

**CARA PARTNERSHIP ON
JEFFERSON LOFTS
WITH SCOTT LEPMAN**

Approved: January 14, 2003, and amended July 7, 2003

Location: South side of Water Avenue, between Jefferson and Thurston Streets

Development Proposal: Redevelop an existing warehouse building into housing units that would initially be offered as rentals, but that could be condominimized in the future. The original proposal was for 19 units, but was reconsidered and approved by CARA with 16 units of housing.

What CARA Will Provide: The CARA Advisory Board and CARA Agency agreed that CARA will provide up to \$115,000 for payment of System Development Charges (SDCs), and that any remainder above CARA's SDC payment amount will be provided toward the obligations of this site in any Water Avenue street improvement Local Improvement District (LID) created during the life of CARA. CARA was paid \$71,854.19 in SDCs. The remaining \$43,145.81 remains available toward future Water Avenue street improvements.

Evaluation of Proposal: (Prepared by staff on 1/10/02 using CARA's "Items to Consider") The following evaluation was based on the assumption that up to \$115,000 in CARA funds would be provided to pay SDCs related to the Jefferson Lofts project. It was noted that the same amount of CARA funds could be offered in another manner without jeopardizing this redevelopment partnership.

1. Legality: *Is the form of assistance requested allowed under the CARA Plan? Is it legally allowed?*
Yes and yes. It is Activity #9 in the CARA Plan (page 12) and Report (page 11).

2. CARA Goal & Objectives: *How does it further the CARA Goal and Objectives?*

By creating the opportunity for a new investment of approximately \$1,500,000 and redeveloping an existing building, the proposed partnership would meet CARA's Key Objectives (Plan, page 4):

- ◆ Attract new private investment to the area.
- ◆ Retain and enhance the value of existing private investment and public investment in the area.

By creating up to 19 housing units, including lofts and warehouse conversion units, this redevelopment project would also directly address two of CARA's Additional Objectives:

- ◆ Increase residential density in the area.
- ◆ Encourage the development of new forms of housing and home ownership.

Further, by demonstrating the ability to redevelop a declining building in a blighted area, this project is expected to encourage additional redevelopment activity in the CARA. It is also expected that CARA's demonstration of partnering with the private sector would encourage other potential investors to approach and work with the CARA on potential redevelopment projects.

3. Financial Impacts: *What is the financial risk and financial benefit to CARA?*

Because CARA would provide partnered funds to a City-controlled account, there is little/no financial risk to CARA. No financial benefit is expected to accrue to CARA during the 15 years following project completion (increased income to CARA resulting from the increase in property value will be used to "cover" CARA's debt to the SDC funds.) Looking toward the future, staff believes that the proposed payment of SDCs as a part of a development partnership avoids setting a precedent for the payment of other/all SDCs, allowing you to consider each request on its own merit.

a. Does CARA have adequate funding in place or is financing a viable option?

We believe CARA will have adequate funding remaining at the end of FY '02-03. However, by structuring this partnership so that CARA's contribution is the payment of SDCs, we are able to finance CARA's investment internally (within the City), reducing financing costs and providing CARA payment flexibility. Because the proposed private investment would not happen without CARA's participation, the repayment of the amount financed over time would not decrease the amount of funds CARA has available for other projects.

b. How many private dollars would be invested (leveraged) for each CARA dollar?

CARA's investment of approximately \$115,000 would be matched by approximately \$1,500,000 in private funds, resulting in a match of at least \$10 for each \$1 of CARA funds (10:1).

c. Would an increase in property value result to a return equal or greater than CARA's investment within 5 years? Within 10 years?

Using a conservative estimate of a \$500,000 increase in the value of this property and a \$16/\$1000 tax rate, a \$115,000 CARA investment would be returned through increased property tax revenues back to CARA in about 15 years.

d. What level of other governmental assistance might be requested (e.g., property tax exemptions, waivers, infrastructure improvements, loans) and how would it effect the proposal?

No additional assistance is requested or planned.

e. Would it be a catalyst, encouraging or spinning-off other development activity and/or investment?

The private partner is considering investment in two additional mixed use projects that will be directly affected by CARA's action on this request. Also see response to #4, next.

4. Private Risk: Is this a "first-in" project or an untried type of development?

As you know, the area surrounding the proposed Jefferson Lofts site is planned to transition from its current industrial base toward a mix of uses with an emphasis on high-density residential. While staff's evaluation of this project is that this is a solid development proposal, there are risks associated with it being the "first-in" redevelopment project in this Water Avenue area that may limit investor interest. You have also previously discussed the risks in this area (high number of properties currently for sale, industrial flavor, condition of Water Avenue, Greenway restrictions, rail, etc.)

Further, the conversion of warehouse space into residential units has not been tested in the Albany market. While this type of redevelopment has been highly successful in other communities, there is some risk in not knowing how the Albany market will respond.

5. Blight: Would it remedy a severely blighted building? How will it remedy conditions of blight?

The building proposed for redevelopment was most recently used as an agricultural products warehouse and has been listed for sale or lease for a long time. Staff's review of the current building and the concepts for redevelopment (enclosed in this packet) lead us to suggest that the proposed project would not only put an inactive building back into active use (remedying a blighting condition), but would also dramatically improve the appearance of the building and the area surrounding it.

6. Focus Area: Is it in the initial focus area (3rd to Willamette, Baker to Washington)?

No.

- 7. Energy:** *Would it serve as a people-attractor or as an anchor for the initial focus area?*
No.
- 8. Image:** *Would it promote Albany's image locally and/or within the region?*
No.
- 9. Preservation:** *Would it rehabilitate or sensitively redevelop a historic property?*
No.
- 10. Design:** *Does the exterior design positively reflect quality and Albany's image? (We recognize this is a somewhat subjective consideration.)*
Staff believes it does.
- 11. Durability:** *Would it be developed in a way that ensures it is well maintained over time?*
A primary objective of the private partner is to create a redeveloped building that is sustainable and easy to maintain over the long term.
- 12. Adaptability:** *Would it be developed in a way that ensures it is well used over time?*
The private investors' intent is to own and manage this in a residential use over the long-term.
- 13. Development Pattern:** *Does it achieve desired land use (e.g., mixed-use, higher density) and/or transportation objectives (e.g., Esplanade, pedestrian-friendly areas)?*
Yes. It begins to transition this area toward high-density residential use, consistent with CALUTS visions and our Comprehensive Plan goals and objectives.
- 14. Sustainability:** *How does it meet the Governor's Objectives for Sustainable Communities?*
- a. Environmental:** *Would it protect or enhance natural resources?*
Indirectly. Part of the private investors' interest in this redevelopment project is the ability to re-use an existing building and existing materials. They are interested in using "green" building practices.
 - b. Economic Development:** *Would it improve the economic base or add family wage jobs?*
No.
 - c. Community/Social:** *Does it provide affordable housing? (Several of the above issues are also linked with this objective.)*
Unknown. Rents will not be controlled.