



APPROVED: January 21, 2009

CITY OF ALBANY
Central Albany Revitalization Area Advisory Board
City Hall Council Chambers, 333 Broadalbin Street SW
Wednesday, December 10, 2008

MINUTES

Advisory Board Members present:

Chris Norman, Jeff Christman, Floyd Collins, Oscar Hult, Gordon Kirby, Sharon Konopa, Ray Kopczynski, Dick Olsen, Cordell Post, Ralph Reid, Jr., and Kim Sass

Advisory Board Members absent:

Dan Bedore, Loyd Henion, Bessie Johnson

Staff present:

City Manager Wes Hare, City Attorney Jim Delapoer, Urban Renewal Manager Kate Porsche, and Administrative Assistant Teresa Nix

Others present:

Three others in the audience

CALL TO ORDER

Chair Chris Norman called the meeting to order at 5:15 p.m.

APPROVAL OF MINUTES

November 19, 2008

MOTION: Ray Kopczynski moved to approve the November 19, 2008, regular meeting minutes and the November 19 work session minutes as presented. Ralph Reid, Jr., seconded the motion, and it **passed** unanimously.

SCHEDULED BUSINESS

Business from the Public

None.

Smith Properties – 222 and 228 Third Avenue SE

Cordell Post recused himself from discussion on this issue due to attorney-client matters. He said that he does not represent Mr. Smith.

Urban Renewal Manager Kate Porsche drew attention to the written staff report. She recalled that CARA's original partnership on these properties was a \$120,000 grant and a \$250,000 loan. After being briefed about discussion between Smith and City staff in October, CARA agreed to restructure the package to eliminate the \$120,000 grant and the requirement that Smith build townhomes on the vacant lot. Since that time, Porsche was contacted by Martin Hall, co-owner of Advanced Investment Corp. which represents the first lien holders on these properties. Hall indicated that Smith has fallen behind on his payments and that the lien holders are on the verge of foreclosure. Following a discussion with Hall, Porsche said that it became clear that there are two main options for CARA. One option is to let the loans foreclose and then try to sue Smith for the \$250,000 loan amount. The second option is to buy out the first lien holders and receive a deed in lieu of foreclosure. Under the second option, CARA would then have control of the properties and could work to find

partners to complete the work. Several potential partners have expressed interest. If the Board is interested in pursuing the second option, Porsche would begin the due diligence process by ensuring there are no other liens and ordering an appraisal on the properties.

City Attorney Jim Delapoer stated that, if one recognizes that CARA is called upon to provide funding when the market will not, it is apparent that this type of situation will occasionally occur. Anytime a lending entity is in other than the first position, it should be prepared to pay off the first trust deed in order to protect its security. In this case, if CARA does not pay off the property, its only recourse is to try to recover its security through the personal assets of the debtor.

Kopczynski asked about the current condition of the property. Porsche said that she understands that it would take about \$100,000 to finish work on the one property. The envelope is sealed up. There are several possibilities for use of the vacant lot, including parking or a community garden.

Sharon Konopa asked if the building could be finished and used for City office space. City Manager Wes Hare noted that the City is currently using office space directly across the street from City Hall and that there is an advantage to having City offices so close together.

Hare stated that, if CARA chooses to make a bigger investment and finish the project, it would then have an asset to sell or rent. The sooner the building is complete and on the tax rolls, the sooner CARA would begin to see a return on its investment.

In response to an inquiry from Floyd Collins, Delapoer said that he believes that staff could do a credit check to get a better understanding of Smith's financial situation.

Norman asked if there is anything to be learned from this situation. Delapoer said that nobody anticipated the current downturn in the real estate market. CARA has made a lot of loans and grants based on upside possibilities. If CARA did a hard number analysis, it would be operating more like a traditional bank. CARA has provided funds in a creative risk-taking way in order to make things happen.

In discussion, Porsche advised that Hall told her the investors have no interest in owning the property. Delapoer said that one option would be to approach the lien holders with an offer to provide some level of additional funding to get the project finished and to assist with marketing or leasing of the property. This would not impair the ability to sue Smith for the CARA loan amount.

Kopczynski noted that CARA would still get a return on its funds through tax increment financing if the property forecloses and someone else purchases it and completes the development.

Collins suggested that staff be directed to investigate junior liens, order the appraisal and foreclosure report, and talk with the lender about options. Gordon Kirby agreed that a decision needs to be based on facts discovered during due diligence investigations. Jeff Christman said that it would also be of value to know the potential value of the property at the point of completion. It was agreed that staff should attempt to obtain credit information on Smith to determine the likelihood of being successful in a lawsuit.

Discussion of Three Blighted Areas

Porsche referred to a request that came out of the November workshop that staff identify the three most blighted areas in the CARA district. Using the overhead projector, she showed photographs and reviewed conditions in three areas: 1) the area with the trailer park by Salem Road, 2) the Hackleman Historic District and surrounding areas, and 3) the industrial area down by the river which has been rezoned mixed use.

Porsche referred to discussion at the workshop about maximizing tax increment. She reviewed three areas with high potential in this area: 1) the waterfront which has large lots with development potential, 2) the downtown area which has large buildings, and 3) the blighted area on the east side. She suggested that CARA continue to

discuss and work through its policies at the next meeting. Brief discussion followed.

In response to an inquiry from Kopczynski, Porsche said that staff is working through CARA's cash flow analysis to determine how much more it can borrow. The City's Financial Advisor has suggested that CARA wait until February to borrow additional money.

Collins said that he would not be in favor of focusing on one area to the exclusion of the others. He would prefer that CARA evaluate all proposals within its boundaries. Christman agreed that CARA should remain open to proposals and not be exclusionary. He said that it might be possible to prioritize and be more aggressive about approaching people in the more blighted areas. Konopa said that she thinks that the most blighted area is Woodland Square on Salem Avenue. She would like to form a work group to come up with a strategy for that area.

Porsche agreed to bring this back for further discussion in January.

BUSINESS FROM THE BOARD

Collins suggested that the CARA application be revised to include a question about where applicants have looked for funding and why CARA should provide gap funding. There was general agreement.

Norman said that this is his last meeting on the CARA Advisory Board. He offered several final thoughts as follows:

1. Stay focused. At one time, the focus was on the downtown core. CARA needs to figure out what gap it is trying to fill at this time.
2. Continue to focus on historic preservation. This is one of Albany's greatest assets.
3. Think energy. Energy will build upon itself.
4. Think big.
5. Know what you want. If this is not understood, it is easy to justify support for any project that comes forward.
6. It is okay to say no.
7. Continue to be creative. Think of ways to leverage dollars.

The Board expressed appreciation to Norman for his service. Porsche said that staff also appreciates Norman's seven years of service to CARA. She presented a certificate of appreciation.

NEXT MEETING DATE

The next meeting of the CARA Advisory Board will be held on Wednesday, January 21, 2009, at 5:15 p.m., in the Council Chambers.

ADJOURNMENT

Hearing no further business, Chair Norman adjourned the meeting at 6:45 p.m.

Submitted by,

Signature on File

Teresa Nix
Administrative Assistant

Reviewed by,

Signature on File

Kate Porsche
Urban Renewal Manager