



APPROVED: April 16, 2014

CITY OF ALBANY
Central Albany Revitalization Area Advisory Board
City Hall Council Chambers, 333 Broadalbin Street SW
Wednesday, March 19, 2014

MINUTES

CALL TO ORDER

Chair Rich Catlin called the meeting to order at 5:15 p.m.

ROLL CALL

Advisory Board Members present: Russ Allen, Rich Catlin, Loyd Henion, Bessie Johnson, Rich Kellum, Sharon Konopa, Ray Kopczynski, Danon Kroessin, Kevin Manske, Dick Olsen, Mark Spence, Maura Wilson

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

SCHEDULED BUSINESS

Business from the Public

Tom Cordier said that he opposes the proposal from Scott Lepman that the Board will be considering this evening. He said that he was present at the March 4 meeting when the project was presented, that he read the application document, and that he walked the site and talked to occupants of the Fortmiller building. He said he was surprised that the Board would hear the initial presentation for this project without an application being filed and the public being notified. He thought that preferential treatment was being given to Lepman even though he was vague about what he wanted to do with the building. He recommended that only those who have filed an application be allowed to bring forward a presentation. He said that, where the application asked where the applicant had looked for funding, no lending institution was listed even though there was an inference that a bank would fund certain portions of the project. In his experience, a bank would not look kindly on a forgivable loan and the applicant would likely be back asking for a grant. He said the lot west of the Fortmiller building is a paved striped parking lot for 11 vehicles that is being used; the proposed development would remove those spaces. He felt the proposed townhomes building would not fit the historic district. He said a City building official told him that there are structural issues with the Fortmiller building and that it would be very difficult to bring the building up. He encouraged Board members to vote no on the proposal.

Presentation of New Storefront Grant Requests

Economic Development & Urban Renewal Director Kate Porsche said the Storefront Revitalization Grant program was set up to incent and assist with significant exterior alterations in specific geographic areas, up to \$10,000 per project. The program calls for allocations to occur at certain times of year on a competitive basis. Three requests were submitted for this round of allocations.

The Natty Dresser (Oscar Hult) (\$10,000)

Porsche briefly reviewed the application and project evaluation.

Oscar Hult said the staff report was clear. He offered to answer any questions.

Kellum said he understood from the application that CARA funding is needed to do the project in a timely manner and that it would otherwise be delayed for a year. He asked if the applicant would be able to afford the project in the first three years. Hult said possibly, depending on how things went. He said he is trying to start the business without going into debt and he will need to put the proceeds back into the business for the first year or longer.

Kopczynski said his only concern is that the business is undercapitalized which is what knocks out most businesses in the first year, but he applauds the applicant's willingness to take a risk.

Kopczynski said that he is bothered when applications are not complete. He said every question should have an answer, even if it is N/A, so Board members know that something wasn't missed. Porsche said that she will work with applicants to ensure that applications are complete in the future.

Konopa said this request is unique in that the building owner would typically pay for storefront improvements but this building is owned by a long-time nonprofit which doesn't have funds to do the upgrades. She said that the building has been vacant for nearly five years and that Hult would be putting in his own investment, including a lot of sweat equity. She said the project would be great for the downtown.

Two Rivers Market Building (Robert Magid) (\$7,760)

Porsche briefly reviewed the request and project evaluation.

Ken Hart, Manager of Two Rivers Market, said the request is for matching funds to replace all awnings on the building. He said they had planned to do only one side this year but they lost awnings around the building due to severe weather and would now like to replace them all in a timely manner.

Spence asked if replacement of the awnings lost to severe weather was covered by insurance. Hart said the building owner is out of town and he had not been able to determine insurance coverage. Spence said he would be concerned if CARA funds are being requested because the building was underinsured.

Spence asked if the new awnings would look like they did prior. Hart said yes.

Kellum said that only one bid was submitted and it was from a Salem company. He said there are people in Albany who do this work. Hart said that Salem Tent & Awning was contacted for an estimate because they installed the original awnings. Porsche said that getting a second bid or a local bid for awnings has been difficult.

Kopczynski said that several questions were also left blank on this application.

Fortier Chiropractic Healthcare (Seth Fortier) (\$10,000)

Porsche briefly reviewed the request and drew attention to the project evaluation.

Danon Kroessin said that he has a professional relationship with Fortier and that he will abstain from the discussion and decision on this request.

Spence, Wilson, and Manske each stated that they have been clients of Fortier, but that this would not influence their decision in the matter.

Seth Fortier said the grant would help him to improve the appearance of his building in the downtown area which would be beneficial to both him and the community. He said that renovating this building has been an ongoing process and it hasn't been easy, either financially or physically. He reviewed the renovations and improvements he has done to date. He said that the planned improvements would be a very big undertaking and that, without CARA funding, there are pieces that would not be done or that would be done in an inferior way as far as the CARA Board is concerned. That is just a product of where he is at financially.

Kopczynski said the application was inconsistent regarding what items CARA funds would be used to fund. Fortier said the improvements that would probably not be done or would not be done to the same standards without CARA funding include awnings, exterior lighting and signage. Brief discussion followed regarding the specifics of the proposal. Fortier said the proposed improvements are about aesthetic appeal and pride of ownership. If he is awarded the grant, he would apply CARA funds to any items on the project list that the Advisory Board designates.

Allen asked what control CARA would have relative to the entire project if the request was approved. Porsche said that per the contract, the entire exterior project would be subject to design review and staff would work with the applicant on each element of the project.

Johnson said she appreciates what the applicant is doing to the building. She said there is a lot of traffic in the area and even the back awning will be seen by some people. She said the improvements would enhance the entire area.

Kopczynski asked if the applicant is willing to turn over design control of the entire project in exchange for CARA funding, about six percent of the project. Fortier said yes; he said Porsche is amazing to work with and has a great eye for design and style. He has full confidence that whatever Porsche and the Advisory Board bring to the project will only improve it. He noted that, if he strongly opposed any of the design requirements, he would not be obliged to accept the grant.

Allen asked if there is a way to be more specific about how CARA funds would be used. Porsche said that applicants are asked to provide the entire scope of the project and then identify the pieces for which they are asking for CARA's help (outlined on page 4 of the application). The application is attached as an addendum to the contract, CARA funds are always distributed on a reimbursement basis, and there is a 20 percent holdback policy to ensure compliance. In this case, she would ensure items submitted for reimbursement apply to one of the items listed in the application.

Brief discussion followed regarding a potential amendment to the application to define specifically how the funds would be used.

Deliberation and Funding Decisions

The Natty Dresser (Oscar Hult) (\$10,000)

MOTION: Wilson moved to approve the application. Kopczynski seconded the motion.

Kellum said that he likes the idea of having a men's store downtown. Since the applicant has said they can't do the improvements right away but could afford them later, he feels this should be a loan rather than a grant.

Konopa said the Advisory Board went through an 18-month process and set up these programs, one of which is a storefront revitalization grant program. Kellum said his point is that to be good stewards of the money, consideration should be given to how many times the money is used. In discussion, Kellum said he has a problem with giving grants if the person has the ability to pay. Konopa said that in this case, the tenant is putting in the investment because the building owner cannot.

Allen asked if the inability of the recipient to pay is one of the program criteria. Porsche said it is not. She said the application meets the criteria established for the program, but it is the Board's prerogative to change the program.

Spence called the question.

The motion passed 11-1, with Kellum voting no.

Two Rivers Market Building

MOTION: Kopczynski moved to deny the application. Kellum seconded the motion.

Konopa noted that Advisory Board members had questions about insurance coverage and additional bids. By a show of hands, a majority of Board members said they would like to see the application again with that additional information.

Kopczynski withdrew the motion.

Fortier Chiropractor Healthcare

MOTION: Johnson moved to approve the application, with the \$10,000 to go toward awnings. Konopa seconded the motion.

Catlin referred to previous questions regarding the lack of clarity about which items in the application would be funded by the grant. Porsche suggested that question 15 of the application be amended so that the amounts for the four items total \$10,000.

Johnson withdrew the motion.

MOTION: Johnson moved to approve the application with the revision suggested by staff. Konopa seconded the motion.

Konopa said that Fortier has put investment and increased employment into the CARA district and is now seeking to put in another substantial investment. She supports the request.

Kellum said that the quick review grid shows that this project fails to meet most of the criteria.

Allen said he understands Kellum's point; however, he will support the motion because the project is significant and visible in the core area and he believes it is worth the investment to ensure the project is done to CARA's standards.

The motion passed 8-3-1:

Yes:	Allen, Catlin, Johnson, Konopa, Manske, Olsen, Spence, Wilson
No:	Henion, Kellum, Kopczynski
Abstain:	Kroessin

Consideration of Ad Hoc Forgivable Loan Request (Scott & Spencer Lepman) (\$336,000)

Porsche reviewed the request for a forgivable loan to partner on a two-part project. The first phase would involve the rehabilitation of the historic Fortmiller building into two office suites and nine residential units. The second phase would involve construction of four live-work townhome units on vacant property west of the historic building. Staff conducted a walk-through to make sure there was no barrier to the project being discussed. The applicant proposes to use eight feet of Library property on the east side of the building to create angled, off-street parking. The Library Director was supportive of the proposal and requested that any funds received by the City go to the Carnegie Library.

Porsche said that the two-part proposal hits on nearly all of the established criteria and both the historic rehabilitation project and the new construction project are a match to CARA's goals. The live-work units with first floor workspace and upper floor residential are a step in the direction of having people living in the downtown core, one of the keys to success and economic viability. The CARA district would likely see the return of funds through an increase in assessed value by the thirteenth year. Staff recommends approval of the request.

Kopczynski referred to item P of the project evaluation grid which notes uncertainty for the developer with the rehab of the existing historic building. He asked if staff found anything of concern during the walk through. Porsche said there were no significant barriers seen; however, she would say that there is always risk with rehab of historic buildings. For example, there is some uncertainty regarding what will be found when the bad metal siding is removed.

Spence said that he is President of the Albany Public Library Foundation. He does not have a conflict of interest, but this association may inform one or two of his questions.

There was brief discussion about the proposed parking, the availability of residential units in the downtown, and the design of the proposed construction project. Catlin noted that the Advisory Board's approval would not obligate other City approvals.

In response to inquiries, Porsche reviewed the terms of the forgivable loan. She noted that when creating funding categories, there was consensus that the Board would hear larger applications like this one on an ad-hoc basis; so there are no specific program requirements.

Scott Lepman showed a depiction of the historic Fortmiller Funeral Home. The building was constructed in the 1930s and converted to offices in 1979. A foreclosure auction is scheduled for April 16. He has talked to the two lenders on this property, and they seemed favorable to this proposal. He showed photos and layouts of the site. He said the Fortmiller building does not meet present standards in design and appeal. It is no longer competitive in the market except at a low rent rate. He reviewed his proposal as detailed in the application documents and answered clarifying questions about the request and the foreclosure process.

Kellum said that doing this would be short-circuiting the foreclosure system in play. Lepman said that he is trying to buy the building at a reasonable price so that it makes sense to develop it as proposed.

Kellum noted that the townhomes provide most of the tax increment, and he asked if the applicant would consider doing that as a separate project. Lepman said he isn't asking for assistance on the townhomes. He said that unless someone makes the investment in these older buildings, they won't change. He believes the responsible thing to do is to rehab the building.

Konopa said that the community would benefit from the exterior improvements and that it takes assistance to get these historic buildings revitalized.

Catlin asked if the applicant has a verbal commitment from the bank. Lepman said he has not discussed the renovations with the bank, but he has a history of performing and he believes that he could get the needed financing.

Catlin asked how the applicant came up with the numbers in the application. Lepman said that he considered the costs, the maximum the banks would finance, and the value of the property when it's fixed up. The difference between the costs of the project and the value at completion is the amount of the request.

In response to further inquiries, Lepman said the townhomes could be rented or sold.

Catlin said the request is for about 20 percent of the total project cost which is higher than the percentage CARA typically contributes to projects. He asked why this project is deserving of the additional contribution. Lepman said the numbers are intended to provide enough funds to complete the project without entrepreneurial incentive.

Konopa asked if the loan could stipulate 20 percent of costs up to a maximum of \$336,000. Porsche said that CARA loans are always based on a "not to exceed" number and paid as reimbursement of actual expenses submitted.

Catlin said the Advisory Board was clear during the policy discussions that it didn't want to be a primary lender but wanted to provide gap funding. He asked if the gap in this case could be less. Lepman said that the gap is the costs of the project less the market value, and that is his request.

Henion asked what would happen if the property went into foreclosure. Lepman said that he would not pursue the property but would do other things with his resources that have greater return. The bank would have to sell. Unless there is incentive to fix up the building, he thinks it would stay as it is.

In response to a question from Allen, Porsche said that staff thinks the request is a reasonable proportion for this size project, similar to Woodland Square and others. She noted that the applicant has proposed to guarantee both projects even though CARA would be contributing only to the historic rehab part of the project.

MOTION: Kopczynski moved to approve the request. Spence seconded the motion.

Kopczynski said he made this motion for several reasons: Lepman's track record, getting two properties renovated, a wonderful improvement over what is there now, and return of CARA money through tax increment in 13 years. He said that this is a prudent and wise use of CARA funding.

Kellum said the vast majority of the tax increment would come from the new construction which is something the developer could do on his own. He believes in the system which requires the banks to sell the property and the buyer then gets a better deal due to the forced sale. He thinks this is too complicated and there are too many questions.

Allen said he is leaning toward supporting the motion but he is struggling with whether the magnitude of the request is appropriate for the project.

Catlin said the question isn't just about numbers but also about CARA's goals. His question is more about how the requested amount was derived.

Olsen said that this is an excellent proposal from someone who has performed well in the past. He is in favor of the request.

Wilson said the proposal seems to support everything that the CARA Board is meant to achieve, and she is completely supportive.

The motion passed 10-2, with Kellum and Manske voting no.

Proposed Agenda and Plan for Open House Discussion of Infrastructure Projects

This item was held until the next meeting.

Staff Updates and Issues

Porsche said that the owners and representative of Novak's Hungarian Restaurant would like to present an update on their previous application.

Bill Ryals, architect for the applicants, said that he was only recently contacted by the Novak's, that he has come to know this incredible family, and that he doesn't think they were well-served in the past. He briefly reviewed the proposal to remodel the former meat market building on Second Avenue to restaurant space. He said the Novak family would bring leverage to the area with their good name, long standing in the community, and loyal clientele. He said that very little is left of the historic facade of the building and that restoring the original facade will be very expensive. He added that the loan structure is causing issues with the bank. He would like to come back next month with a restructured proposal.

BUSINESS FROM THE BOARD

There was no additional business from the Board.

NEXT MEETING DATE

The next meeting of the CARA Advisory Board is scheduled for Wednesday, April 16, 2014, 5:15 p.m., in the Council Chambers.

ADJOURNMENT

Hearing no further business, Chair Catlin adjourned the meeting at 8:55 p.m.

Submitted by,

Reviewed by,

Signature on File

Signature on File

Teresa Nix
Administrative Assistant
Director

Kate Porsche
Economic Development & Urban Renewal