



NOTICE OF PUBLIC MEETING

CENTRAL ALBANY REVITALIZATION AREA ADVISORY BOARD

City Hall Council Chambers

Wednesday, November 17, 2010

5:15 p.m.

AGENDA

1. CALL TO ORDER (Chair Cordell Post)
2. ROLL CALL
3. APPROVAL OF MINUTES
➤ October 20, 2010. [Pages 1-3]
Action: _____
4. SCHEDULED BUSINESS
 - a. Business from the Public
 - b. Swoboda – Request for Loan Repayment Modification. [Pages 4-11] (Porsche/Swoboda)
Action: _____
 - c. Albany Redevelopment/Ward – Project Update and Extension Request. [Pages 12-13] (Porsche/Ward)
Action: _____
 - d. Manley – Request for Loan modification. [Pages 14-18] (Porsche/Manley)
Action: _____
 - e. Update on other Projects out of Compliance. [verbal] (Porsche)
Action: _____
5. BUSINESS FROM THE BOARD
6. NEXT MEETING DATE: *Next regular meeting Wednesday, January 19, 2011*
7. ADJOURNMENT (*leave for walking tour — JC Penney Building.*)

City of Albany Web site: www.cityofalbany.net

The location of the meeting/hearing is accessible to the disabled. If you have a disability that requires accommodation, please notify the Human Resources Department in advance by calling 541-917-7500.



APPROVED: _____

CITY OF ALBANY
Central Albany Revitalization Area Advisory Board
City Hall Council Chambers, 333 Broadalbin Street SW
Wednesday, October 20, 2010

MINUTES

Advisory Board Members present: Rich Catlin, Jeff Christman, Bessie Johnson, Gordon Kirby, Sharon Konopa, Ray Kopczynski, Chuck Leland, Dick Olsen, Cordell Post, Ralph Reid, Jr., and Mark Spence

Advisory Board Members absent: Bill Coburn (excused), Floyd Collins (excused), Loyd Henion (unexcused)

Staff present: Urban Renewal Manager Kate Porsche, City Attorney Jim Delapoer, and Administrative Assistant Teresa Nix

Others present: Approximately three audience members

CALL TO ORDER

Chair Cordell Post called the meeting to order at 5:15 p.m.

APPROVAL OF MINUTES

August 18, 2010

Chuck Leland asked that the minutes be revised to reflect that he was absent.

MOTION: Ray Kopczynski moved to approve the August 18 minutes with the above correction. Ralph Reid, Jr., seconded the motion, and it **passed** unanimously.

SCHEDULED BUSINESS

Business from the Public

None.

Subordination of CARA Loans – Discussion/Direction

City Attorney Jim Delapoer provided an update on the meaning of lien position and subordination. He noted that commercial lenders will frequently have a senior lien; CARA will often have a junior lien which is subordinate to the senior lien. The level of security of a junior lien is based on the ability to pay off the senior lien and whether the asset is valuable enough to compensate CARA for both the senior and junior liens. The decision on whether to subordinate to a new lender should be based on whether the new lender adds something of value.

Urban Renewal Manager Kate Porsche explained that a situation arose recently wherein Emma and Jacho Eaton took out a construction loan to proceed with renovations to their historic home. In this case, CARA was in the senior lien position; a staff-level decision was made to subordinate CARA's lien on the Eaton's forgivable loan. She noted that the majority of CARA loans are in the second position and that no conventional lender will make a construction loan without being in the first position. The question is whether or not the Board would like staff to handle these types of requests as a staff-level decision in the future.

Kopczynski noted that the Eaton's house is uninhabitable and that the construction loan will definitely add to the value; in this case, he feels the staff decision was appropriate.

Rich Catlin asked if this question will arise when a loan converts to a long-term mortgage. Porsche said that policy reads that CARA loans are to be paid off in the case of a refinance. The policy may need to be revised to reflect how to handle forgivable loans. Delapoer added that, in situations where it can clearly be anticipated that there will be a later call for subordination, staff will include that information in the initial presentation to the Board.

Leland said that it sounds like a good decision was made in this case. He asked if there are guidelines or a documented decision process. Delapoer said that more could be done in that regard. He suggested that staff take direction from the Board and bring back a procedure for approval.

Mark Spence said that he likes the decision in this case. He asked if there is a sense of how much CARA is willing to risk. Porsche said there is no formal policy in that regard. Her practice has been to look at the deal that was made; in the case of the Eaton's loan, it was an anomaly that CARA had the first lien. Delapoer added that the intent is to not use the authority often; staff would be more comfortable coming back to the Board for any material change. Jeff Christman suggested that consideration should also be given to whether there is enough value to cover both the first and second liens.

In response to an inquiry from Gordon Kirby, Delapoer said that the Eaton deal cannot be rescinded. Staff is looking for direction as to whether the Board is comfortable with this level of staff decisions going forward.

Bessie Johnson asked for information on the amount of the construction loan. Porsche said she doesn't have the file with her; she can get that information after the meeting. Post noted that, if projects proceed the way they should, CARA will almost always be in second position. Brief discussion followed. Porsche will come back with a revised procedure for final approval.

Update on Current Projects

Porsche gave a slideshow presentation with before and after photographs and reviewed the work done on several projects, including the JC Penney building, the Orr small grant, the P-Shaws small grant, and the Seigner building. Regarding the Crandall retail refinement project, Porsche reported that the contract is signed, that she is looking for intern help to complete the data collection, and that the first round of meetings will be held in late December or early January.

Presentation of Award

Porsche reported that the Oregon Economic Development Association has awarded its "Outstanding Collaborative Partnership Award" to CADD Connection and CARA for restoration of the Cameron House at Seventh Avenue and Lyon Street. She presented the award to Herb Yamamoto of CADD Connection.

BUSINESS FROM THE BOARD

None.

NEXT MEETING DATE

The next meeting of the CARA Advisory Board is scheduled for Wednesday, November 17, 2010, at 5:15 p.m. in the Council Chambers.

ADJOURNMENT

Hearing no further business, Chair Post adjourned the meeting at 5:59 p.m.

Submitted by,

Reviewed by,

Teresa Nix
Administrative Assistant

Kate Porsche
Urban Renewal Manager



TO: CARA Advisory Board
FROM: Kate Porsche, Urban Renewal Manager
DATE: November 12, 2010, for November 17, 2010, CARA Advisory Board Meeting
SUBJECT: Swoboda Request for Loan Modification

Chuck Swoboda is coming to you to request a modification of his loan for Phase I of his project. Mr. Swoboda owns the Frager Building located on the southeast corner of First and Lyon and operates his business, Boda Furniture (also known as Vintage Furniture). Phase one of his project was an early project for CARA, predating the current Urban Renewal Manager, City Manager, and Finance Director. The funding agreement outlined the package as follows:

- \$60,000 in grant funds (\$7,500 for storefront improvements and \$35,000 for other rehabilitation work) will be provided by CARA as a reimbursement of up to 50 percent of your documented expenditures.
- \$82,500 in loan funds (\$7,500 for exterior storefront improvements and \$75,000 for other building rehabilitation work) that may be used as the required match for the CARA grant.
- Eligible work included:
 - a. New stairwell and related exit and seismic improvements
 - b. Revised Lyon Street entry modifications per the approval of the City of Albany's Landmarks Advisory Commission.

Mr. Swoboda has written a letter for your review (attached). Additionally I've included the handwritten note and copies of the checks he refers to.

The payment on Mr. Swoboda's loan was due on January 25, 2010. The loan payment (we'll discuss the details of the amount in a moment) has been included in our budget as upcoming revenue. I must apologize at this point and let you know that the payment, due earlier in the year, did fall off my radar. I acknowledge that Chuck did call earlier in the year inquiring about the status of the loan and payment. My response was that I would check into it and get back with him, which I failed to do until late summer. My previous understanding had been that the Finance Department was tracking the CARA loans and invoicing for them a month prior to their due date, which is why the payments had not been top of mind for me. In working with Linda Lamer, we together realized that the loop is not closed on that process. I want to assure the Board, though, that we are working together, and with the administrative staff for the City Manager's Office, to create a new process that will close the loop and have a set of cross-checks to make sure CARA payables are billed and documented appropriately.

With all of that said, let's talk about the details of the loan payment. Again, this loan and contract was made long before my time. When I looked into it, the Promissory Note was readily found and described the loan terms this way:

- Loan date: 1/25/05
- Principal: \$82,500
- Interest Rate: 4.00%
- Payment Terms: loan to be paid in full, with accrued interest, at the end of the term, five years from the loan date (1/25/10)

When Mr. Swoboda was invoiced in October, I also called to talk with him in person. He indicated at that time he thought the loan was to be paid over five years. I told him I would look

CARA Advisory Board

Page 2

November 12, 2010

into it further, which I did, but only found documentation (Promissory Note, Trust Deed, and Funding Agreement) referring to the of the balloon payment due in 2010.

It is worth noting that Mr. Swoboda's second phase project with CARA has a structure with five years of no payments, then five years of payments, which may be the source of the confusion.

At this point, all staff has to rely on are the signed documents, which clearly outline a balloon payment after five years. I cannot confirm or deny any conversations he may have had with previous staff, rather can only look to the signed documents for the conditions of the loan. With that said, staff is not averse to considering a new structure to better facilitate Mr. Swoboda's repayment. Considering the current state of the economy, the request seems reasonable.

I've compiled an amortization schedule which illustrates the proposed payment structure. Here is some information on what's proposed: Mr. Swoboda has suggested that he make double payments for the first ten months to, in effect, get him caught up (assuming the payments would have been due starting 1/25/10). He has broken out the payment on the principal (equal to \$82,500/60 months, or \$1,375) and the interest balance as of September 30, 2010, (equal to \$18,751.23/6 months, or \$3,125.21—his proposal rounds this up to \$3,150). Please see the attached amortization schedule that I created for details. His proposal would have the interest that accrued on the loan paid off in six months and the principal paid off in five years.

Please note, though, that the structure proposed by Mr. Swoboda ceases to accrue interest on the balance as of September 30, 2010, and allows him to pay off the interest at an accelerated rate.

There is one last item for your consideration on this matter. Over the summer I have had a couple of conversations with the Community Development Department about complaints received on Mr. Swoboda's ongoing noncompliance with the City's sign code. I, personally, have fielded a couple of complaints related to the quantity of signs on and in his building and the items in the public right-of-way. [As I understand it, the requirements include no items in the public right-of-way (on the City's sidewalk), and signs in the window cannot take up more than 50 percent of the window space.] Additionally, this issue was addressed once before (see attached Staff Report from 2003 on this specific matter related to Mr. Swoboda).

With the higher scrutiny that comes with public funding, the complaints that have already been fielded and the contractual obligation that states that projects must, "remain in compliance with all regulatory bodies and approval agencies," staff must recommend that with this restructuring request there be full and ongoing compliance with the City's sign code and other codes. This recommendation is supported by the City's Building Official and Community Development Director.

I have e-mailed and talked with Mr. Swoboda on this matter personally. The Community Development Department is preparing an outline of their concerns, and I have offered to be the go between to help Mr. Swoboda navigate through the compliance.

Mr. Swoboda will be on hand to answer any questions you may have.

KCP:ldh

Attachments 3

CENTRAL ALBANY REVITALIZATION AREA
Swoboda, Oregon Furniture Mart
Proposed Revised Repayment Schedule

Summary		
Total Balance	101,251.23	Term
Interest - Going forward	0.00%	60 months
Monthly payment Principal	\$1,375.00	
Monthly payment Interest	(\$3,125.21)	6 months

Payment Schedule

Date	Principal Payment	Interest	Total
11/25/2010	\$ (2,750)	(\$3,125.21)	(\$5,875.21)
12/25/2010	\$ (2,750)	(\$3,125.21)	(\$5,875.21)
01/25/2011	\$ (2,750)	(\$3,125.21)	(\$5,875.21)
02/25/2011	\$ (2,750)	(\$3,125.21)	(\$5,875.21)
03/25/2011	\$ (2,750)	(\$3,125.21)	(\$5,875.21)
04/25/2011	\$ (2,750)	(\$3,125.21)	(\$5,875.21)
05/25/2011	\$ (2,750)		(\$2,750.00)
06/25/2011	\$ (2,750)		(\$2,750.00)
07/25/2011	\$ (2,750)		(\$2,750.00)
08/25/2011	\$ (2,750)		(\$2,750.00)
09/25/2011	\$ (1,375)		(\$1,375.00)

Double
principal
payments
to "catch-
up"

Principal Payments continue through 1/25/15

TO: Albany City Council

VIA: Steve Bryant, City Manager
Helen Burns Sharp, Community Development Director

FROM: Don Donovan, Senior Planner *DDN*.

DATE: September 25 for the September 29, 2003 City Council Work Session

SUBJECT: Development Code Standards – Outside Storage/Display

Action Requested:

Discussion and direction.

Discussion:

Staff has had recent discussions with a number of citizens and business people about outside display and storage of merchandise at places of business. Two particular areas of concern have been brought to our attention. One is downtown Albany. The other is the east side I-5.

Downtown

You have probably noticed that the new furniture store on Lyon Street near 1st Avenue (Vintage Furniture) frequently has a bunch of statues or something on the sidewalk outside their building. This property is in the LE (Lyon Ellsworth) zoning district, one of the zoning districts created for the Town Center Plan with CALUTS (Central Albany Land Use Transportation Study).

The City's Development Code says "Outside storage or display of materials, junk, parts, or merchandise is not permitted within required front yards." Storage is allowed on the property if it is screened from view. This is true for all commercial zoning districts except RC (Regional Commercial).

In most of the downtown area, no front yard setback is required. Most downtown buildings are built to the front property line. In the case of Vintage Furniture, the canopy of the building comes out to the front property line. There is some space under the canopy that is on their property. The sidewalk is public right-of-way.

Albany Municipal Code (AMC) 13.33.010 says "No person or persons shall obstruct or make use of a public street, sidewalk, or other right-of-way for the purpose of a public or private gathering, parade or processional, display advertising, offering of services, food or other merchandise, promotional event or making use of a public right-of-way which would limit the unobstructed use of such by the general public, without first obtaining a temporary right-of-way permit."

Display of merchandise is not allowed on the Vintage Furniture property unless it is screened from view. Display of merchandise is not allowed on the sidewalk, unless a temporary permit is obtained.

One of the Planning staff visited the owner of Vintage Furniture (Chuck Swoboda) and explained these restrictions to him. No formal enforcement action has been taken.

City Council Memo

Page 2

September 25, 2003

Councilor Killin got an email from someone that says, in part "Just curious why the city is so against new business. I was informed that the City was going after anyone that had things outside their doors. They would no longer be allowed to do this. The new furniture store was contacted. If this is the case, then Grays, Fred Meyer, Toys are Us, etc, should have to follow the same rules."

First, no staff person is against new business. The Planning staff person who visited Mr. Swoboda helped bring him to Albany. We welcome new business. We pay particular attention to helping businesses locate downtown.

Vintage Furniture is not the only business downtown that has merchandise displayed outside. Gray's Furniture, for example, has furniture on the sidewalk. It really has not been much of a problem until now. The statues (the Democrat-Herald called them "life-size figurines") are very visible to say the least. They are intended to draw attention to the store. There have been as many as ten of them on the sidewalk at the curb more than once in the last two weeks. They are on a busy street/state highway. This raises the profile of the situation downtown.

In contrast to the opinion that outside display is a good thing, staff has also heard recently from some people who think outside display of merchandise looks tacky and detracts from the image of downtown.

Bill Barrons, City Manager in 1984, wrote some rules that were intended to be applied to outside display downtown when someone applied for a permit. It is unlikely we have used these rules any time recently to issue permits downtown – in fact, we probably haven't issued any permits. A copy of a memo from Mr. Barrons and a copy of the rules are attached for information.

The author of the email to Councilor Killin makes a good point though - everybody should follow the rules.

East I-5 Businesses

Staff has been concerned about Coastal Farm and Home Depot for a long time. When Coastal was located in the store at 9th Avenue and Hill Street, they continually violated the rules about outside storage/display. They continued to do it even after we sent them a letter reminding them about the rules. We were just beginning to deal with it again when they announced they were moving to the new Santiam Highway location, so we decided not to pursue it. We did, however, explain the rules again as part of our review of the new store. With them in mind, we adopted new code provisions that allow up to 25 percent of the frontage of property in RC (Regional Commercial) zones to have outside display of merchandise behind the front yard. They are in violation today. And Home Depot has merchandise stored and displayed in many places outside.

Staff would like direction from the Council how to deal with situations like Vintage Furniture, Home Depot, and Coastal Farm.

Budget Impact

None.

November 10, 2010

CARA Board:

On October 5th I was surprised with a letter and invoice from the City of Albany asking for payment in full of \$101,251.23 for our first CARA Project Loan.

I called Kate around the beginning of 2010 because I thought we had to start making payments, but did not expect one big payment due.

When Pam Silbernagel gave me the application for the CARA grant and loan program I thought I was told the loans were interest only for five years and payments for five years.

The closing on the first loan took at least 30 days longer than originally quoted and work on the building had been going for about 90 days. We were in need of funds to pay contractors.

At that point I would have signed anything to get the bills paid.

I don't think I read the Promissory Note. We were in a hurry to get the signing done and I'm a poor reader.

Since we purchased the Frager Building (Money Pit) in January 2003 we have enjoyed a bounty of cash demands to make endless repairs. At the same time the U.S. Economy has bounced around mostly down to levels nobody could imagine.

I have never had an eight-year period where I have made so little money in my adult life as the last eight.

We have been able to pay all our obligations but there isn't any reason for working so hard in the business and on the building.

We have cashed in all our retirement savings to finish this building.

It is impossible for us to make this lump sum payment.

I gave Kate a proposed repayment plan, which is a 60-month amortization of the \$82,500 principal. Since it should have started in January 2010 under my misconception I proposed to make double payments until brought current.

I also proposed to pay the accrued interest over six months.

We still have quite a bit of work to do on the building, but I think most will agree what we have done is what CARA was created to accomplish.

I hope you will agree to accept our proposal to retire this debt.

Chuck Swoboda Boda Furniture

PAYMENT PROPOSAL CARA 200701

ORIGINAL PRINCIPAL \$2,500.00

TO BE PAID OVER 60 MONTHS STARTING 1/1/2010

PAYMENTS TO BE \$1375.00 PER MONTH

NOV. 1ST 2010 1375.00 + JAN. 2010 1375.00 = \$2750 -

DEC. 1ST 2010 1375.00 + FEB. 2010 1375.00 = 2750 -

JAN. 1ST 2011 1375.00 + MAR. 2010 1375.00 = 2750 -

FEB. 1ST 2011 1375.00 + APRIL 2010 1375.00 = 2750 -

MAR. 1ST 2011 1375.00 + MAY 2010 1375.00 = 2750 -

APRIL 1ST 2011 1375.00 + JUNE 2010 1375.00 = 2750 -

MAY 1ST 2011 1375.00 + JULY 2010 1375.00 = 2750 -

JUNE 1ST 2011 1375.00 + AUGUST 2010 1375.00 = 2750 -

JULY 1ST 2011 1375.00 + SEPT. 2010 1375.00 = 2750 -

AUGUST 1ST 2011 1375.00 + OCT. 2010 1375.00 = 2750 -

SEPT. 1ST 2011 1,375.00

OCT. 1ST 2011 1375.00 monthly UNTIL BALANCE PAID

INTEREST BALANCE OCT. 1ST 2010 18,751.23

TO BE PAID OVER 6 MONTHS @ \$3,150 PER MONTH

STARTING NOV. 1ST 2010

Chuck Swoboda
425-754-1995

VINTAGE-A UNIQUE FURNITURE WAREHOUSE
DBA BODA FURNITURE
104 1ST AVE. E
ALBANY, OREGON 97321
541-926-4300

(C) COPY 2093
24-201/1230

Date 10/29/2010

P ay to the CITY OF ALBANY ACCOUNTS RECEIVABLE \$ 2750.00
Order of Two thousand Seven hundred Fifty and 00/100 - Dollars

Security Features Details on Back

KEYBANK NATIONAL ASSOCIATION

FOR NOV. 1ST 2010 AND JAN. 1ST 2010 PAYMENTS

A Charles Sutliff

VINTAGE-A UNIQUE FURNITURE WAREHOUSE
DBA BODA FURNITURE
104 1ST AVE. E
ALBANY, OREGON 97321
541-926-4300

(C) COPY 2094
24-201/1230

Date 10/29/2010

\$ 3,150.00

P ay to the CITY OF ALBANY

Order of Three thousand one hundred Fifty and 00/100 - Dollars

Security Features Details on Back

KEYBANK NATIONAL ASSOCIATION

FOR FIRST OF 6 PAYMENTS LOAN INTEREST CARA

A Charles Sutliff

(C) COPY

MP



TO: CARA Advisory Board
FROM: Kate Porsche, Urban Renewal Manager
DATE: November 12, 2010, for November 17, 2010, CARA Advisory Board Meeting
SUBJECT: Albany Redevelopment Extension Request

Don Ward, Principal of Albany Redevelopment, LLC, is coming to you to request an extension to complete the work on the Labor Temple project (222 Third Avenue SE). Mr. Ward has written a letter outlining the circumstances and his request [please see attached letter (sent via e-mail November 9, 2010)].

The attached request serves as the written request, and Mr. Ward will be present at the meeting to answer any questions you may have.

Staff has met with Mr. Ward and discussed the current situation. The grounds outlined for the delay seem reasonable. With that said, staff feels that the project has a challenging history. The current commitment on this project is \$40,000 forgivable loan signed and personally guaranteed by the three partners of Albany Redevelopment, LLC. To date, \$23,482.89 has been drawn down, leaving a balance of \$16,517.11. Staff has met with the Community Development and Public Works Departments and has identified some remaining hurdles for the project. Though none of these are without solutions, there is some work that needs to be done to ensure the project meets historic guidelines, CARA's design guidelines, and transportation requirements outlined in the Conditions of Approval.

It is worth noting that Mr. Ward has been good to work with; he's been responsive to me and my various inquiries. In his letter, Mr. Ward outlines the challenges of financing the project and the economy in general. While I believe we can all acknowledge that the current state of affairs has had a broad impact both nationally and here in Albany, this uncertainty, paired with the cumulative history on the project (most of which is not related to Mr. Ward at all) leaves me feeling a bit uneasy.

Recommendation

To ensure protection of the remaining CARA funds, resolution of the outstanding issues from the City's perspective, and project completion, staff recommends approval of the extension through April 30, 2011, with the following modification: staff recommends that reimbursement of the remaining balance go out *only at such time as the project is deemed complete* by the City's Building Division with a certificate of occupancy. Staff believes that this precaution is warranted and would further protect the public's money in this project that's proven to be challenging.

Other Project Information

Though separate from this project, I wanted to let you know that the purchase agreement for the six townhome lots adjacent to this project has fallen through. This means that the CARA commitment for \$80,000 is released and available for other projects. The commitment was consummated by resolution (there was no contract done yet, as we were waiting on the completion of the Labor Temple project). The ARA will vote on repealing the resolution at a future meeting.

KCP:ldh
Attachment

Porsche, Kate

From: Alford Ward [adwllcoregon@gmail.com]
Sent: Tuesday, November 09, 2010 12:36 PM
To: Porsche, Kate
Subject: Request for an extension

Kate Porsche
Urban Renewal Manager
City of Albany

Albany Redevelopment LLC respectfully request an extension for the project located at 222 3rd Ave. SE known as the Labor Temple. Our goal is and has always been to complete the project in a timely manner. Unfortunately, due to two investors' inability to honor their financial pledge to support the project and the economy, we have had some challenges with the completion.

At this time, we have a soft commitment from a local investor willing to contribute the funds necessary to complete the project. I expect to have a firm commitment from the investor before the scheduled board meeting. Once we receive the funding, we expect to complete the project within three to four months; this would require an extension until April 2011.

The project is at the state where a lot has been completed and the balance of the work has been set up making for a smooth transition. With exception to the funding, we have resolved most all issues that would prohibit us from completing this project in a timely matter. We do not anticipate having any problem with the completion of the building for occupancy with the above mentioned timeline.

We thank you in advance for your serious consideration of this extension and assure you will not regret granting the extension.

Sincerely,

Don Ward



TO: CARA Advisory Board
FROM: Kate Porsche, Urban Renewal Manager
DATE: November 12, 2010, for November 17, 2010, CARA Advisory Board Meeting
SUBJECT: Manley Request

Marc Manley is coming to you to request a modification of his loan for Phase II of the project.

The loan is in the amount of \$148,000. CARA entered into the agreement on February 12, 2008.

The contract outlines:

Loan funds shall be available on a reimbursement basis for the following:

- 1) Ames Consolidation
- 2) Renovation of Flinn Block Hall
- 3) Restaurant-ready Flinn West
- 4) Addition of an elevator and all work associated with the elevator installation
- 5) Configuration of Flinn Block Hall for performances, entertainment, and food & beverage service
- 6) Other High Priority and Medium Priority Projects including without limitation all aspects of interior and exterior renovation and preparation for tenant occupancies and usages.
- 7) Reimbursement shall be available for items 5 & 6 as long as the developer's budget shows sufficient funds to complete the first four items; reimbursement for items 5 & 6 can be made prior to completion of the first four items; the first four items must be completed.

Items 1-5 have been completed, and the project had created many spin-off benefits, including:

- Consolidation of the Ames building ground floor, combining eight small shops into two large retail bays, enabled two great specialty retailers to grow downtown – Frogs & Pollywogs and SunnyPatch Boutique.
- The unique second-floor rehabilitation project in the Ames building created a ballroom that is bringing hundreds of people into our downtown core every month.
- The addition of an elevator opened ballroom use to the handicapped and to governmental groups. Recently the Oregon Main Street program held a conference in Downtown Albany that brought over 200 attendees and was a boon to local restaurants and other businesses. This conference could not have been held in Downtown Albany were it not for the space created by our partnership.

Mr. Manley has written a letter outlining the circumstances and his request (please see attached letter dated November 10, 2010). He is requesting that we modify the loan to be no-interest (please see revised amortization schedule below). The benefit that CARA would receive is that in addition to the substantial amount of work already done, we would see the consolidation of the Flinn retail area into two large spaces, a layout that's been proven to work in our downtown.

The impact for CARA is that we would lose the interest that would have been paid on the loan over the five years of repayment (assuming no early payments were made). However, given the current economy and the repayment of the principal, the request seems reasonable.

Mr. Manley will be on hand to answer any questions you may have.

CENTRAL ALBANY REVITALIZATION AREA
Flinn Block, LLC, Manley Loan
Revised Amortization Schedule

Summary		
Orig. Principal	148,000.00	Term
Interest	0.00%	5
<hr/>		
Accrued Principal	148,000.00	Term
Interest	0.00%	5
Payment	\$29,600.00	

Amortization Schedule				
12-Feb	Principal	Interest	Payment	Balance
2008				148,000.00
2009		-		148,000.00
2010		-		148,000.00
2011		-		148,000.00
2012		-		148,000.00
2013		-		148,000.00
2014	29,600.00	-	29,600.00	118,400.00
2015	29,600.00	-	29,600.00	88,800.00
2016	29,600.00	-	29,600.00	59,200.00
2017	29,600.00	-	29,600.00	29,600.00
2018	29,600.00	-	29,600.00	-
Totals	148,000.00	-	148,000.00	

KCP:ldh
Attachment

U:\Economic Development\CARA\CARA Advisory Board\2010\Staff Reports\11.17.10 Manley Loan Modification Staff Report.doc

November 10, 2010

Central Albany Revitalization Area
333 Broadalbin Street SW
Albany, OR 97321

RE: CARA Developer Partnership on the Flinn Block and Ames Buildings

Dear Members of the CARA Advisory Board,

Thank you for your partnership and for all you have done to improve our city. Albany is benefitting from your forward-looking investments in buildings, businesses, the carousel, streetscape and the promenade.

Update on our partnership with CARA

The partnership between us on the Flinn Block and Ames buildings has been successful and is providing many benefits to Albany:

- Consolidation of the Ames building ground floor, combining eight small shops into two large retail bays, enabled two great specialty retailers to grow downtown – Frogs & Pollywogs and SunnyPatch Boutique.
- The unique second-floor rehabilitation project in the Ames building created a ballroom that is bringing hundreds of people into our downtown core every month.
- The addition of an elevator opened ballroom use to the handicapped and to governmental groups. Recently the Oregon Main Street program held a conference in downtown Albany that brought over 200 attendees and was a boon to local restaurants and other businesses. This conference could not have been held in downtown Albany were it not for the elevator and ballroom made possible by our partnership.
- The former Thai restaurant space has been made ready for restaurant or retail use, and now houses a Yoga center that is broadening the cultural and entertainment opportunities downtown.
- The fully renovated second floor offices in the Flinn Block are ready for occupancy. A software company moved from Salem into some of these offices, bringing four professional-level jobs to Albany.
- About a dozen new jobs have been created by the tenants in the renovated Flinn Block and Ames buildings.
- Other CARA partners identified the improvements they saw in the Flinn and Ames buildings as one of the reasons they initiated their projects. Our partnership helped further CARA goals by attracting additional private investment to Albany.
- Most of the renovation work was done by local Albany contractors. Economic studies show that each dollar invested in a community gets spent eight to twelve times in that community. Our investments in renovating the Flinn Block and Ames buildings supported local companies and stimulated the Albany economy.

Flinn Mall Consolidation Project

We have completed every phase of renovation in accordance with our partnership agreements except for one, the consolidation of the Flinn Block Mall from seven small shops (five of which do not have street visibility) into two large retail bays. This last phase is expected to provide benefits similar to those from the Ames consolidation project – creating two retail bays that will enable specialty retailers to grow and create jobs in our downtown core. This is in contrast to the current configuration, where the size of the two small front shops constrains growth of their tenants, and the five shops without front windows remain vacant because retailers see challenges in attracting customers without street visibility.

We talked with Celia Formiller, owner of Frogs & Pollywogs toys, about consolidating the Flinn Block Mall. She has a unique perspective on this project – she started her toy store in one of the front window shops in the Flinn Block Mall, and then moved into the larger space in the consolidated Ames Building. Following are several quotes from Celia:

“I would never consider moving into one of the back spaces in the mall. Every store that has opened back there fizzled out within months. No store has succeeded, because customers can’t find them.”

“My store would not have made it without moving to the larger space. I was turning people away all the time because I didn’t have enough space to stock a wide selection of toys. It was sort of like a hobby store in the small space. Now I’m a real store.”

“Having my own space enabled me to create an appropriate retail environment. In the mall, music and sounds from other shops were not always appropriate for children and toy shopping. Now I have control over my space, and I have enough room to create a play space and to hold birthday parties. The mall shops are like living in an apartment; my larger store is like living in a house. Living is a house is better.”

“I’ve been in business for five years and even now people say they’ve been coming downtown for a long time and just noticed my store. And I have a giant frog in the window! If I was in the back of the mall, how would new customers ever find me? Also, customers have to go through two doors to enter a mall shop. It’s strange, but I get many more visitors having just one door.”

“I opened Frogs & Pollywogs myself. In my larger space the business has grown and I now have four employees.”

The Ames Consolidation Project resulted in a material improvement in the vitality of our downtown economy and created new jobs. Consolidating the Flinn Block Mall will bring similar benefits to CARA:

- Specialty retailers will get established and grow.
- More people will be attracted into our downtown, thus helping all downtown businesses.
- Jobs will be created.
- Existing tenants in the Flinn Block Mall can display more goods and make more sales.

- Being able to stock more products and sell more will help stores to stay in business.
- Because of the recession we are at risk of losing ground on the economic development that has been made downtown. These spaces will help bolster progress already made.

A CARA loan of \$148,000 has already been approved to complete the last phase of our partnership which includes the Flinn Block Mall consolidation project.

Economic Challenge

However, the current economic climate has thrown a wrench in our plans. With the Great Recession and tenuous jobless recovery (and chances for a further double-dip recession), we have more vacancies than occupied units. Furthermore, we have to steeply discount rents in order to attract new tenants. Given the current financial performance of the buildings and continuing uncertainty in the overall economy, we are not confident the buildings will be able to support an increase in debt.

This CARA loan has a repayment schedule of over \$50,000 annually or more than \$4,000 every month. It is conceivable that the future financial performance of the buildings will not generate sufficient free cash flow to repay the loan. Furthermore, with constrained bank lending it's unlikely that we could refinance the buildings to pay off this CARA loan.

These are significant and unpleasant challenges, but we prefer to address and resolve the problem now rather than waiting until payments are due.

Proposed Solution

After much reflection and discussion, we would like to propose a modification of our CARA Partnership that would enable the last phase of our partnership to be completed. The proposal is to modify the existing \$148,000 CARA loan by changing the interest rate to 0%, with interest recalculated since inception. This modification provides the following benefits:

- A previously-approved project with specific and tangible benefits to Albany can proceed (the Flinn Block Mall consolidation).
- Risks to the project from the current economic environment are mitigated.
- Spaces are created that will facilitate expansion of specialty retailers.
- Additional jobs will be created in our downtown core.
- Under-utilized space in the heart of downtown is optimized for retail.
- Advisory board concerns about 'flipping' buildings are addressed through the forgivable loan.
- This proposal does not require any additional new funding from CARA.

Thank you once again for all your support and for considering this proposal.

Sincerely,

Marc & Anni Manley
Flinn Block and Ames Buildings