



May 4, 2021

Ms. Kristin Retherford, Director  
Urban Development Department  
350 Commercial St. NE  
Salem, OR 97301

Dear Kristin Retherford,

This letter is request for an exception to the maximum grant amount for the Riverfront-Downtown Urban Renewal Area Capital Improvement Grant to partially fund the construction of the estimated \$38.6M Holman Hotel. The Hotel will be a great addition to the downtown Salem, by increasing lodging options, creating jobs and overall vibrancy in downtown. The Hotel is proposed to be a 7-story, 129 room hotel, with ground floor lobby, restaurant library and conference rooms followed by two levels of parking. The hotel will focus on both the history of the site, as well as the wine and agriculture industries in the area.

The developer of the project is Vanessa Sturgeon of Sturgeon Development Partners, which is based out of Portland, Oregon. Sturgeon Development Partners has experience building similar type and size of urban commercial real estate projects in the Northwest.

We are finalizing our construction budget for the project and anticipate to break ground in July 2021. Total construction time is currently scheduled for 18 months, which would have the building scheduled to open in early 2023. City funds are needed to assist in the financial viability of the development. The cost of raw materials has increased sharply over the last year with lumber increasing over 50% and steel over 25%, this has increased our cost of construction from the original budget. In addition, project costs are higher for this site due to the requirements for historic and tribal oversight during the demolition of the former derelict building and historic building material and design requirements. The impact of COVID 19 on the hospitality sector has been significant and has made construction financing difficult to procure. City funds will help offset these financing challenges and be more favorable by lenders.

We understand there is additional information needed to apply for grant funds of more than \$300,000. Please see below additional information:

- Grant Amount Requested: \$749,999
- Exception Criteria Requirements:
  - o Capital Improvement Grant Program Objectives Achieved:
    - New Construction
    - Alley Improvements or Mixed-Use
  - o Leverage of Private/Public Funds:
    - Grant Request: \$749,999

- Private Funds: \$17,800,000
  - Leverage: 23.75 times
- Other Criteria:
  - Project site is characterized as blight as follows; 1) Raw land that has been vacant for more than 5 years and former building had been designated as derelict by the City

Thank you for your consideration of this request. Please let us know if you have any questions or comments.

Thank you,

SDP-ODP Management, LLC