Subject: Reporting Forms Log
- Klienfelder, Inc. Proposed Sample Location Map Former Butler Chevrolet Site (copy to Chris Hatfield May 4, 2004)
- City of Newberg Community Development Department Butler Site Plan As-Built dated 07/04
- City of Newberg Community Development Department Map of UST's & Hoists dated 11/03 and 5/04
- Klienfelder, Inc. contract amount log showing invoice amounts and balances October 20, 2003 – April 21, 2004
- Summary of soil analytical results – TPHs and VOCs for sample date 2/27/2004
- Summary of soil analytical results – PAHs for sample date 2/27/04
- Klienfelder, Inc. Summary of soil analytical results – sample dates 10/21/03 and 11/05/23
- Klienfelder, Inc. Groundwater Elevation Contours & Sample Results – August 10, 2004, Former Butler Chevrolet Site
- Monitoring Well Data Summary and Groundwater Analytical Results – TPHs and VOCs, Monitoring Well Installation, And Third Quarter 2004 (Initial) Groundwater Monitoring Report, Table 1 and Table 2
- Columbia Inspection, Inc. Certificate of Analysis Submitted 11/05/03
- Copy of Pre-Remediation File, attached hereto as Attachment 1
- 2001 City of Newberg and Howard Carl Butler and Virginia Butler Sale Deed (38 pages)
- "Appendix A: The 'Butler Property'" consisting of legal description; subject exhibits and photographs (8 pages)

Attachment 1
Pre-Remediation File

EXHIBIT C
FORM OF DEED

Until a change is requested, all tax statements shall be sent to:

After recording return to:

STATUTORY WARRANTY DEED

The City of Newberg, Grantor, conveys and warrants to Heated Candle, LLC, Grantee, the following described real property (the "Property") situated in the County of Yamhill, State of Oregon, free of encumbrances except as specifically set forth herein:

[Insert property description.]

*[Insert any exceptions to the covenants and warranties described in
ORS 93.850(2)(c).]*

Additionally, the Property is conveyed subject to all of the covenants, conditions, and restrictions set forth below in this Deed ("Restrictive Covenants"). The Restrictive Covenants shall remain in full force and effect and may be enforced by Grantor, its successors, or its assigns whether by action at law or by suit in equity. Grantor shall not be liable to Grantee or to any third parties for enforcement or failure to enforce the Restrictive Covenants. Invalidation of any of the Restrictive Covenants shall in no way affect any of the other covenants or provisions which shall remain in full force and effect. The Restrictive Covenants shall be held to run with and bind the land conveyed hereby and all subsequent owners and occupants thereof.

1. RESTRICTIVE COVENANTS

1.1. Use of Property; Construction Obligation; Right to Repurchase

- 1.1.1. Grantee will construct a development on the Property that includes improvements with the following components as part of the same building: (a) ground-level commercial/retail units; and (2) long-term or short-term residential rental units (the "Project"). Grantee will, in good faith, consider design options for the Project that would accommodate a restaurant in the ground-level commercial/retail space.
- 1.1.2. Grantee will secure all necessary approvals, including permits, required by any authority having jurisdiction to construct the Project meeting the requirements set forth in Section 1.1.1 (the "First Project Milestone") within one year from the date

of this Deed set forth below (the "First Trigger Date"). Grantee will commence construction of the Project meeting the requirements set forth in Section 1.1.1 (the "Second Project Milestone") within two years from the date of this Deed set forth below (the "Second Trigger Date"). Grantee will substantially complete construction of the Project meeting the requirements of Section 1.1.1 (the "Third Project Milestone") within four years from the date of this Deed set forth below (the "Third Trigger Date"). Collectively, the requirements set forth under this Section 1.1.2 are the "Development Requirements."

- 1.1.3. Grantor has an invocable right, at its option, to purchase the Property from Grantee for an amount equal to the amount identified below in this Deed as the true consideration for the conveyance under this Deed (the "Purchase Price"):
 - 1.1.3.1. On or after the First Trigger Date, but only if Grantee fails to achieve the First Project Milestone on or before the First Trigger Date.
 - 1.1.3.2. On or after the Second Trigger Date, but only if Grantee fails to achieve the Second Project Milestone on or before the Second Trigger Date.
 - 1.1.3.3. On or after the Third Trigger Date, but only if the Grantee fails to achieve the Third Project Milestone on or before the Third Trigger Date.
- 1.1.4. At any time after the Grantee has satisfied all of the Development Requirements, the Grantor shall execute and acknowledge such recordable document as Grantee and the Title Company reasonably require to reflect the extinguishment of Grantor's right to repurchase the Property under Section 1.1.3 above. If any Development Requirement has not been satisfied as required under this Section 1.1, upon Grantor's delivery of Grantor's notice to Grantee of the exercise of its right to purchase, then Grantee shall convey the Property to Grantor for an amount no greater than the Purchase Price. The Property must be delivered in its then "as is" condition by a special warranty deed subject to all covenants, conditions, and restrictions then of record.

2. NOTICES

Until Grantor designates another address for notice by notice given pursuant to this Section, any notices required to be sent to Grantor under the terms of this Deed shall be sent to Grantor at the following address:

City of Newberg
414 E First St
Newberg, OR 97132
Attn: City Manager
Email address: will.worthey@newbergoregon.gov

Copy to:

Miller Nash LLP
1140 SW Washington St Ste 700
Portland, OR 97205
Attn: James Walker, Partner
Email address: james.walker@millernash.com

Until Grantee designates another address for notice by notice given pursuant to this Section, any notices required to be sent to Grantee under the terms of this Deed shall be sent to Grantee at the following address:

Heated Candle, LLC
3247 Lakeside Dr
Eugene, OR 97401
Attn: Brent Peterson
Email address: bhp4534@gmail.com

Copy to:

Brent and Polly Peterson
453 SW Viewmont Dr.
Dundee, OR 97115
Email address: bhp4534@gmail.com

3. SEVERABILITY

If any provision of this Deed is held to be invalid or unenforceable, the remainder of this Deed, or the application of such provision to persons or circumstances other than those to which it is held invalid or enforceable, shall not be affected thereby, and each provision of this Deed shall be valid and enforceable to the fullest extent permitted by law. If any provision of this Deed is found to be generally unenforceable but is partially enforceable, then the provision shall be automatically amended so that it may be enforced to the fullest extent allowed by law.

BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300 (DEFINITIONS FOR ORS 195.300 TO 195.336), 195.301 (LEGISLATIVE FINDINGS) AND 195.305 (COMPENSATION FOR RESTRICTION OF USE OF REAL PROPERTY DUE TO LAND USE REGULATION) TO 195.336 (COMPENSATION AND CONSERVATION FUND) AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010. THIS INSTRUMENT DOES NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY

PLANNING DEPARTMENT TO VERIFY THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 (DEFINITIONS FOR ORS 92.010 TO 92.192) OR 215.010 (DEFINITIONS), TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES, AS DEFINED IN ORS 30.930 (DEFINITIONS FOR ORS 30.930 TO 30.947), AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300 (DEFINITIONS FOR ORS 195.300 TO 195.336), 195.301 (LEGISLATIVE FINDINGS) AND 195.305 (COMPENSATION FOR RESTRICTION OF USE OF REAL PROPERTY DUE TO LAND USE REGULATION) TO 195.336 (COMPENSATION AND CONSERVATION FUND) AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010.

The true consideration for this conveyance is \$341,250.

Dated this ____ day of _____, 2025.

GRANTOR:

City of Newberg

By: _____

Name: _____

Title: _____

STATE OF OREGON)
) ss.
County of _____)

This record was acknowledged before me on this _____ day of _____, 2025, by
_____ as _____, of _____.

Notary Public for the State of Oregon
My Commission Expires: _____

EXHIBIT D

COVENANTS, CONDITIONS, AND RESTRICTIONS

After recording return to:

City of Newberg
414 E First St
Newberg, OR 97132
Attn: City Manager

AGREEMENT REGARDING COVENANTS, CONDITIONS, AND RESTRICTIONS

This Agreement Regarding Covenants, Conditions, and Restrictions (this "Agreement") is entered into by and between the City of Newberg, a municipal corporation ("Grantee"), and Heated Candle, LLC ("Owner"), as of _____, 20____ (the "Effective Date").

RECITALS

- A. As of the date hereof, Grantee conveyed to Owner the residential real property located at 411 E. First St, Newberg, Oregon, and more fully described on the attached Exhibit 1 (the "Property").
- B. The Property was made available for purchase by Owner on the condition that Owner would construct a development on the Property that includes improvements with the following components as part of the same building: (a) ground-level commercial/retail units; and (2) long-term or short-term residential rental units.
- C. The Property is in a central location within downtown Newberg and sits across from Newberg City Hall.
- D. Grantee has a significant interest in ensuring that the Property is developed in a manner that reflects the public interest and the terms upon which the Grantee approved the sale of the Property to Owner.

Now, therefore, for good and valuable consideration to Owner, the receipt and sufficiency of which is hereby acknowledged, Owner and Grantee agree as follows:

AGREEMENT

- 1. Purpose.** This Agreement is intended to protect against the use of the Property in a manner that would violate the terms of the sale of the Property, without which Grantee would not have conveyed the Property to Owner.

2. Covenants and Restrictions. The following covenants and restrictions apply to the Property:

2.1 Owner will construct a development on the Property that includes improvements with the following components in the same building: (a) ground-level commercial/retail units; and (2) long-term or short-term residential rental space (the "Project").

2.2 Owner will secure all necessary approvals, including permits, required by any authority having jurisdiction to construct the Project meeting the requirements set forth in Section 2.1 (the "First Project Milestone") within one year from the Effective Date (the "First Trigger Date"). Owner will commence construction of the Project meeting the requirements set forth in Section 2.1 (the "Second Project Milestone") within two years from the Effective Date (the "Second Trigger Date"). Owner will substantially complete construction of the Project meeting the requirements of Section 2.1 (the "Third Project Milestone") within four years from the Effective Date (the "Third Trigger Date"). Collectively, the requirements set forth under this Section 2.2 are the "Development Requirements."

3. Violation of Covenants and Restrictions; Option to Repurchase.

3.1 Grantee has an invocable right, at its option, to purchase the Property from Owner for an amount equal to the same price paid by the Owner to the Grantee for the Property under the Purchase and Sale Agreement between Owner and Grantee dated [insert date] (the "Purchase Price"):

- (a) On or after the First Trigger Date, but only if Owner fails to achieve the First Project Milestone on or before the First Trigger Date.
- (b) On or after the Second Trigger Date, but only if Owner fails to achieve the Second Project Milestone on or before the Second Trigger Date.
- (c) On or after the Third Trigger Date, but only if the Owner fails to achieve the Third Project Milestone on or before the Third Trigger Date.

3.2 If any Development Requirement has not been satisfied as required under Section 2, upon Grantee's delivery of Grantee's notice to Owner of the exercise of its right to purchase, then Owner shall convey the Property to Grantee for an amount no greater than the Purchase Price. The Property must be delivered in its then "as is" condition by a statutory warranty deed subject to all covenants, conditions, and restrictions then of record.

4. Effect of Agreement. The provisions of this Agreement shall run with and bind the Property, shall be binding on Owner and its successor and assigns, and shall inure to the benefit of and be enforceable by Grantee and its heirs, executors, legal representatives, successors, and assigns. There are no third-party beneficiaries to this Agreement, only Grantee and Owner, and each of their successors and assigns, may enforce the terms of this Agreement. In the event of a sale, transfer, or conveyance of the Property, each purchaser or other transferee of the Property, will by acceptance of a deed or other conveyance for the Property, or any portion thereof, be conclusively deemed to have consented to and agreed to all of the provisions of this Agreement for themselves, their heirs, executors, administrators, and assigns, and such purchaser does by

this acceptance covenant for themselves and their heirs, executors, administrators, and assigns, to observe, perform, and be bound by this Agreement, notwithstanding that such deed fails to reference this Agreement.

5. Notices. Any notice by Grantee or Owner to the other shall be in writing and effective at the earlier of actual receipt of such notice or three days after such notice is deposited in the mail as registered or certified mail, postage prepaid, addressed to the other party at the address designated by each party. In the absence of such address designation any notice under this Agreement may be given to Owner at the address to which property tax statements for the Property are delivered by the taxing authority.

To Owner: Heated Candle, LLC
3247 Lakeside Dr.
Eugene, OR 97401
Attn: Brent Peterson
Email address: bhp4534@gmail.com

With a copy to: Brent and Polly Peterson
453 SW Viewmont Dr.
Dundee, OR 97115
Email address: bhp4534@gmail.com

To Grantee: City of Newberg
414 E First St
Newberg, OR 97132
Attn: City Manager
Email address: will.worthey@newbergoregon.gov

With a copy to: Miller Nash LLP
1140 SW Washington St Ste 700
Portland, OR 97205
Attn: James Walker, Partner
Email address: james.walker@millernash.com

6. Waiver. No provision of this Agreement shall be deemed to have been waived unless such waiver is in writing and signed by the waiving party. Failure at any time to require performance of any provision of this Agreement shall not limit a party's right to enforce the provision. Any waiver of a breach of any provision of this Agreement shall not be a waiver of any succeeding breach or a waiver of any other provision of this Agreement.

7. Attorneys' Fees. If any arbitration, suit, or action is instituted to interpret or enforce the provisions of this Agreement, including any bankruptcy proceeding, to rescind this Agreement, or otherwise with respect to the subject matter of this Agreement, the prevailing party shall be entitled to recover, in addition to costs, reasonable attorneys' fees incurred in preparation or in prosecution or defense of such arbitration, suit, or action as determined by the arbitrator or trial court, and if any appeal is taken from such decision, reasonable attorneys' fees as determined on appeal.

8. Partial Invalidity. If any provision of this Agreement shall be invalid or unenforceable in any respect for any reason, the validity and enforceability of any such provision in any other respect and of the remaining provisions of this Agreement shall not be impaired in any way.

9. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Oregon.

10. Entire Agreement. This Agreement contains the entire agreement and understanding of the parties with respect to the subject matter of the operation, features, and condition of the Property.

11. Modification and Amendment. No amendment, modification, or termination of this Agreement shall be effective until the written instrument setting forth its terms has been executed and acknowledged by Grantee (or its successor or assignee) and the then-current owner of the Property.

12. Dispute Resolution. Any controversy or claim arising under or relating to the terms of this Agreement or any of the exhibits attached to it, and any proceedings to enforce this Agreement or rights under this Agreement and its exhibits shall be resolved through litigation. All litigation will be held in the state of Oregon with venue in Yamhill County Circuit Court or, if the litigation is required to be filed in a federal court, the U.S. District Court for the District of Oregon.

IN WITNESS WHEREOF, the undersigned have executed this Agreement Regarding Covenants, Conditions, and Restrictions as of _____, 20____.

GRANTEE

By: [Name]
Its: [Title]

STATE OF OREGON)
) ss.
COUNTY OF YAMHILL)

The foregoing instrument was acknowledged before me on _____, by _____, an individual.

Notary Public for Oregon
My commission expires:

OWNER

By: [Name]

Its: [Title]

STATE OF OREGON)
) ss.
COUNTY OF YAMHILL)

The foregoing instrument was acknowledged before me on _____, by
_____, an individual.

Notary Public for Oregon
My commission expires: _____

EXHIBIT 1
PROPERTY DESCRIPTION

EXHIBIT B
NOTICE OF PUBLIC HEARING
NEWBERG CITY CONCIL

In accordance with ORS 221.725, notice is hereby given that the Newberg City Council will hold a public hearing at its regular meeting on December 1, 2025, at 6:00 p.m. in the Denise Bacon Community Room of the Newberg Public Safety Building, located at 401 E. Third Street, Newberg, Oregon. The subject of the hearing is the proposed sale of City-owned property located at 411 E. First St., Newberg, Oregon (commonly known as the "Butler Property"), and more particularly described below:

All of Lots numbered 7 and 8, Block 16, CENTRAL ADDITION to the City of Newberg, Yamhill County, State of OR,
Except that portion associated with rights of the public to any roadway.

The City of Newberg (the "City") proposes to transfer (sell) the Butler Property to Heated Candle, LLC, an Oregon limited liability company, for the construction of a development that includes improvements with the following components as part of the same building: (a) ground-level commercial retail units; and (2) long-term or short-term residential rental units. The Newberg City Council finds it necessary and convenient to sell the Butler Property because, as set forth in its previous Resolution No. 2024-4003, the Butler Property is no longer suitable or needed for the duties and responsibilities of the City or for a public purpose, and it is surplus.

Additionally, the City wishes to promote development of the Butler Property and increase commercial activity in its downtown core in keeping with the character of the downtown commercial corridor.

In accordance with ORS 221.725, members of the public may appear and testify at the public hearing. Written testimony will be submitted into the record by City staff at the public hearing if it is received through our public comment registration form (<https://bit.ly/nbgcomment>) by noon on Friday, November 28th.



411 E 1st Street

City of Newberg Property Appraisal

David E. Balfour, MAI
Sam A. Karpeles, MAI
Oregon Valuation Group
24925 SW Garden Acres Road
Sherwood, OR 97140

OVG File 24025



Appraisers: David E. Balfour, MAI / Sam A. Karpeles, MAI

City of Newberg

City of Newberg

April 2, 2024

Attn: Will Worthey, City Manager
414 E First Street
Newberg, OR 97132

Dear Mr. Worthey:

In accordance with the contract of February 27, 2024, our firm has completed an appraisal of the following property:

Situs: 411 E 1st St, Newberg, OR 97132
Map & Tax Lot: R3219AB08000
APN: 49735

The appraisal Contract **scope of work** is further explained as follows:

The purpose of this appraisal assignment is to develop and support a market value estimate for the subject property based upon its highest and best use as of the valuation date identified herein. The intended use of this appraisal is to provide the market value for the subject property for potential disposition. The ownership interest to be valued is the fee simple estate. The sole client and intended user is the City of Newberg. There are no third-party beneficiaries. This appraisal assignment and report was prepared pursuant to authority from the client. All other parties do not have a client relationship with the appraisers and may not rely upon the assignment results.

The reporting scope is that of an appraisal report as defined in the latest edition of the Uniform Standards of Professional Appraisal Practice.

A summary of the market value estimate is stated below:

Market Value: \$257,500

The opportunity to be of service is sincerely appreciated. Should you have any questions, please do not hesitate to contact me.

Respectfully submitted,

David E. Balfour, MAI
President, Oregon Valuation Group
OR Certified Appraiser C001256
Expiration Date: October 31, 2025
Email Address: Dave@oregonvalue.com

Sam A. Karpeles, MAI
Senior Appraiser, Oregon Valuation Group
OR Certified Appraiser 20107006
Expiration Date: February 28, 2026
Email Address: Sam@oregonvalue.com



Appraisers: David E. Balfour, MAI / Sam A. Karpeles, MAI

City of Newberg

1. Preliminary Data

Legal Description

The subject is legally described as follows:

Subdivision	Block 16 in Central Addition
Lot	7 & 8
Map & Tax Lot:	R3219AB08000
APN:	49735

Client/Intended User

This appraisal report has been prepared for the exclusive use and benefit of:

Client	City of Newberg
Intended User	City of Newberg

All other parties do not have a client relationship with the appraisers and may not rely upon the assignment results. This report is incomplete and cannot be relied upon without the Letter of Transmittal.

All other persons and firms reviewing, utilizing or relying on this report in any manner bind themselves to accept all attached restrictions, certifications, assumptions, and limiting conditions. Do not use this report if you do not so accept. These conditions are a part of the appraisal report; they are a preface to any certification, definition, fact or analysis and are intended to establish as a matter of record that the function of this appraisal is to provide an estimate of present market value for the subject property based upon the appraisers' observations. This appraisal report is an economic study to estimate market value as defined herein. An appraisal is not an engineering report, survey, or environmental assessment; expertise in these areas, among others, is not implied.

Purpose and Intended Use of the Appraisal

The purpose of this appraisal assignment is to develop and support a market value estimate for the subject property based upon its highest and best use as of the valuation date identified herein.

The **intended use** of this appraisal is to provide the market value for the subject property for asset monitoring purposes.

Dates of Significance

Effective Date	March 13, 2024
Inspection Date	March 13, 2024
Date of Report	April 2, 2024



Appraisers: David E. Balfour, MAI / Sam A. Karpeles, MAI

City of Newberg

Property Rights Appraised

The property rights appraised represent the unencumbered fee simple title.

Scope of Assignment/Appraisal Problem

The scope of services to be provided has been defined in the contract and is discussed below:

The **reporting scope** is that of an appraisal report as defined in the latest edition of the Uniform Standards of Professional Appraisal Practice.

An **appraisal report format** is appropriate relative to the appraisal problem.

The **scope of inspection** consisted of an exterior viewing of the subject together with a review of aerial exhibits available through public and proprietary resources. All of the comparables cited herein were viewed from the adjoining right(s)-of-way.

The relevant **scope of analysis** are identifies below:

	<u>Land Valuation</u>	<u>Whole Property Valuation</u>
Sale Comparison Approach:	Relevant/Applicable	Irrelevant – Vacant land site
Income Approach:	Irrelevant	Irrelevant – Vacant land site
Cost Approach:	Irrelevant	Irrelevant – Vacant land site

The Sales Comparison Approach is the relevant valuation methodology for the subject property (vacant land tract). Inasmuch as the subject land type is not commonly purchased for ground-lease income producing purposes, the Income Approach is not relevant or meaningful to this assignment. Furthermore, there is an inadequate amount of rental rate and capitalization rate data from which to support a reliable and relevant Income Approach methodology.

Similarly, land cannot be created, thus the Cost Approach is irrelevant and not applicable to the appraisal assignment.

The **scope of resource** utilized to develop the market data used to support the compensation estimate expressed herein included the local Multiple Listing Service, CoStar, First American Title, DataTree, county assessment records and market participant relationships.

Assignment Conditions

The value estimate(s) reported herein was not affected by any adverse assignment conditions.

Hypothetical Conditions

Hypothetical conditions assume conditions contrary to known facts about physical, legal or economic characteristics of the subject property, or about conditions external to the property, such as market conditions or trends. It should be noted that the use of hypothetical conditions may affect assignment results.

The appraisal assignment is **not** based upon any hypothetical conditions.



Appraisers: David E. Balfour, MAI / Sam A. Karpeles, MAI

City of Newberg

Extraordinary Assumptions

Extraordinary assumptions are those which must be introduced into the assignment for purposes of reasonable analysis and are assumed to be correct. If any are subsequently found to be incorrect or unsupportable, the compensation estimate concluded herein may require revision.

The fair market value estimate concluded herein is **not** based upon any extraordinary assumptions.

Relevant Definitions

The following definitions cited in the Dictionary of Real Estate Appraisal published by the Appraisal Institute (2022) are relevant to this assignment and report:

Extraordinary Assumption

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraisers' opinions or conclusions.

Hypothetical Condition

A condition, directly related to a specific assignment, which is contrary to what is known by the appraisers to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Fee Simple Title

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.

Market Value

The most probable price which a property should bring in a competitive and open market under all condition's requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- *Buyer and seller are typically motivated;*
- *Both parties are well informed or well advised, and acting in what they consider their best interests;*
- *A reasonable time is allowed for exposure in the open market;*
- *Payment is made in terms of cash or United States dollars or in terms of financial arrangements comparable thereto; and*



Appraisers: David E. Balfour, MAI / Sam A. Karpeles, MAI

City of Newberg

- *The price represents the normal consideration for property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*

Exposure Time Estimate

Reasonable exposure time is defined in the latest edition of USPAP as the “estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.” It is a retrospective opinion based upon analysis of past events assuming a competitive and open market. It is important to note that the concept of reasonable exposure time encompasses adequate, sufficient and reasonable time, as well as effort. It is therefore a function of price, time, and use, and not an isolated estimate of time alone. The term applies to circumstances wherein a property may be overpriced or under-marketed and is different for various types of real estate and under various market conditions. Reasonable exposure time is inextricably linked to the type of real estate and its value range.

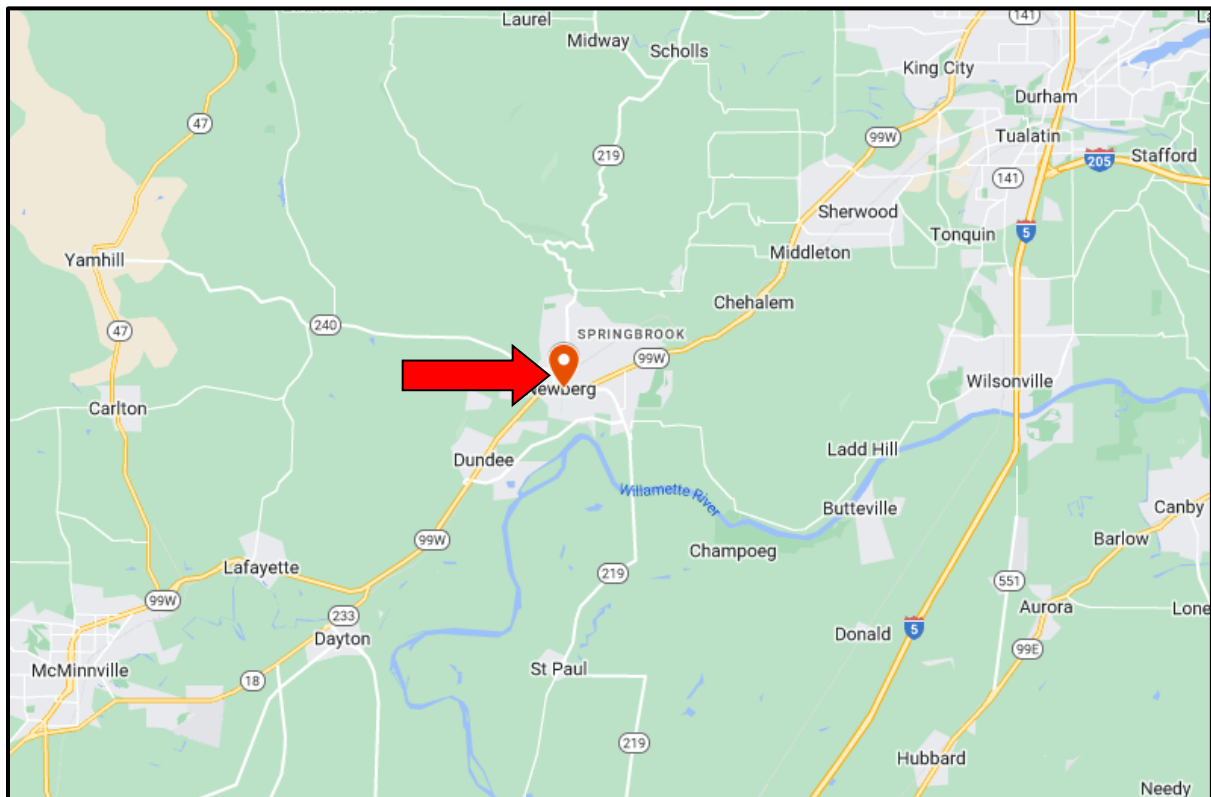
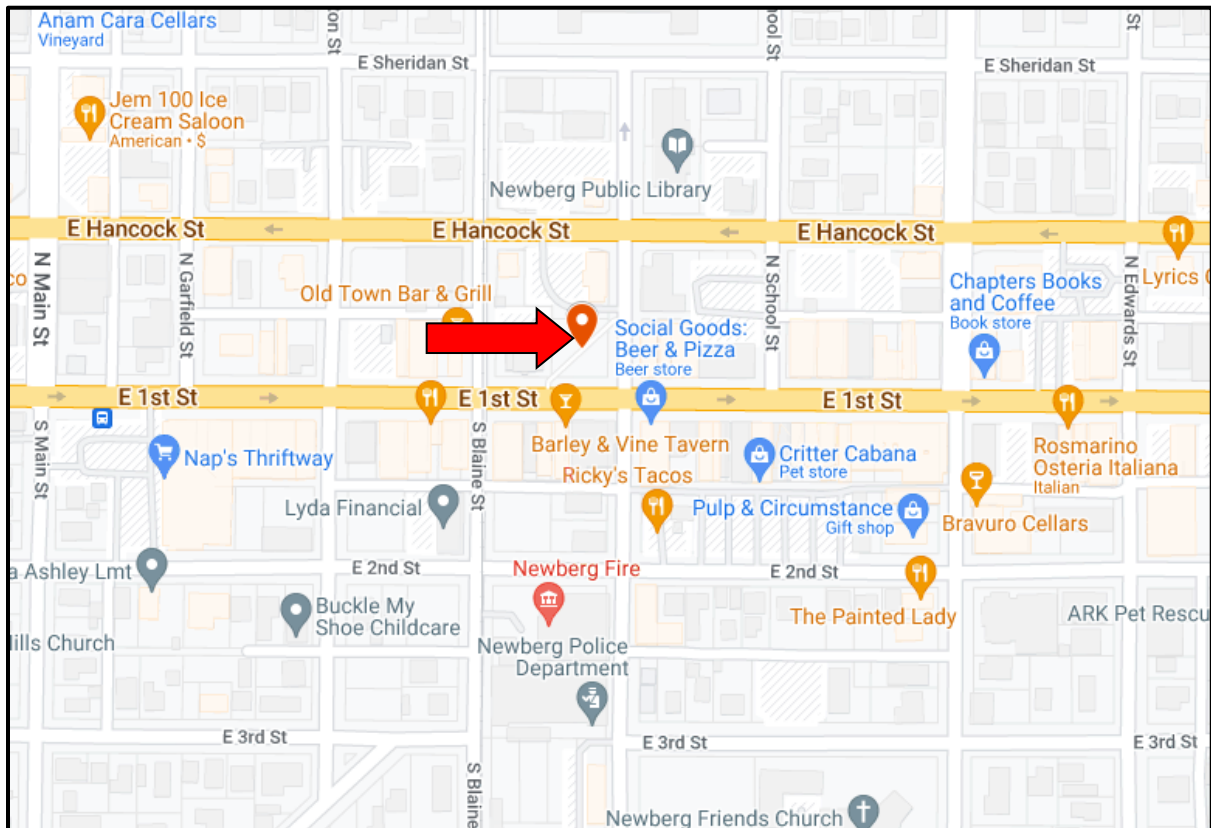
- The subject property type exhibits marketing times of up to 2 years per comparable data summarized herein (averaging 18 months). Thus, a reasonable exposure period is roughly 18 months.

Marketing Time Estimate

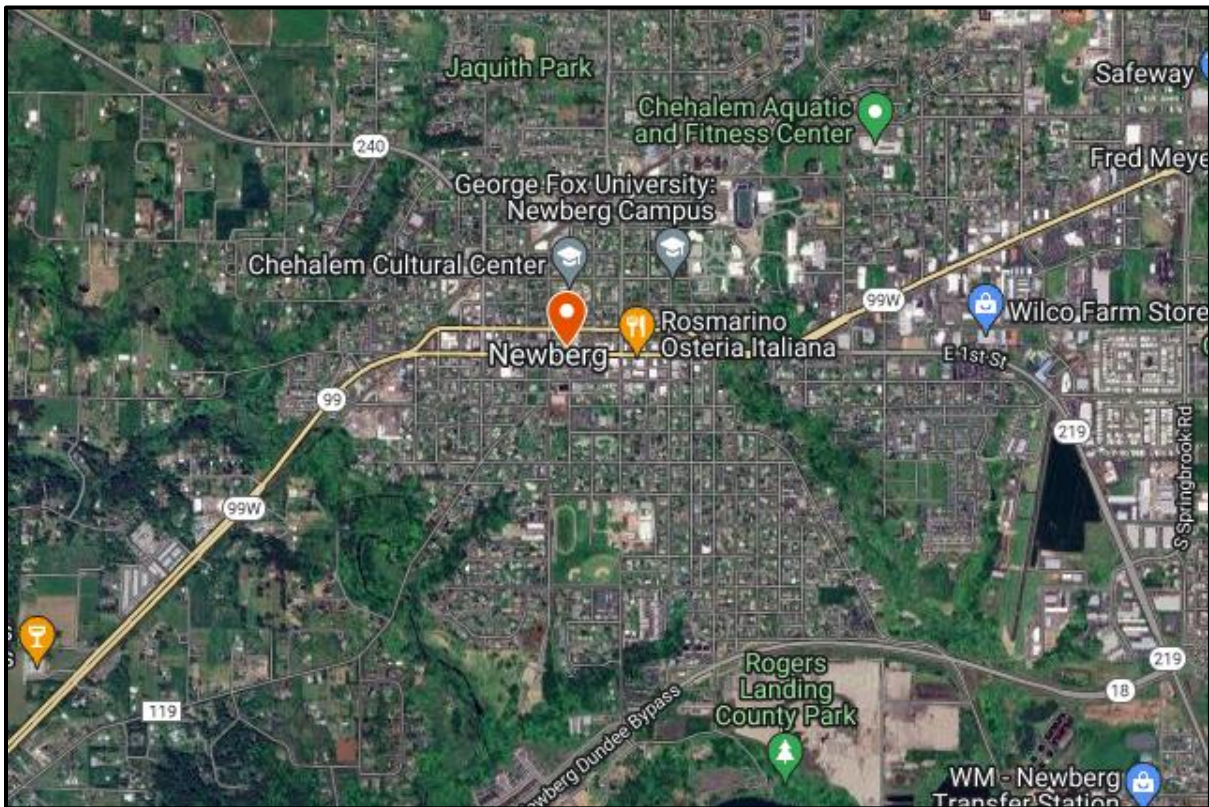
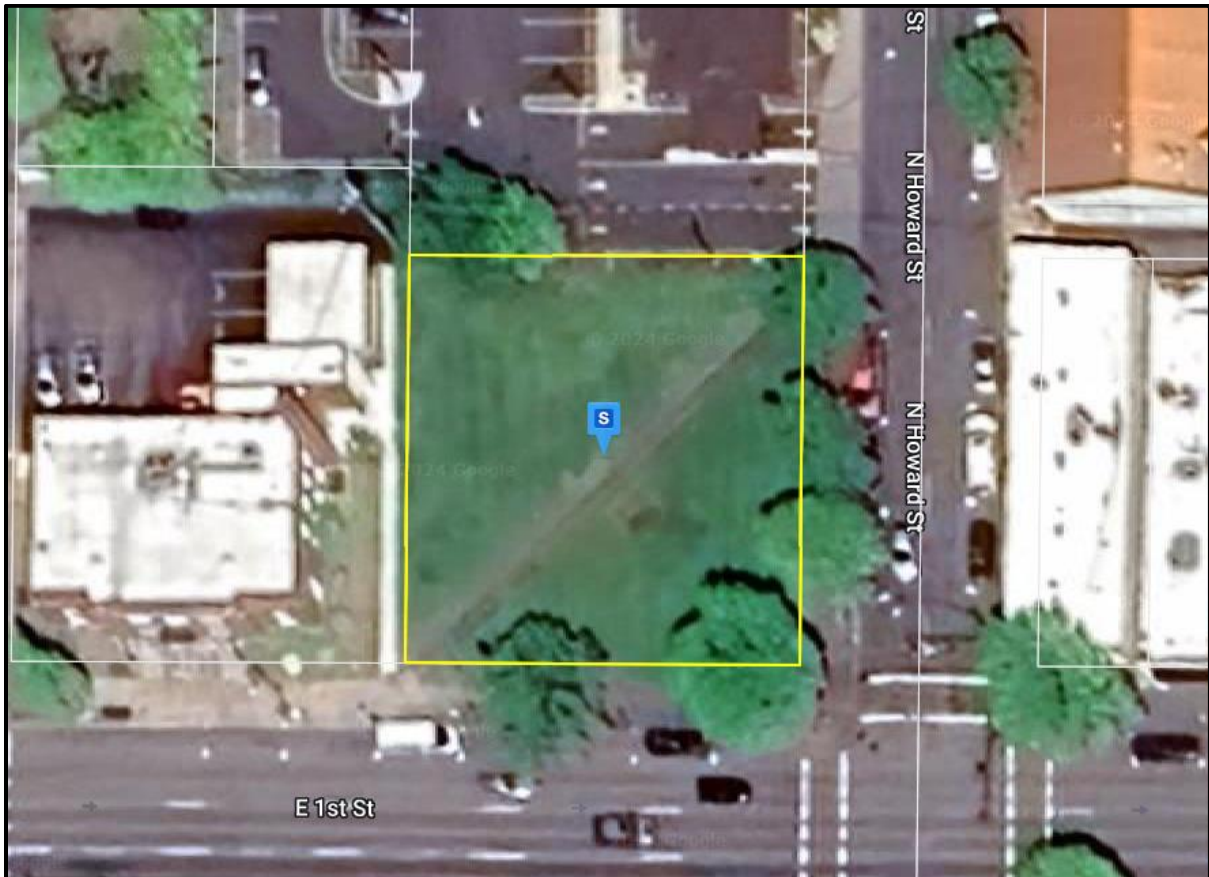
Based upon the preceding analysis and discussion of relevant market data to the subject property, the following marketing time estimate is reasonable for the subject property:

Marketing Time: +/- 18 Months

2. Subject Exhibits and Photographs



Location Maps



Aerial Photographs

SUBJECT PHOTOGRAPHS



Northeast view of subject



North view of subject

SUBJECT PHOTOGRAPHS



Northwest view of subject



Southwest view of subject

SUBJECT PHOTOGRAPHS

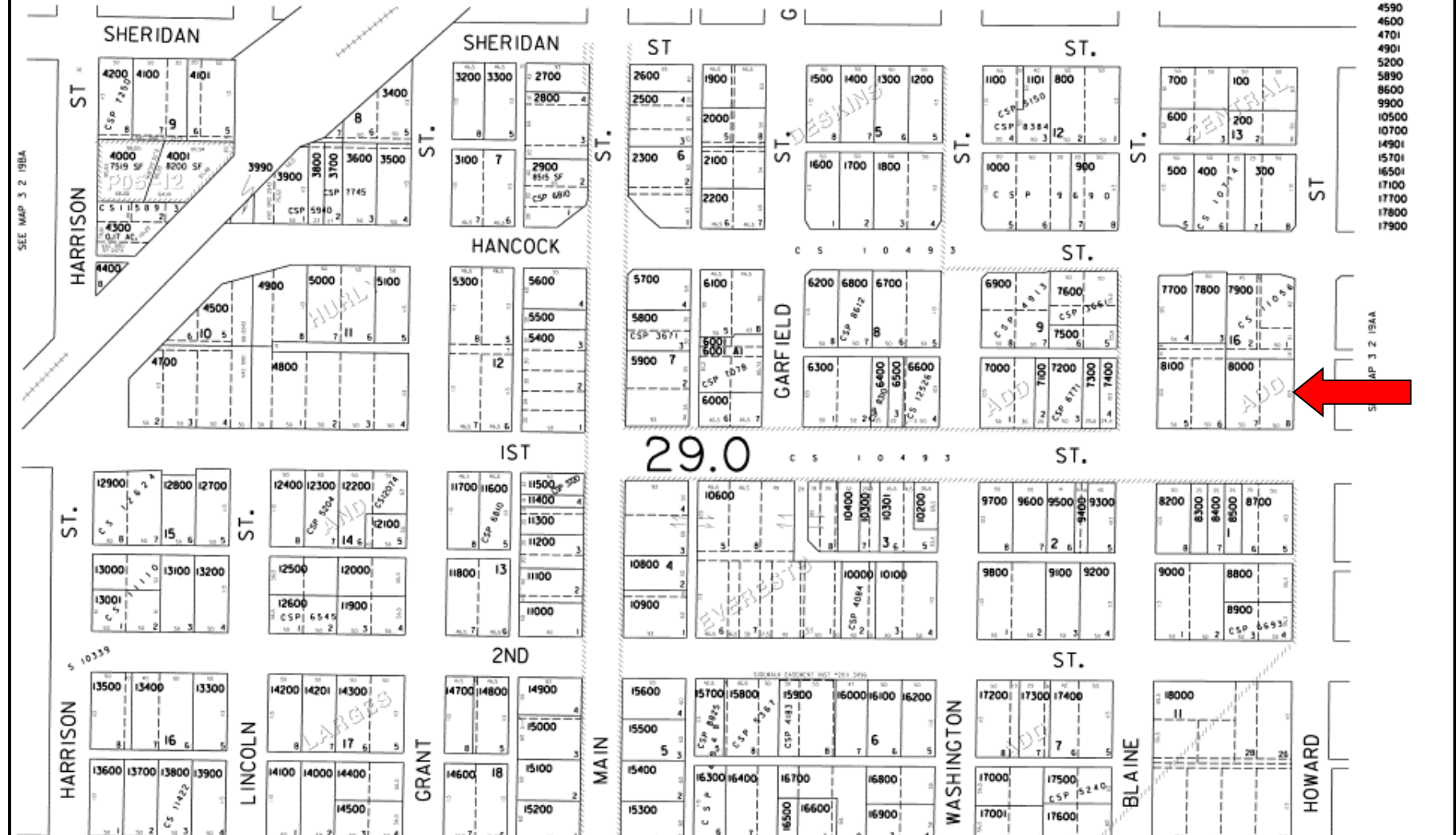


West street scene along 1st Street



North street scene along Howard Street (subject left)

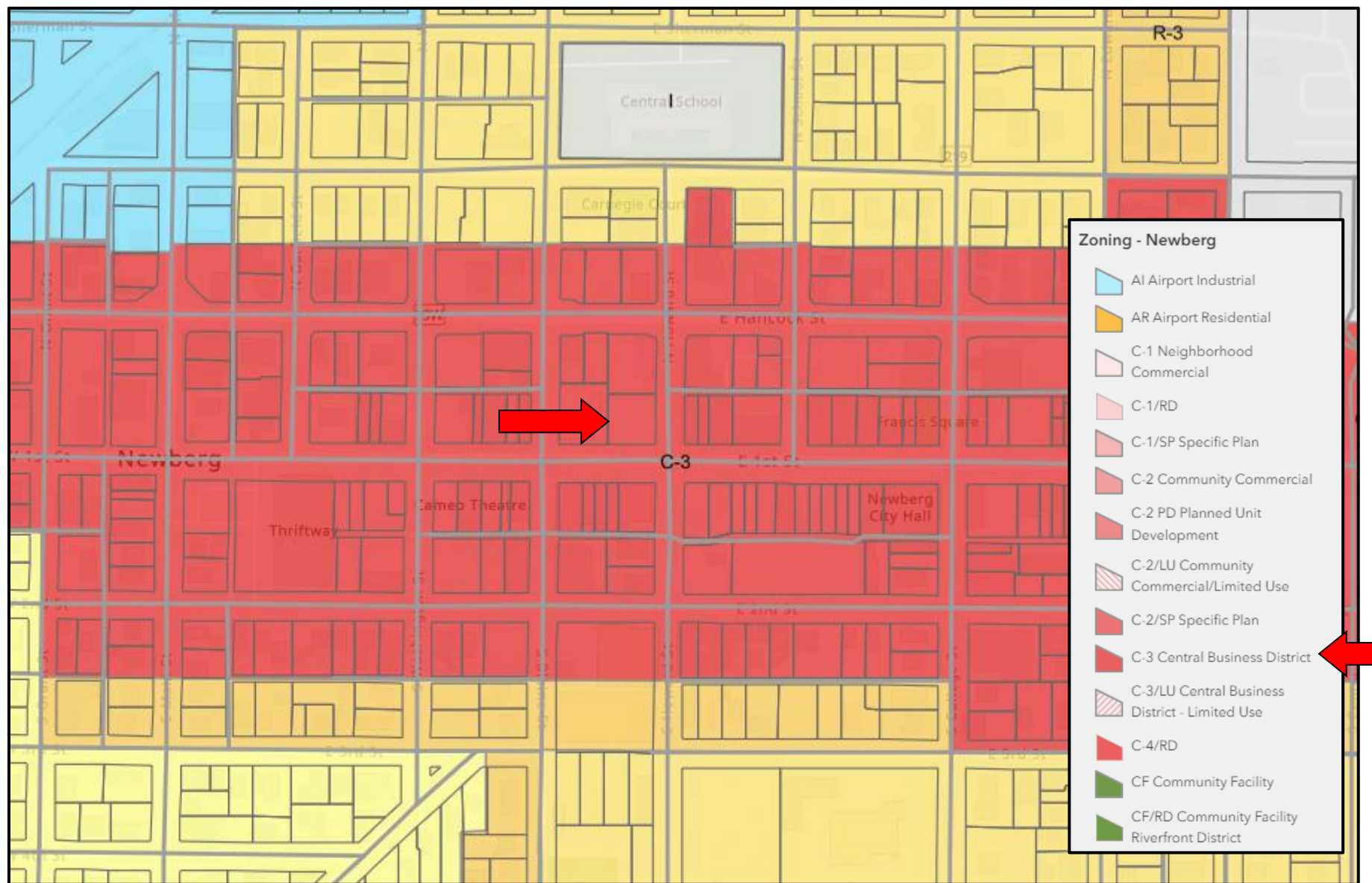
SEE MAP 3 2 1BDC



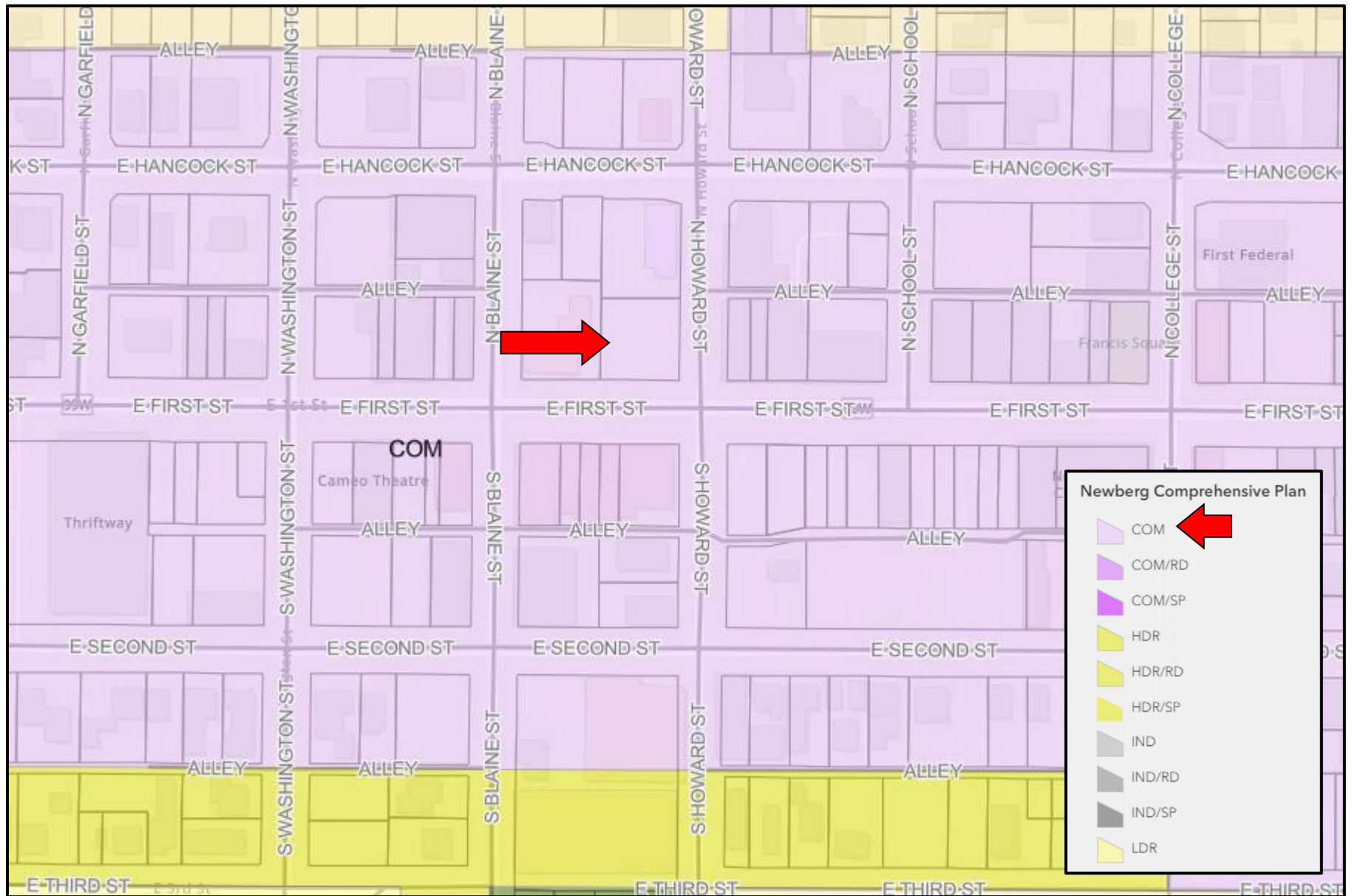
CANCELLED
2301
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4901
5200
5890
8600
9900
10500
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14901
15701
16501
17100
17700
17800
17900

AP 3 2 1944

Assessor Map



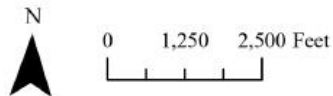
City of Newberg Zoning Map



City of Newberg Comprehensive Plan Map

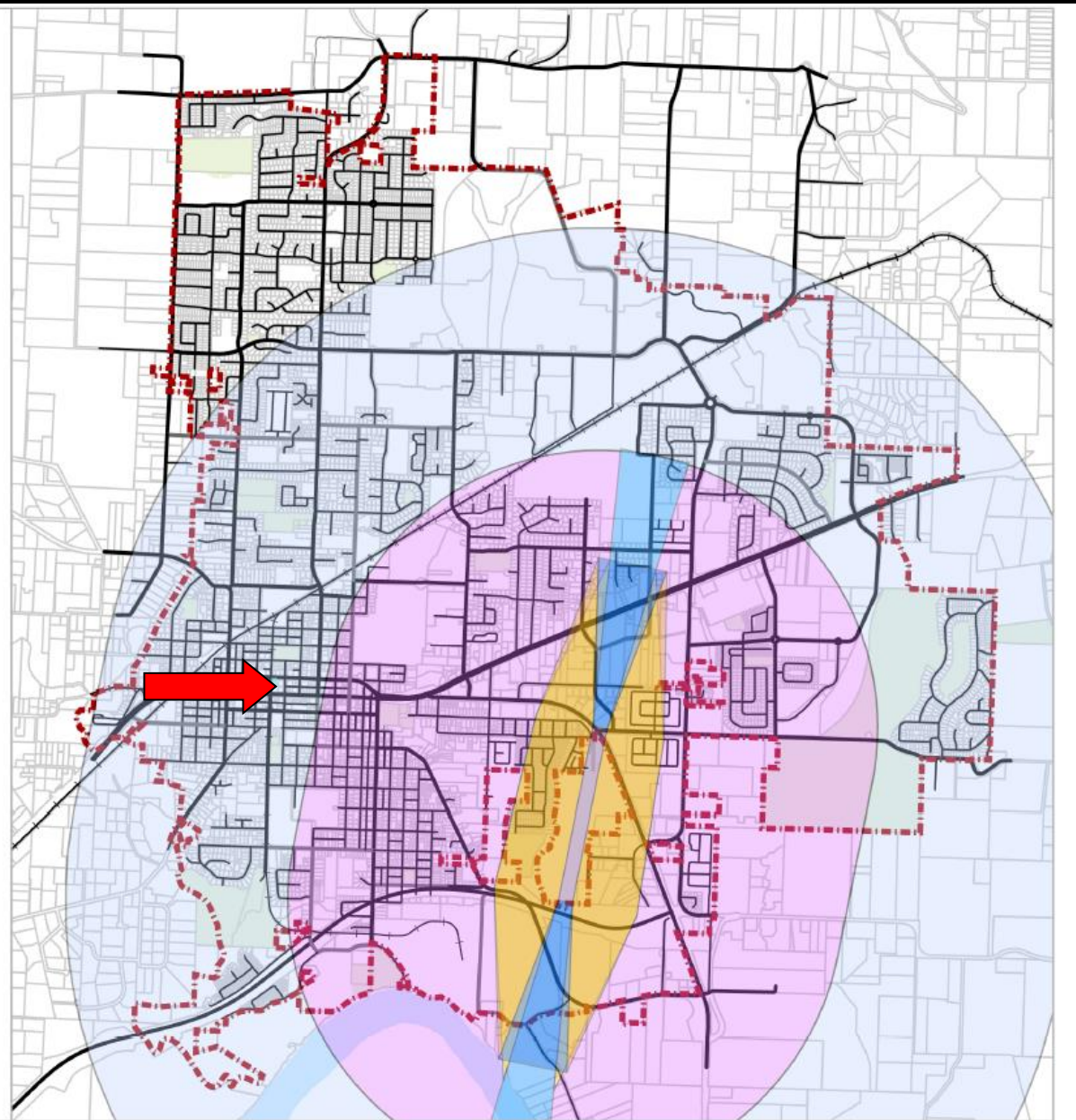
Airport Overlay Imaginary Surfaces

-  City Limits
-  Primary Surface
-  Airport Approach Safety Zone (per NMC)
-  Airport Approach Safety Zone (per FAA Part 77)
-  Transitional Zone (per NMC)
-  Transitional Zone (per FAA Part 77)
-  Horizontal Zone
-  Conical Surface 

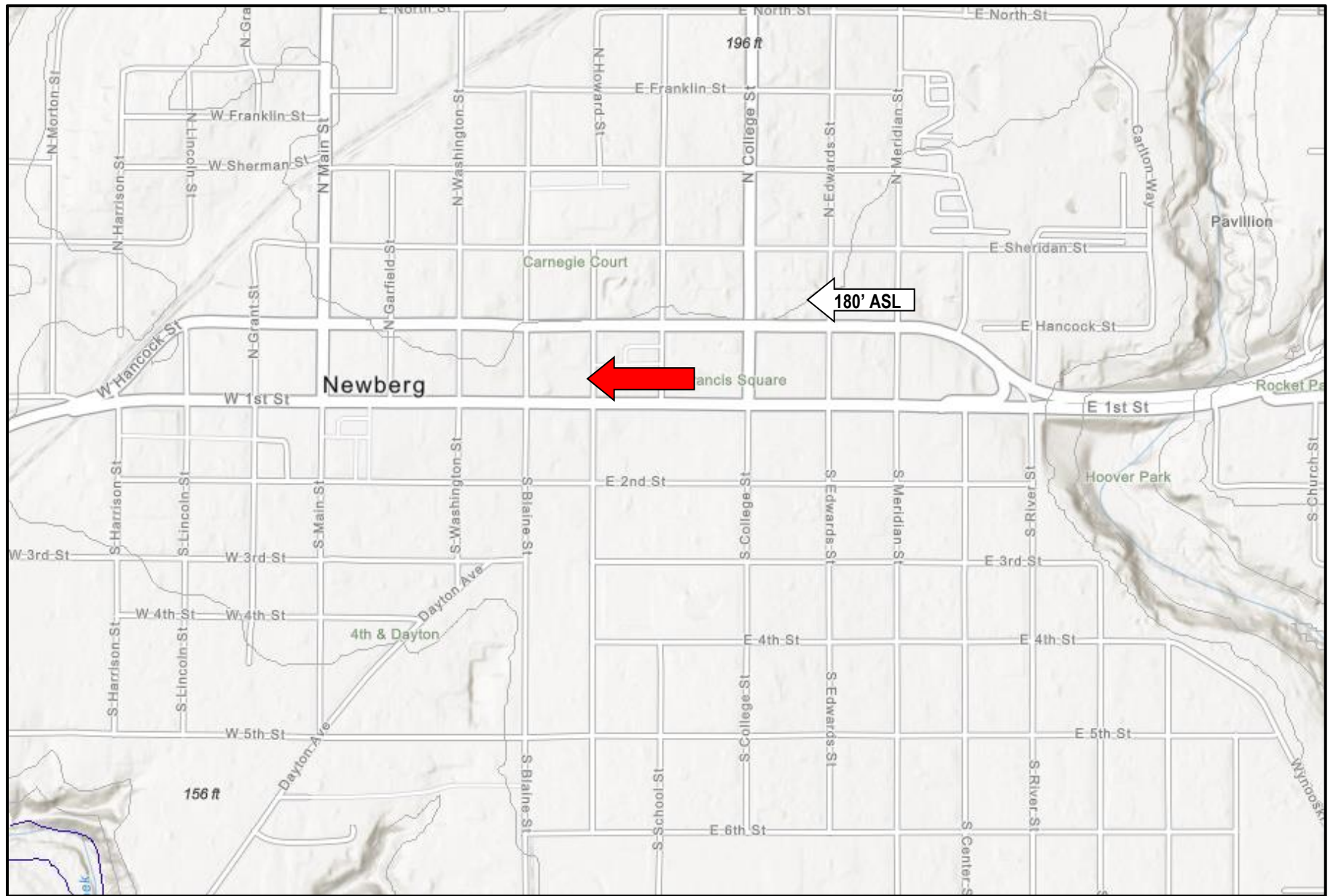


IMPORTANT NOTICE TO ALL USERS:
DISCLAIMER AND LIMITATION OF LIABILITY
This information is not guaranteed to be accurate and may contain errors and omissions.
The City of Newberg provides NO WARRANTY AS TO THE MERCHANTABILITY OR FITNESS FOR THE PARTICULAR PURPOSE FOR ANY INFORMATION HEREIN.
The map is created from various data sources and is subject to change without notice.
This map is intended for general planning purposes only.

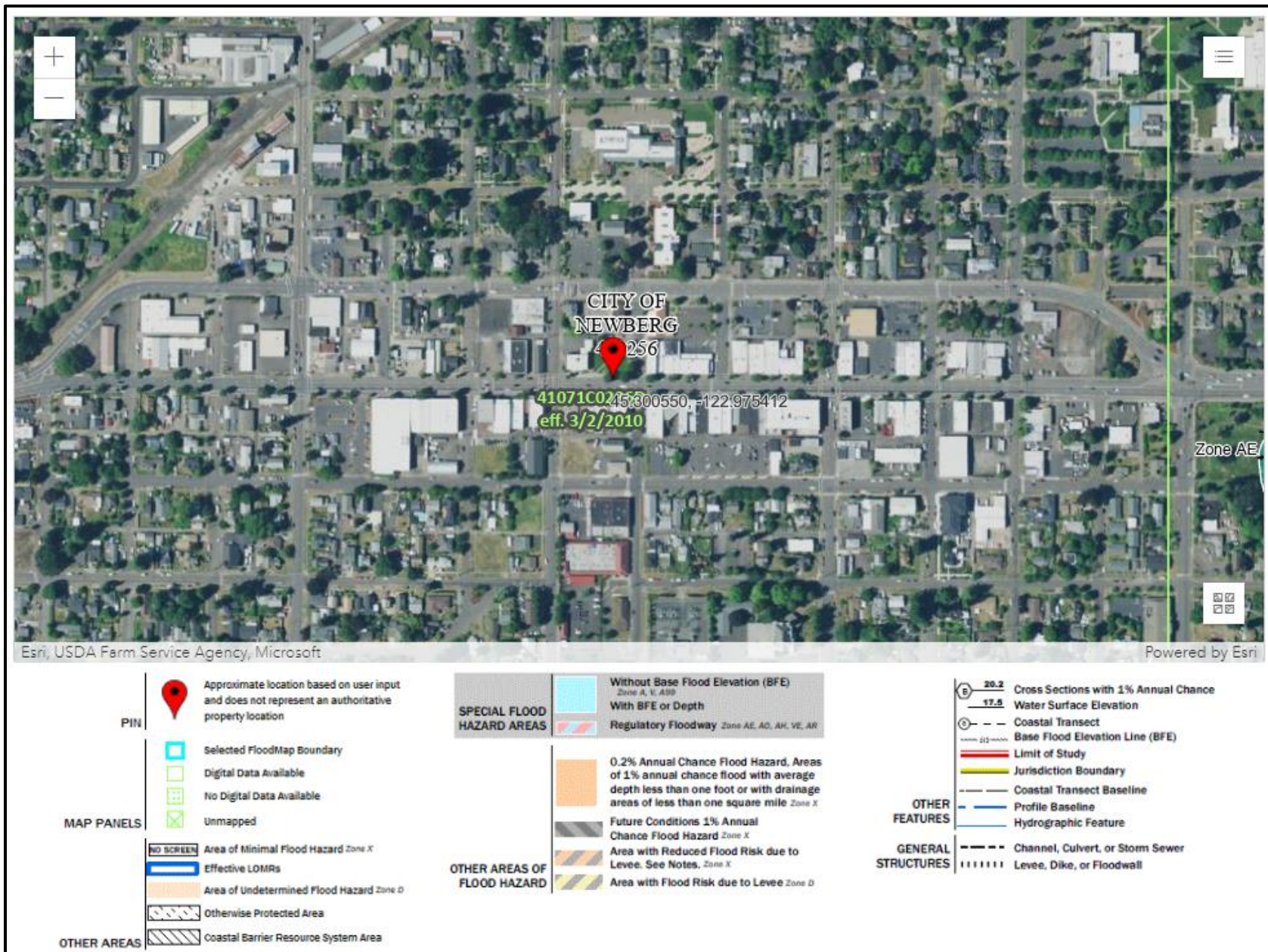
Source: Business Oregon, City of Newberg, OR DOGAMI, ODOT
Last Updated on: March 14, 2024 by James Dingwall



City of Newberg Comprehensive Plan Map



Yamhill County Contour Map



FEMA Flood Hazard Map



Appraisers: David E. Balfour, MAI / Sam A. Karpeles, MAI

City of Newberg

3. Subject Property Description

Property Ownership

Subject Vested Owner: City of Newberg
Ownership Confirmation Source: Assessor Records
Preliminary Title Report No.: ----
Effective Date: ----

Marketing History

The following tabulation provides a summary of arms-length sale transactions of the subject property preceding the valuation date (if any):

3-Year Sales: None

Easements and Encumbrances

The appraisers were **not** provided with a preliminary title report. A review of assessor records did not identify any existing easements or encumbrances. Obtaining a current title report and survey is strongly recommended to the client.

Present Use of the Subject

The subject is a vacant land tract.

Occupancy Profile

The subject is a vacant land tract and reportedly not leased. No lease or income information was provided to the appraisers.

Courthouse/Assessor Data

The following exhibit provides a summary of the subject assessor data:

Value Type	Tax Year 2023	Tax Year 2022
Assessed Value AVR	\$266,296	\$258,540
Exempt Value EAR	\$266,296	\$258,540
Taxable Value TVR		
Real Market Land MKLTL	\$296,069	\$311,611
Real Market Buildings MKITL		
Real Market Total MKTTL	\$296,069	\$311,611
M5 Market Land MKLND	\$296,069	\$311,611
M5 Limit SAV M5SAV		
M5 Market Buildings MKIMP		
M50 MAV MAVMK	\$266,296	\$258,540
Assessed Value Exception		
Market Value Exception		
SA Land (MAVUSe Portion) SAVL		

Improvements Description

The following tabulation provides a summary of the subject improvements based upon information available to the appraisers:



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Source(s):	Assessor Records
Structure(s):	----
Year Built	----
Improved Area	----
Site Improvements	Concrete sidewalk, landscaping, and natural vegetation.

It should be noted that as a commercial land tract that can support intensive development, the existing site improvements do not contribute value to the property.

Site Description

The following tabulation provides a summary of the subject site based upon information available to the appraisers:

Site Area	0.24 Acres (10,300 SF)
Maximum Width	103 feet
Maximum Depth	100 feet
Topography	Mostly level topography
Elevation	+/- 180' ASL
Sensitive Lands	None
FEMA Flood Zone	Zone AE, "X" - Minimal Flood Risk
Average Daily Traffic	1 st Street (Highway 99W): 15,437 ADT

Key Site Characteristics include:

- The subject site represents a prime, vacant commercial land tract. It is located in Downtown Newberg along 1st Street, which is the west leg of Highway 99W. The site exhibits desirable downtown synergy and walkability with competitive access connectivity along a prominent commercial corridor.
- The site is specifically located at the northwest corner of 1st Street and Howard Street and occupies a quarter city block. Surrounding synergy includes various restaurants, bars, retail shops, banks, a hotel, and more.
- The subject represents one of few available infill sites in the downtown Newberg commercial core.
- The site has adequate dimensions, level topography, and available infrastructure which are all conducive to supporting commercial development.
- The site zone does not have a maximum height or maximum density, however, the zone states that buildings should respect the scale or surrounding buildings. Downtown Newberg exhibits most buildings that are 2 to 3 stories in height. This is compatible with the proposed development of the comparable sales and thus appears to be a likely height allowance for the subject.



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In summary, the subject represents a prime and competitive commercial development land tract with desirable downtown synergy.

Access

The subject does not exhibit any improved driveway approaches given that it is a vacant land tract. Access to adjoining roadways would need to be established in a new development plan.

Infrastructure and Utilities

Based upon information available to the appraisers, the following utility infrastructure information is relevant to the subject property:

Public services	Available
Private Well/Septic:	N/A

There are no reported utility connection or capacity issues at the subject location based upon information available to the appraisers.

Zoning

The following information provides a summary of the subject zoning and comprehensive plan designations:

Jurisdiction:	City of Newberg
Zoning:	C-3; Central Business District Civic Corridor Overlay Subdistrict
Comp Plan Designation:	Commercial

Summary / Uses Permitted:	The purpose of the C-3 Central Business District zone is to preserve and enhance areas within which the greatest possible concentration of retail sales and business will occur. The district will be applied to the “core” area based upon the guidelines in the comprehensive plan. The buildings and uses permitted reflect the desire to have parking provided on a district-wide basis rather than having each individual building or use provide parking. The C-3 district is intended to be consistent with the commercial (COM) designation of the comprehensive plan.
----------------------------------	--

Permitted uses include horticulture, home gardening, dwelling (duplex, multifamily, mixed use), family childcare home, daycare, residential care home, hospital, religious institution, private club/lodge/meeting hall, college, commercial educational services, open space, park, community services, emergency services, transportation facilities and improvement, transit center, parking facility, basic utilities, medical office, local business office, retail sales (general/convenience), eating and drinking (alcohol/non-alcohol), personal/commercial services, hotel/motel, traded sector industry office, accessory building, medical marijuana dispensary, recreational marijuana retailer, marijuana laboratories/research certificate, and more.

Development standards for the Central Business District zone include a minimum lot size of 5,000 SF, no maximum height, no minimum setbacks, and a 20-foot maximum front yard and corner side yard setback.



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The civic corridor overlay subdistrict is designed to emphasize the civic heart of the community and to capitalize on the significant amenity that Newberg's historic downtown buildings represent. Two buildings which characterize the historic style of Newberg are City Hall, built in 1913, and the library, built in 1912. The important architectural features of this style are illustrated in the figure below. Specific design standards will ensure that new development is consistent with the regional and local historical traditions that these buildings represent. While incorporating historic ornament and detail into new buildings is encouraged, it is recognized that the current cost of such detail may not be feasible. Instead, historical compatibility is better achieved by relating to the vertical proportions of historic facades, the depth and quality of windows and doors, and emulating the simple vertical massing of historical buildings. The CC subdistrict is intended to emphasize the civic and historic character of that portion of downtown Newberg generally bounded by Sherman Street on the north, Blaine Street on the west, 5th Street on the south, and Howard and School Streets on the east and as depicted on the zoning map. The subdistrict overlay may be applied within any zoning district within these boundaries. The subdistrict shall be designated by the suffix CC added to the symbol of the parent district. Permitted uses include those permitted by the underlying zoning district and other uses specifically allowed within the CC subdistrict that are compatible with the uses in the underlying zoning.

Finally, the subject property is located within the Airport Overlay Imaginary Surfaces district which places a height limit requirement on new development. Thus, subject specific overlay area does not have a maximum height but is determined within a site plan review.

As to maximum height, the Newberg Development code states that height for new development should "respect the scale and patterns of nearby buildings by reflecting the architectural styles, details, materials, and scale".

Soil Conditions

A geotechnical report was not provided by the client. It has been assumed there are no adverse soil conditions that would affect the marketability of the subject.

Environmental Issues

An Environmental Assessment was not provided by the client. It has been assumed there are no adverse environmental issues that would affect the marketability of the subject.



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4. Market Analysis

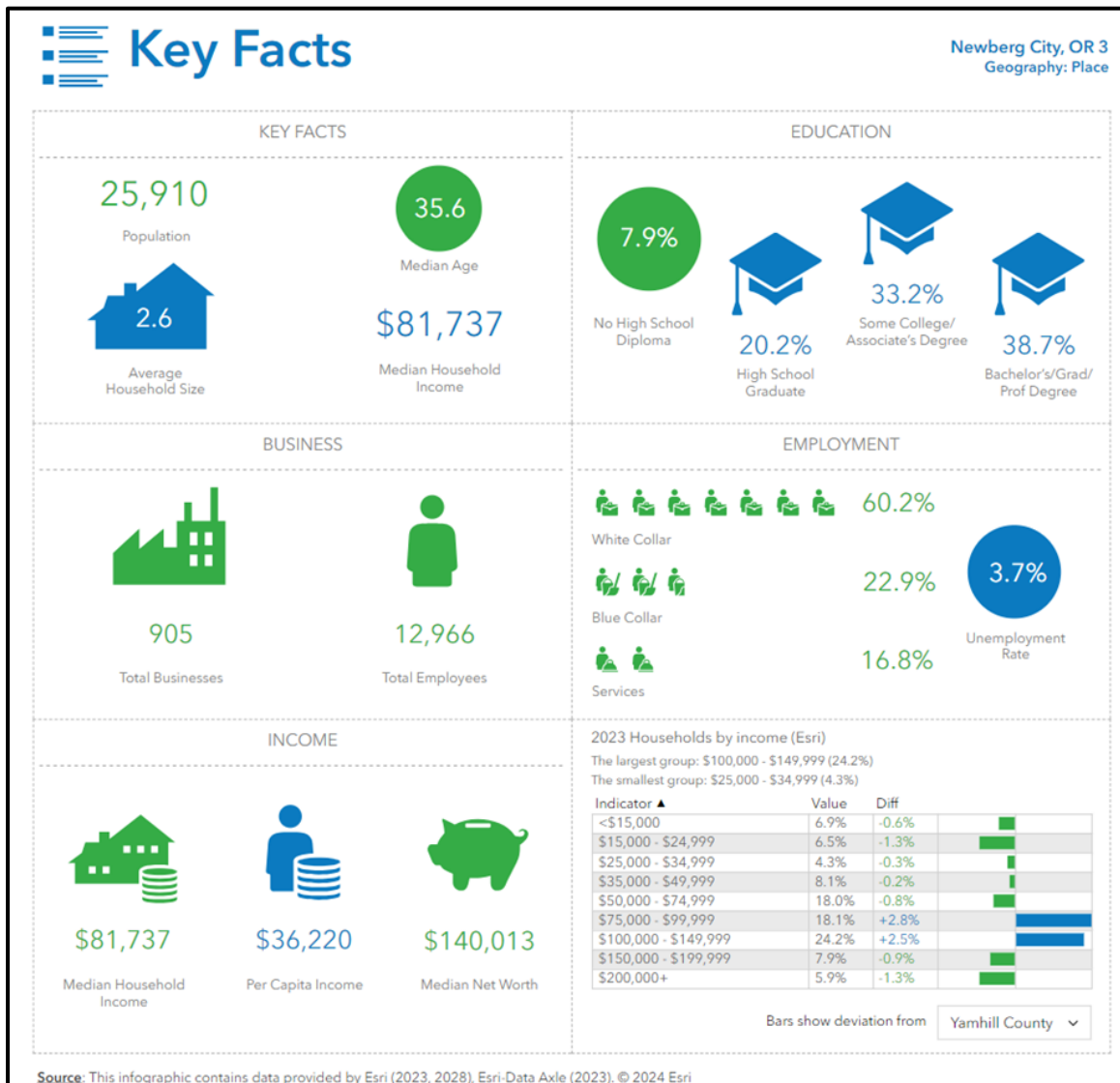
The following information and tabulation chart provides a demographic and income profile of the subject's market area.

Market Area Analyzed:

City of Newberg

Source:

ESRI Statistical Data



The subject property is located within the City of Newberg. The following is an excerpt from the City of Newberg Webpage: "Newberg is located approximately 25 miles southwest of Portland, Oregon on US Highway 99W on the northeast side of Yamhill County. Although conveniently situated near the many assets of the Portland metropolitan area, the community



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retains a distinct physical separation from the metro region, buffered by a greenbelt of rural forests and farmlands. The Chehalem Mountains surrounding the community and the broad Willamette River create a natural bowl, providing a special sense of place that is cherished by the citizens of Newberg. Newberg is home to 22,645 people and enjoys a diverse, economic base. The community's strategic location also provides numerous recreational opportunities. A short drive provides access to the urbane pleasures of Portland. Countless rivers and forests are within easy driving distance, offering boating, fishing, and hunting opportunities. Several golf courses are located in the county. World-class wine tasting is available throughout Yamhill County, which has the reputation of being the Napa Valley of Oregon. A one-hour drive east will take one to the Cascade Mountains for skiing, camping, fishing and hiking. A one-hour drive west will take one to the breathtaking views of the Pacific coastline, with its many beautiful beaches. With an elevation of only 175 feet above sea level and a relatively close location to the Pacific Ocean, Newberg enjoys a very moderate climate. The average high temperature is 65 degrees Fahrenheit (16 degrees Celsius) and the average low temperature is 39 degrees Fahrenheit (7 degrees Celsius). The local growing season is approximately 174 days. The annual average of rainfall is 42 inches. Newberg is a fast-growing community that has still managed to maintain a relaxed pace that complements the friendly people who live here. It is a community where its citizens are rightfully proud of their Newberg heritage and its future."

The following tabulation provides a summary of the "Employment in the Yamhill County" publication by the State of Oregon Employment Department:



Workforce & Economic Research Division

QualityInfo.org

March 26, 2024

Yamhill County Current Labor Force and Industry Employment

	--Change From--				
	February 2024	January 2024	February 2023	January 2024	February 2023
Labor Force Status					
Civilian labor force	56,683	55,796	56,387	887	296
Unemployed	2,636	2,509	2,141	127	495
Unemployment rate	4.7%	4.5%	3.8%	0.2	0.9
Unemployment rate (seasonally adjusted)	3.8%	3.6%	4.3%	0.2	-0.5
Employed	54,047	53,287	54,246	760	-199

It should be noted that there are current world events as of the valuation date that must be identified including the Coronavirus Pandemic and Russia's invasion of Ukraine (February 2022), with inflation spikes attributable to these events as well as monetary policy in response to the events which has led the United States Federal Reserve to tighten monetary policy which



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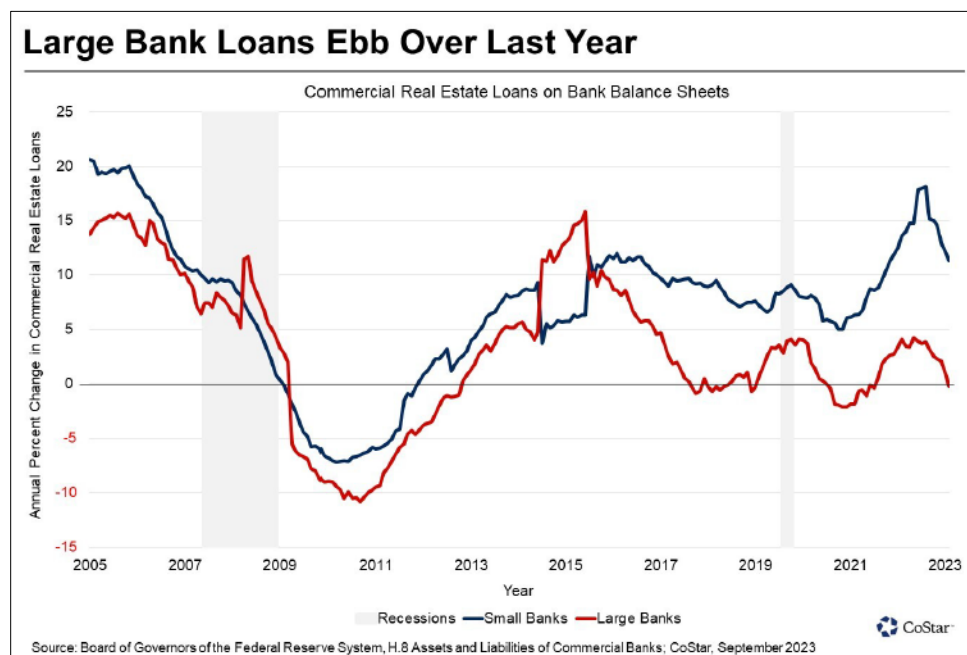
City of Newberg

will impact lending conditions. Since March 2022, the Federal Reserve has issued 11 rate hikes which is the most aggressive interest rate increase policy since the 1980s.

To demonstrate the rise in interest rates previously discussed, the appraiser has included a 3-year chart of 10-Year US Treasury interest rates, which have more than doubled from 2021 to present.



To expand upon shifts in the banking sector, the following exhibit shows the pullback in commercial real estate lending. The CoStar Properties article went on to note that there are substantive commercial real estate loan maturities occurring over the next few years, which along with tighter credit conditions, could weigh on transaction volumes and property values. These headwinds must continue to be monitored.





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It should be noted that CoStar Properties recently (October 2023) published a news article summarizing Bank of America's recent Projects Default Test, wherein Bank of America Securities ran a hypothetical refinancing analysis for commercial real estate loans in its portfolio. The securities team found that 59 percent of loans were unable to refinance (with office and multifamily properties being the largest share). The study assumed a 7.5 percent interest rate (which is below rates as of the date of report) and a debt-service coverage ratio of 1.25 over 30-year terms. This information is indicative of a potential pull back in real estate values given that there may be an increase in inventory (sellers needing to dispose of troubled assets) while buyers are able to demand greater rate of return expectations in this rising interest rate environment.

In summary, as of the valuation date there are no clearly measurable impacts to real estate values in the subject market area for which to derive backwardation in values. However, these situations must continue to be monitored by the appraisers, client, and market participants given that headwinds are apparent.

Market Analysis

The subject competes within the following real estate market:

Market Segment: Retail / Office / MF
Market Area Analyzed: Yamhill County
Source: CoStar

Retail Market Overview:

The subject competes within the Retail market of Yamhill County which has been summarized by the following data:

4.2M ↑	0 ↓	1.4K ↓	1.9% ↑	\$19.23 ↑	\$209 ↑	6.5% ↑
Inventory SF	Under Constr SF	12 Mo Net Absorp SF	Vacancy Rate	Market Asking Rent/SF	Market Sale Price/SF	Market Cap Rate

AVAILABILITY	SUBMARKET	MARKET
Market Asking Rent/SF	\$19.23 ↑	\$24.60 ↑
Vacancy Rate	1.9% ↑	4.1% ↑
Vacant SF	77.6K ↑	5.2M ↑
Availability Rate	2.3% ↑	4.5% ↑
Available SF Direct	91.6K ↑	5.5M ↑
Available SF Sublet	6.6K ↑	263K ↑
Available SF Total	98.2K ↑	5.7M ↑
Months on Market	4.1	11.2

DEMAND	SUBMARKET	MARKET
12 Mo Net Absorption SF	1.4K ↓	(407K) ↓
12 Mo Leased SF	16.4K ↓	1.9M ↓
6 Mo Leasing Probability	33.7%	32.3%

INVENTORY	SUBMARKET	MARKET
Existing Buildings	542 ↓	12,035 ↓
Inventory SF	4.2M ↑	126M ↓
Average Building SF	7.7K ↓	10.4K ↑
Under Construction SF	0 ↓	309K ↓
12 Mo Delivered SF	15.1K ↑	320K ↓

SALES	SUBMARKET	MARKET
12 Mo Transactions	10 ↓	305 ↓
Market Sale Price/SF	\$209 ↑	\$267 ↑
Average Market Sale Price	\$1.6M ↑	\$2.8M ↑
12 Mo Sales Volume	\$18.9M ↓	\$477M ↓
Market Cap Rate	6.5% ↑	6.3% ↓



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“The Yamhill County retail submarket has a vacancy rate of 1.9%. This vacancy rate is 0.3% higher than it was this time last year. There has been 1,400 SF of positive absorption and 15,000 SF of net deliveries. Rents have increased 3.4% in the past 12 months and are currently around \$19.20/SF. Nothing is under construction in the Yamhill County retail submarket. In the past year, there have been 10 sales, which traded for approximately \$19.4 million in volume. Vacancy is 1.9% in General Retail buildings, and 2,500 SF has been absorbed in this asset class over the past year. No vacancies were reported in Strip Centers, and 2,000 SF has been absorbed in this asset class over the past year. Vacancy is 2.0% in Neighborhood Centers, and there has been 3,200 SF of negative absorption in this asset class over the past year. Current vacancy is lower than its trailing three-year average of 2.0%, which is also lower than the Portland market trailing three-year average of 3.8%. Rents have increased 10.8% over the past three years, higher than the Portland market average of 8.8%. There have been 80 sales over the past three years, amounting to \$89.6 million in volume and 460,000 SF of inventory. CoStar's estimated cap rate for Yamhill County has averaged 6.5% over the past three years, and matches the market's current estimated cap rate. The total Yamhill County retail submarket comprises 4.2 million SF of inventory.”

Office Market Overview:

The subject competes within the Retail market of Yamhill County which has been summarized by the following data:

1.7M ↓	0 ↓	(10K) ↓	3.2% ↑	\$23.95 ↑	\$171 ↓	8.4% ↑
Inventory SF	Under Constr SF	12 Mo Net Absorp SF	Vacancy Rate	Market Asking Rent/SF	Market Sale Price/SF	Market Cap Rate

AVAILABILITY	SUBMARKET	MARKET
Market Asking Rent/SF	\$23.95 ↑	\$29.23 ↑
Vacancy Rate	3.2% ↑	13.2% ↑
Vacant SF	54.2K ↑	15.6M ↑
Availability Rate	3.8% ↑	15.8% ↑
Available SF Direct	63.1K ↑	16.4M ↑
Available SF Sublet	1.6K ↑	2.5M ↑
Available SF Total	64.7K ↑	18.8M ↑
Months on Market	3.2	13.2

INVENTORY	SUBMARKET	MARKET
Existing Buildings	229 ↓	6,216 ↓
Inventory SF	1.7M ↓	118M ↓
Average Building SF	7.3K ↓	19K ↓
Under Construction SF	0 ↓	537K ↓
12 Mo Delivered SF	0 ↓	352K ↓

DEMAND	SUBMARKET	MARKET
12 Mo Net Absorption SF	(10K) ↓	(1.5M) ↓
12 Mo Leased SF	24.2K ↑	3.5M ↑
6 Mo Leasing Probability	44.6%	33.9%

SALES	SUBMARKET	MARKET
12 Mo Transactions	1 ↓	155 ↓
Market Sale Price/SF	\$171 ↓	\$266 ↓
Average Market Sale Price	\$1.3M ↓	\$5.1M ↓
12 Mo Sales Volume	\$0 ↓	\$428M ↓
Market Cap Rate	8.4% ↓	7.7% ↓

“The Yamhill County office submarket has a vacancy rate of 3.2%. This vacancy rate is 0.6% higher than it was this time last year. There was 10,000 SF of negative absorption and no net deliveries. Rents have increased by 1.5% in the past 12 months and are currently around \$24.00/SF. Nothing is under construction in the Yamhill County office submarket. No



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vacancies are reported in 4 & 5 Star buildings, and absorption has been flat in this asset class over the past year. Within 3 Star buildings, vacancy is 3.8% and there has been 5,600 SF of negative absorption. Around 2.7% of 1 & 2 Star space is vacant, and there has been 4,400 SF of negative absorption over the past year. Current vacancy is higher than its trailing three-year average of 2.6%. However, this figure is lower than the 11.4% trailing three-year average of the Portland market as a whole. The submarket is the same size as it was three years ago as nothing has been built or demolished in this period. Rents have increased by 7.9% over the past three years, higher than the Portland market average of 6.0%. CoStar's estimated cap rate for Yamhill County has averaged 7.7% over the past three years, which is lower than the current estimated cap rate of 8.4%. The total Yamhill County office submarket comprises 1.7 million SF of inventory."

Multifamily Market Overview:

The subject competes within the Retail market of Yamhill County which has been summarized by the following data:

3,063 ↑	0 ↓	27 ↓	1.7% ↑	\$1,355 ↑	\$171K ↓	5.7% ↑
Inventory Units	Under Constr Units	12 Mo Absorp Units	Vacancy Rate	Market Asking Rent/Unit	Market Sale Price/Unit	Market Cap Rate

AVAILABILITY	SUBMARKET	MARKET
Vacancy Rate	1.7% ↑	7.0% ↑
Vacant Units	51 ↑	15.9K ↑
Market Asking Rent/Unit	\$1,355 ↑	\$1,611 ↓
Market Effective Rent/Unit	\$1,350 ↑	\$1,595 ↓
Concession Rate	0.4% ↑	1.0% ↓
Studio Asking Rent	\$930 ↑	\$1,246 ↓
1 Bedroom Asking Rent	\$1,135 ↑	\$1,483 ↓
2 Bedroom Asking Rent	\$1,383 ↑	\$1,698 ↓
3 Bedroom Asking Rent	\$1,587 ↑	\$2,074 ↑

INVENTORY	SUBMARKET	MARKET
Inventory Units	3,063 ↑	227,589 ↑
Existing Buildings	96 ↓	5,390 ↑
Avg Units Per Bldg	32 ↓	42 ↓
12 Mo Demolished Units	17 ↑	17 ↓
12 Mo Occupancy % At Delivery	92.2% ↑	30.8% ↓
Under Construction Units	0 ↓	7,769 ↓
12 Mo Construction Starts Units	51 ↑	3,094 ↓
12 Mo Delivered Units	51 ↓	5,966 ↑
12 Mo Avg Delivered Units	51 ↑	70 ↑

SALES	SUBMARKET	MARKET
Market Sale Price/Unit	\$171K ↓	\$249K ↓
12 Mo Asking Sale Price/Unit	\$255K ↓	\$227K ↓
12 Mo Sale to Asking Price Diff	-	-9.4% ↓
Market Cap Rate	5.7% ↑	5.3% ↑
12 Mo Sales Volume	\$0 ↓	\$862M ↓
12 Mo Transactions	1 ↓	107 ↓
Months To Sale Past Year	-	5.5 ↑
For Sale Listings	4 ↑	105 ↑
For Sale Units	109 ↑	1,726 ↑

DEMAND	SUBMARKET	MARKET
12 Mo Absorption Units	27	3,698
12 Mo Absorption % of Inv	0.9%	1.6%
Population Growth 5 Yrs	1.8%	1.4%
Pop Growth 5 Yrs 20-29	1.4%	-3.8%
Pop Growth 5 Yrs 30-39	0.1%	-9.3%
Pop Growth 5 Yrs 40-54	2.3%	3.1%
Pop Growth 5 Yrs 55+	5.5%	8.9%

"The Yamhill County multifamily submarket has a vacancy rate of 1.7%. This vacancy rate is 0.2% higher than it was this time last year. There have been 27 units of positive absorption and 34 units of net deliveries in the past year. Rents have increased 1.7% in the past 12 months and are currently around \$1,360/month. Nothing is under construction in the Yamhill



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County multifamily submarket. Vacancy is 0.1% in 4 & 5 Star buildings, and absorption has been flat in this asset class over the past year. In 3 Star buildings, 1.7% of space is vacant, and 44 units have been absorbed over the past year. Around 1.8% of 1 & 2 Star space is vacant, and there have been 17 units of negative absorption over the past year. Rents are around \$1,530/month in 4 & 5 Star buildings, \$1,460/month in 3 Star buildings, and \$1,090/month in 1 & 2 Star buildings. Year-over-year rent growth was 1.6% in 4 & 5 Star buildings, 1.8% in 3 Star buildings, and 1.5% in 1 & 2 Star buildings. The current vacancy is higher than its trailing three-year average of 1.6%. The three-year average of this submarket is lower than the Portland market three-year average, which is 6.0%. The submarket is 170 units larger than it was three years ago, and is the result of 187 units delivered and 17 units removed by demolition. Rents have increased 13.5% over the past three years, higher than the 11.0% trailing three-year average of the Portland market as a whole. There have been 12 sales over the past three years, amounting to \$28.2 million in volume and 180 units of inventory. The total Yamhill County multifamily submarket comprises roughly 3,100 units of inventory.”

In summary, all three market segments appear to be stable and have exhibited decreasing or steady vacancy rates and increases in rental rates, with all vacancy rates roughly 3 percent or less. It is apparent that Yamhill County has been shielded from the market impacts of the greater Portland Metropolitan area and continues to exhibit strong market trends. This can largely be attributable to limited inventory. Furthermore, it is apparent that retail and multifamily are strongest in terms of net income and capitalization rate requirements.

In summary, the subject does not experience any adverse locational characteristics. The subject location benefits from employment opportunities, multiple transportation routes with support services, adequately funded schools, and more.



5. Highest and Best Use

Highest and Best Use represents an analytical process wherein the physical, legal, social and economic constraints placed upon the property are examined for the purpose of defining that use, which is possible and, concurrently, most financially productive. Inasmuch as potential development activity generally falls within a relatively broad range of legal alternatives, the conclusion of highest and best use is largely influenced by the availability of data, depth of research and observed development by the appraisers. It is essentially a refinement process wherein the broadest range of possible uses are identified and then examined for legal appropriateness, as well as complementation to the neighborhood and the wealth maximization of the property owner.

Legally Permissible Uses: The subject zoning allows for a variety of mixed uses including retail, office, and/or apartment development. The subject zone is unique in that it does not have density restrictions. Additionally, the height of new development is required to take into account surrounding uses and buildings. Therefore, development of the subject would likely be legally limited to roughly 3 stories in height.

Physical Characteristics: The subject site dimensions, area, adjoining utility infrastructure, downtown synergy, roadway exposure, transportation options (public transit and transportation linkage), topography, and access are all conducive of mixed-use development. Furthermore, its location within Downtown Newberg provides an extreme synergy benefit. The physical characteristics of the subject site can be exploited by the legal use capacity of the subject's flexible zone.

Financial Feasibility: The appraisers were not provided with any documentation regarding construction costs for any specific development scenario relative to the subject site. Thus, the subject financial feasibility is unknown and should be investigated by the client. However, it is reasonable to conclude that the fair market value estimate stated herein for the subject as-if vacant provides financial feasibility for mixed-use construction given that the comparable data represents purchasers who analyzed their respective sale transactions of commercial land sites through top-down analysis wherein stabilized rental income, anticipated development costs, and a project contingency/profit allowance, formed the basis of the negotiated land acquisition prices. Thus, unless atypical development costs are impacting the subject, it is reasonable to conclude that the fair market value estimate stated herein is supportive of financial feasibility. It should be noted that the relevant subject market segments are exhibiting stable demand and thus appear to represent feasible uses of the subject site. Based upon the market overview, it is evident that the retail and multifamily markets are the best performing in terms of capitalization rate trends (indicative of risk perception). Therefore, it appears most feasible to pursue retail and/or multifamily development of the site (mixed-use options).



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Maximum Productivity: As to maximum productivity, interviews with developers in the local market area along with market data support the economic feasibility of mixed-use development so-long-as the land pricing is reasonable.

Given the physical, legal, financial, and maximally productive tests of highest and best use analysis, the highest and best use of the subject property as-if vacant is that of supporting a prominent mixed-use development that benefits from its flexible underlying zone. Development of this type also benefits from its significant roadway exposure and access as well as its location within the heart of Downtown Newberg.

Ideal Improvement

As-if vacant, the ideal improvement of the subject is that of development with a standalone commercial building or a mixed-use building with components such as retail and office development on the ground-floor or lower levels with residential development on the upper floors.

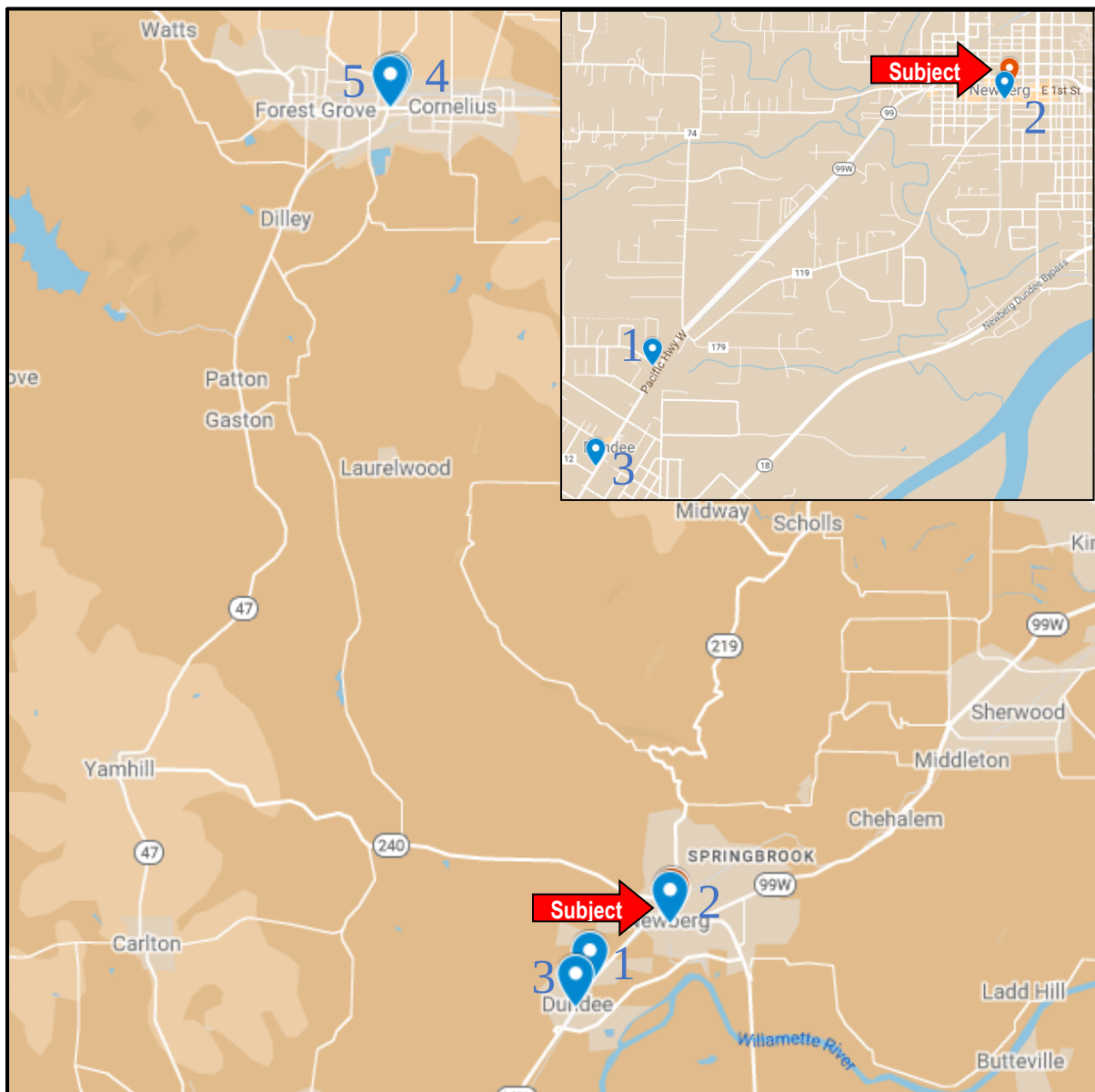
Highest and Best Use as Improved

The subject is currently unimproved (no value-contributing site improvements). Thus, the highest and best use as improved is that of mixed-use commercial development, consistent with the highest and best use as-if vacant conclusion and the ideal improvement analysis.

6. Valuation

The Sales Comparison Approach is relevant to valuation of the subject property inasmuch as a diligent examination of the marketplace revealed transactions of properties similar to the subject in physical and legal characteristics. The approach is universally applicable to virtually all types of property as long as the comparative data is adequate.

A review of recent sale transactions occurring in the subject market area revealed the following sales that were deemed to be the most meaningful and similar to the subject property.



Comparable Land Data Summary						
Comparable	1	2	3	4	5	Subject
Identification	560230	49904	Multiple	R2222846	Multiple	49735
Location	NW/o 110 N Hwy 99W Dundee, OR	112 S Blaine St Newberg, OR	860 N Highway 99W Dundee, OR	3675 Pacific Ave Forest Grove, OR	3605 Pacific Ave Forest Grove, OR	411 E 1st St Newberg, OR
Zoning	CBD	C3	CBD	CC; Comm.	CC; Comm.	C3
Site Area (AC)	0.15	0.26	3.77	0.69	1.19	0.24
Net Site Area (SF)	6,500	11,326	164,221	30,056	51,836	10,300
Functionally	Competitive	Competitive	Competitive	Competitive	Competitive	Competitive
Access	Paved Public	Paved Public	Paved Public	Paved public	Paved public	Paved Public
Orientation	Interior	Comer	Corner	Interior	Corner	Corner
Topography	Sloping	Level	Gently sloping	Level	Level	Gently sloping
Infrastructure	Available	Available	Available	Available	Available	Available
Improvements	None	None	None of value	None of value	None of value	None
ADT	None Reported	None Reported	+/-20,500	+/-35,000	+/-45,000	+/-15,500
Seller	Jackson & Company	Kittel	Wine Country LP	Jeff's Adventures LLC	Multiple	----
Buyer	Jackson Headley Hlds	Engle LLC	Outpost Dundee LLC	Eig14t Nova OR FG, LLC	CK Designs LP	----
Sale Date	November 2021	February 2021	June 2023	May 2022	June 2022	----
Document	2021-21994	2021-02852	2023-06034	2022-032594	2022-040148	----
Terms of Sale	Market / Cash-to-Seller	Market / Cash-to-Seller	Market / Cash-to-Seller	Market / Cash-to-Seller	Market / Cash-to-Seller	----
Market Exposure	Broker / +/-2 Years	Broker / Soft-Marketing / Private Solicitation	Broker / +/-2 Years	Private Solicitation	Broker / +/-20 Months	----
Motivation	Parking / Patio Expansion	Mixed-Use Development	Mixed-Use Development	Retail / Medical	Gas Station	----
Sale Price	\$130,000	\$233,759	\$4,200,000	\$812,898	\$1,504,410	----
Site Costs	\$0	\$0	\$20,000	\$30,000	\$50,000	----
Effective Price	\$130,000	\$233,759	\$4,220,000	\$842,898	\$1,554,410	----
Price/SF	\$20.00	\$20.64	\$25.70	\$28.04	\$29.99	----
Verification Source	Chase Willcuts Listing Broker 503-550-0013	Phillip Higgins Knowledgeable Party 503-793-9039	Gary Surgeon Listing Broker 503-274-0211	Don Drake Knowledgeable Party 503-546-4527	Don Drake Listing Broker 503-546-4527	Inspection Assessor Public Records

Comparable Photographs



Comparable 1



Comparable 2



Comparable 3



Comparable 4



Comparable 5



Subject

Comparable Aerials



Comparable 1



Comparable 2



Comparable 3



Comparable 4



Comparable 5



Subject



Appraisers: David E. Balfour, MAI / Sam A. Karpeles, MAI

City of Newberg

The comparable data exhibited transaction dates February 2021 to June 2023. In regard to market trend, the comparable data did not exhibit any clear correlation between sale date and unit value. This can be largely attributed to construction and borrowing cost price increases that ultimately tether land values. The tethering influences of construction and borrowing costs are more than offsetting stabilized property value gains which based upon residual analysis impacts financially feasible land pricing. In summary, the sale comparables have not been adjusted aside from reported seller and buyer expenditures prior and subsequent to purchase transactions in order to arrive at a raw land value allocation.

It should be noted that while there are real estate market headwinds to monitor as identified in Section 4, there is inadequate data to infer backwardation for the subject property type (commercial land tract). Additionally, while Comparable 1 and 2 are the two oldest and lowest sales, these two sales also exhibit the most inferior roadway exposure and property characteristics.

The relevant comparable sales can all support similar commercial or mixed-use development (in both legal and physical characteristics, and in initial purchase motivations). The sales exhibit similar use capacities in competitive locations with varying degrees of roadway exposure, access connectivity, and surrounding synergy.

The following is an overview of the comparable sales:

- **Comparable 1** (\$20.00/SF) is a 6,507-square-foot site that is zoned C; Community Commercial in Dundee, OR. It is located along 1st Street one parcel off of OR99W which prevents the site from capturing direct exposure along Highway 99. It adjoins an existing retail building to the north. The site was purchased by the neighboring property in November 2021 for \$130,000, or \$20.00/SF. An interview with the listing broker revealed that while there had been multiple interested parties, most buyers wanted direct highway exposure and were worried about the site's narrow dimensions and sloping topography. The neighboring property purchased the site in order to expand their patio area for the existing winery and to add more parking and storage area. There were reportedly no other offers on the site during its roughly 2-year marketing period.

This comparison establishes a clear lower unit value threshold for the subject given its inferior roadway exposure, topography, site shape, and dimensions.

- **Comparable 2** (\$20.64/SF) is a 0.26-acre land tract located in Newberg at the intersection of 2nd Street and Blaine Street. The site is zoned C-3 and exhibits level topography. The site does not front Highway 99W but is situated one block south and thus is on the fringe of the Downtown area. It was purchased in February 2021 for \$233,759, or \$20.64/SF. The site was reportedly marketed off and on for several years with this transaction being the result of a private solicitation. The buyers are reportedly



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City of Newberg

pursuing mixed-use development of the site, however, the Planning Department confirmed that no land use applications have been submitted as of the valuation date.

This comparison establishes a lower unit value threshold for the subject considering that it is similar in most respects (zoning, corner lot orientation, downtown Newberg), but that the subject is far superior in its Highway 99W frontage, roadway exposure, and core downtown location (1st Street) which enhances its commercial synergy.

- **Comparable 3** (\$25.70/SF) is a 3.77-acre commercial site located in Dundee at the corner of Highway 99W and 9th Street. The site was purchased by a local developer in June 2023 for \$4,200,000, or \$25.70/SF (including +/- \$20,000 in demolition costs). The site has a reported ADT of 20,500 vehicles and exhibits slightly gently upsloping topography. The site was marketed for roughly 2 years and was purchased for development of a large, mixed-use development including a retail space, a wellness center, a 58-room hotel, and 13 visitor cabins. The development required full frontage improvements along 9th Street as well as utility upgrades. Thus, the effective sale price is more than the \$25.70/SF purchase price, but a cost estimate was not provided to the appraisers.

The property is slightly superior in its roadway exposure (+/-33% higher ADT on Hwy 99W), and also benefits from its location in Dundee which supports substantial wine tourism. However, the downtown Newberg core is similarly competitive. Furthermore, it should be noted that in terms of onsite parking capacity and ease of access, this site is superior to the subject. Lastly, it must be recognized that the site will have offsite costs associated with roadway frontage improvements and demolition costs, which will increase its effective land pricing. Therefore, after considering tethering influences, this comparison establishes a generally similar unit value threshold for the subject after considering tethering influences.

- **Comparable 4** (\$28.04/SF) is a 0.69-acre commercial redevelopment tract located in the City of Forest Grove, Oregon. The site is located along Pacific Avenue (Highway 8) 400 feet east of its intersection with Highway 47. At the site's location, Pacific Avenue has an estimated ADT of roughly 35,000 vehicles. The site was purchased in May 2022 for \$812,898, which, after including \$30,000 in demolition costs, results in a unit price of \$28.04/SF. The buyers constructed a medical retail building onsite that is occupied by BestMed Urgent Care. It should be noted that access can be accommodated from west bound Pacific Avenue traffic with east bound traffic able to access the lot through an easement over the east adjoining site (O'Reilly Auto Parts).

This site has almost double the highway traffic exposure that the subject experiences in a similar tertiary community (Forest Grove, OR) and its site size can accommodate onsite parking. Overall, considering this site's ability to support substantial retail uses



Appraisers: David E. Balfour, MAI / Sam A. Karpeles, MAI

City of Newberg

with a significant traffic exposure benefit, as well as onsite parking, this comparison establishes an upper unit value indication for the subject.

- **Comparable 5** (\$29.99/SF) is a 1.19-acre commercial redevelopment tract located in the City of Forest Grove, Oregon (adjoining Comparable 4). The site is located at the intersection of Pacific Avenue (Highway 8) and Highway 47. Considering its corner location, the site benefits from an estimated traffic volume of over 45,000 vehicles. The site was purchased in June 2022 for \$1,504,410, which, after including \$50,000 in demolition costs, results in a unit price of \$29.99/SF. The buyers are currently obtaining land use approvals to develop the site with a gas station, car wash, and convenience store.

This comparison establishes an upper unit value threshold for the subject considering its corner orientation along two busy commuting routes, the ability to support onsite parking, and overall superior retail capacity.

In summary, the appraisers are influenced to a unit value estimate that is more than the Comparable 1 and 2 indications (\$20.00/SF to \$20.64/SF), less than the Comparable 4 and 5 indications (\$28.04/SF to \$29.99/SF), and generally similar to the Comparable 3 (\$25.70/SF) indication. Overall, the appraisers are influenced to a market value estimate of **\$25.00/SF** for the subject property. The appraisers were influenced to this unit value given the subject's roadway exposure, downtown location, synergy, tract size, and dimensions. Thus, the market value of the subject has been estimated at **\$257,500**. This conclusion is reasonable, supportable, and bracketed by comparable sales.

3-Year Sale History: There have not been any marketing attempts or arms-length transactions of the subject property within the 3-year period preceding the valuation date.

Certificate of Appraisal

The undersigned certify that, to the best of our knowledge and belief:

The statements of fact contained in this report are true and correct.

David E. Balfour, MAI and Sam A. Karpeles, MAI has inspected the subject property and viewed all of the comparables cited herein from adjoining rights-of-way.

The undersigned has not performed any services, as appraisers or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.

The undersigned has no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.

The undersigned has no bias with respect to the property that is the subject of this report or to the parties involved with this assignment. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

Compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report, David E. Balfour, MAI, has completed the requirements of the continuing education program as a Designated Member of the Appraisal Institute.

As of the date of this report, Sam A. Karpeles, MAI, has completed the requirements of the continuing education program as a Designated Member of the Appraisal Institute.



David E. Balfour, MAI
President, Oregon Valuation Group
Oregon Certified Appraiser C001256
Expiration Date: October 31, 2025



Sam A. Karpeles, MAI
Senior Appraiser, Oregon Valuation Group
Washington Certified Appraiser 20107006
Expiration Date: February 28, 2026

Limiting Conditions and Assumptions

General Assumptions

This appraisal is based on the following general assumptions, except as otherwise noted in the report.

- The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and can be utilized at its highest and best economic use.
- There are no existing judgments or pending or threatened litigation that could affect the value of the property.
- There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there are no environmental regulation violations or actionable conditions.
- The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
- All information furnished by others, including proprietary third-party resources, is believed to be reliable, but no warranty is given for its accuracy.

Limiting Conditions

This appraisal is subject to the following limiting conditions, except as otherwise noted in the report.

- The appraisers and third parties agree that the following mutual limitation of liability is agreed to in consideration of the fees to be charged and the nature of appraisers' services. The appraisers and client agree that to the fullest extent permitted by applicable law, each party's and its personnel's maximum aggregate and joint liability to the other party for claims and causes of action relating the appraisers' services shall be limited to the higher of \$25,000 or the total of fees and costs charged by appraisers for the services that are the subject of the claim(s) or cause(s) of action. This limitation of liability extends to all types of claims or causes of action, whether in breach of contract or tort, including without limitation claims/causes of action for negligence, professional negligence or negligent misrepresentation on the part of either party or its personnel, but excluding claims/causes of action for intentionally fraudulent conduct, criminal conduct or intentionally caused injury. The personnel of each party are intended third-party beneficiaries of this limitation of liability. "Personnel," as used in this paragraph, means the respective party's staff, employees, contractors, members, partners and shareholders. Appraisers and client agree that they have each been free to negotiate different terms than stated above or contract with other parties.
- Third parties shall defend, indemnify and hold harmless, Portland Valuation Group Inc. (DBA as Oregon Valuation Group), its agents, officers and employees from and against any and all claims, demands and judgments (including attorney fees) made or recovered against them arising out of or resulting from Client's (including its employees, agents and

Limiting Conditions and Assumptions, Cont'd.

subcontractors) negligent act or willful misconduct as to this assignment and obligations imposed upon the Client by this relationship. Additionally, Client agrees to defend, indemnify and hold harmless Portland Valuation Group Inc. (DBA as Oregon Valuation Group) from any third-party claims regardless of any negligent act by Client.

- The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
- No changes in any federal, state or local laws, regulations or codes are anticipated.
- No environmental impact or hazardous material studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies.
- We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering and environmental matters.
- The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
- Information, estimates and opinions contained in the report and obtained from third party sources are assumed to be reliable and have not been independently verified.
- If applicable to the assignment, any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value as defined in the appraisal and do not constitute predictions of future operating results.
- No consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
- We have assumed that no extreme fluctuations in economic cycles will occur subsequent to the valuation date.
- The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
- Publicly available flood maps noted in the appraisal report have been relied upon as to the subject property being located in an identified Special Flood Hazard Area. However, we are not qualified to detect such areas and therefore do not guarantee such determinations.

Limiting Conditions and Assumptions, Cont'd.

The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.

- The appraiser is not a building or environmental inspector. The appraiser does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
- Portland Valuation Group Inc. (DBA as Oregon Valuation Group), an independently owned and operated company, has prepared the appraisal for the specific purpose stated in the report. The intended use of the appraisal is stated in the Description of Scope of Work section of the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided.
- The appraiser may not divulge the material (evaluation) contents of the report, analytical findings or conclusions, or give a copy of the report to anyone other than the client or his designee as specified in writing, except as may be required by the Appraisal Institute as they may request in confidence for ethics enforcement, or by a court of law or body with the power of subpoena.
- The appraisal is based on the premise that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in the report; further, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report. Further, it is assumed that all required licenses, consents, permits or other legislative or administrative authority, local, state, federal and/or private entity or organization have been, or can be, obtained or renewed for any use considered in the value estimate.
- The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
- The market value estimated, and the costs used, are as of the date of value estimate. All dollar amounts are based on the purchasing power and price of the dollar as of the date of the value estimate.

Addenda

Exhibit A: Appraiser Qualifications

Exhibit B: Assessor Information

Exhibit A



DAVID E. BALFOUR, MAI

Oregon Valuation Group
Real Estate Valuation Services

Dave@OregonValue.com
503-330-8697



David E. Balfour, MAI is a Certified General Appraiser and owner of Oregon Valuation Group (a subsidiary of Portland Valuation Group Inc.). Since 2012 Mr. Balfour has focused his appraisal practice primarily upon public acquisition and eminent domain work. Mr. Balfour is a licensed appraiser in both Oregon and Washington while being experienced as an expert witness. Mr. Balfour has gained competence in a variety of appraisal assignments such as public acquisitions, eminent domain, federal land acquisitions (Yellow Book), estate planning, litigation support and testimony across multiple property types.

PROFESSIONAL DESIGNATIONS & CREDENTIALS

State of Oregon

Certified General Real Estate Appraiser (Cert. No. C001256)
Oregon Department of Transportation (ODOT) Qualified Appraiser
Oregon Real Estate Broker Pre-License Training

State of Washington

Certified General Real Estate Appraiser (Cert. No. 1102402)
Washington Department of Transportation (WSDOT) Qualified Appraiser and Review Appraiser

State of Idaho

Certified General Real Estate Appraiser (Cert. No. 5612)
Idaho Department of Transportation (ITD) Qualified Appraiser and Review Appraiser

MEMBERSHIPS AND AFFILIATIONS

Member of The Appraisal Institute
International Right of Way Association
American Public Works Association
American Society of Farm Managers & Rural Appraisers



EDUCATION

Linfield College – McMinnville, Oregon – *Bachelor of Science in Finance* – 2012

PROFESSIONAL SERVICES

Appraisal & Appraisal Review
Market Research/Development Land Site Analysis
Expert Witness Testimony/Litigation Support (condemnation & private party)

PROFESSIONAL CONTRIBUTIONS

Greater Oregon Chapter of the Appraisal Institute: Outstanding Candidate Award – 2016
IRWA Chapter 3 Professional of the Year Award - 2019
IRWA Chapter 3 President – 2021-2022
Seminar Group – 2019 & 2021 Faculty for the Oregon Eminent Domain Seminar

The seal of the State of Oregon is a large, circular emblem in the background. It features an eagle with wings spread, perched on a shield. The shield contains a plow and a sheaf of wheat. The words "STATE OF OREGON" are written around the top half of the circle, and "1859" is at the bottom. There are stars around the inner border of the seal.

Appraiser Certification and Licensure Board

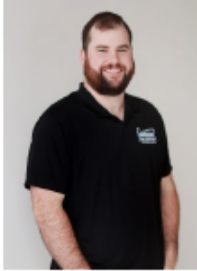
State Certified General Appraiser

28 hours of continuing education required

**DAVID E BALFOUR
PORTLAND VALUATION GROUP, INC.
24925 SW GARDEN ACRES RD
SHERWOOD, OR 97140**

License No.: C001256
Issue Date: November 01, 2023
Expiration Date: October 31, 2025


Chad Koch, Administrator



SAM A. KARPELES, MAI
Oregon Valuation Group Inc.
Real Estate Valuation Services

Sam@oregonvalue.com
971-235-6263



Sam A. Karpeles, MAI is a Certified General Appraiser and employee of Oregon Valuation Group (A subsidiary of Portland Valuation Group Inc). Since April 2017 Mr. Karpeles has gained experience in a variety of assignments such as charitable remainders, estate planning, public acquisitions, federal land acquisitions (Yellow Book), shopping centers, office, retail, and industrial buildings, vacant land, special purpose properties, single-family residences, multifamily properties, and residential subdivisions. Mr. Karpeles is a licensed appraiser in both Oregon and Washington.

PROFESSIONAL CREDENTIALS

State of Oregon

Certified General Real Estate Appraiser (License No.: C001420)

State of Washington

Certified General Real Estate Appraiser (Cert. No. 20107006)

Washington Department of Transportation (WSDOT) Qualified Appraiser

MEMBERSHIPS AND AFFILIATIONS

Member of The Appraisal Institute
International Right of Way Association
American Society of Farm Managers
& Rural Appraisers



EDUCATION

Oregon State University – Corvallis, Oregon (2008-2013)

- Bachelor of Science
- Naval Reserve Officer Training Corps Scholarship Recipient

PROFESSIONAL SERVICES

Appraisal & Appraisal Review

Market Research/Development Land Site Analysis

Condemnation Valuation/Offer Evaluation

Uniform Appraisal Standards for Federal Land Acquisitions ("Yellow Book")

PROFESSIONAL CONTRIBUTIONS

IRWA Chapter 3 Vice President – 2023 to Present

Appraiser Certification and Licensure Board

State Certified General Appraiser

★ 28 hours of continuing education required ★

**SAM A KARPELES
PORTLAND VALUATION GROUP INC
24925 SW GARDEN ACRES RD
SHERWOOD, OR 97140**

License No.: C001420
Issue Date: March 01, 2024
Expiration Date: February 28, 2026


Chad Koch, Administrator

Exhibit B

Property Detail Report

411 E 1st St, Newberg, OR 97132-2928

APN: 49735

Yamhill County Data as of: 03/05/2024

Owner Information

Owner Name: Newberg City Of

Vesting:

Mailing Address:

Occupancy: Unknown

Location Information

Legal Description:	Lots 7 & 8 - Block 16 In Central Addition			County:	Yamhill, OR
APN:	49735	Alternate APN:	R3219AB 08000	Census Tract / Block:	030201 / 4030
Munic / Twnshp:		Twnshp-Rng-Sec:	3S-2W-19	Legal Lot / Block:	7 / 16
Subdivision:	Central Addition	Tract #:		Legal Book / Page:	
Neighborhood:		School District:	Newberg School District 29J	High School:	Newberg Senior Hig...
Elementary School:	Antonia Crater Ele...	Middle School:	Chehalem Valley Mi...		
Latitude:	45.30055	Longitude:	-122.97541		

Last Transfer / Conveyance - Current Owner

Transfer / Rec Date:	01/08/2002 / 01/09/2002	Price:		Transfer Doc #:	2002.572
Buyer Name:	Newberg City (Or)	Seller Name:	Butler, Howard C & Virginia	Deed Type:	Deed

Last Market Sale

Sale / Rec Date:		Sale Price / Type:		Deed Type:	
Multi / Split Sale:		Price / Sq. Ft.:		New Construction:	
1st Mtg Amt / Type:		1st Mtg Rate / Type:		1st Mtg Doc #:	N/A
2nd Mtg Amt / Type:		2nd Mtg Rate / Type:		Sale Doc #:	N/A
Seller Name:				Title Company:	
Lender:					

Prior Sale Information

Sale / Rec Date:		Sale Price / Type:		Prior Deed Type:	
1st Mtg Amt / Type:		1st Mtg Rate / Type:		Prior Sale Doc #:	N/A
Prior Lender:					

Property Characteristics

Gross Living Area:		Total Rooms:	0	Year Built / Eff:	
Living Area:		Bedrooms:		Stories:	
Total Adj. Area:		Baths (F / H):		Parking Type:	
Above Grade:		Pool:		Garage #:	
Basement Area:		Fireplace:		Garage Area:	
Style:		Cooling:		Porch Type:	
Foundation:		Heating:		Patio Type:	
Quality:		Exterior Wall:		Roof Type:	
Condition:		Construction Type:		Roof Material:	

Site Information

Land Use:	Municipal Property	Lot Area:	10,454 Sq. Ft.	Zoning:	C-3
State Use:		Lot Width / Depth:		# of Buildings:	1
County Use:	940 - Exempt City Vacant	Usable Lot:		Res / Comm Units:	
Site Influence:		Acres:	0.24	Water / Sewer Type:	
Flood Zone Code:	X	Flood Map #:	41067C0600E	Flood Map Date:	11/04/2016
Community Name:	City Of Newberg	Flood Panel #:	0600E	Inside SFHA:	False

Tax Information

Assessed Year:	2023	Assessed Value:	\$266,296	Market Total Value:	\$296,069
Tax Year:	2023	Land Value:		Market Land Value:	\$296,069
Tax Area:	29.52	Improvement Value:		Market Imprv Value:	
Property Tax:		Improved %:		Market Imprv %:	
Exemption:		Delinquent Year:			