

Bandon Urban Renewal
Agency
Face Rock Creamery
2015



Background

The City undertook and completed negotiations with the owners of the newly incorporated Face Rock Creamery, LLC, for leasing a portion of the City's property to develop the new cheese factory. Under the terms of the lease, Face Rock Creamery was required to utilize their own funds and obtain private financing to construct and operate a new 6,000 square foot cheese factory. The rent includes a flat fee of \$40 per month to cover the portion of the land dedicated to non-cheese/non-ice cream retail sales, plus an in-lieu of rent payment of 1% of gross revenues from all sales between \$1 million and \$2.5 million, plus 2% of gross revenues from all sales over \$2.5 million. The initial lease term is 20 years, with options to renew for three subsequent 10 year terms, subject to renegotiating the rent charges.

Leasing the property instead of selling it reduced the out-of-pocket expenses for Face Rock Creamery, and allowed the City to retain the asset. For its part, the City agreed to use a portion of its Urban Renewal funds to place the existing overhead utilities underground; relocate and upgrade the adjacent entrance road; install underground drainage, a public parking lot, sidewalks, and a small tourist park; and construct public restrooms. The City amended the boundary of the Coquille Valley Enterprise Zone to include the cheese factory property. This allowed Face Rock Creamery to take advantage of the property tax abatement available through the Enterprise Zone program.

The City also allocated to the new cheese factory project the water, sewer, transportation, and drainage system development charge (SDC) credits from the former cheese factory that came with the property purchase. The ownership of those SDC credits remains with the City, but they are essentially being leased to Face Rock Creamery. This reduced the overall out-of-pocket private sector development cost by a significant amount, while still allowing the City to retain ownership of those SDC credits.

Although public restrooms had been planned for many years and the capital funds were available through Urban Renewal, a major consideration was finding a long term resource for paying for the restroom operating, maintenance, and cleaning costs. Under the terms of the lease, Face Rock Creamery agreed to be responsible for opening, closing, cleaning, and providing the expendable supplies for the restrooms.

Funding/Leverage

- \$4.5 million total costs
- \$500,000 urban renewal purchase of property
- \$1.5 million from urban renewal for public infrastructure and restrooms
- Face Rock Creamery secured loans from the Port of Bandon Business Development Fund, Craft3 Bank, and Business Oregon as well as owner's capital, for a total private investment of \$2.5 million.
- In-kind contributions by Bandon Electric Department for off-site electric system improvements
- Cooperation for utility undergrounding

Community Benefits

- 15 full time employees
- Other additional employment for delivery, transportation, milk truck drivers as well as the temporary employees during construction
- Tourist attraction that will impact entire community
- New market for local dairy farmers for their milk

