



APPROVED: May 21, 2014

CITY OF ALBANY
Central Albany Revitalization Area Advisory Board
City Hall Council Chambers, 333 Broadalbin Street SW
Wednesday, April 16, 2014

MINUTES

Advisory Board Members present: Russ Allen, Rich Catlin, Bill Coburn, Floyd Collins, Loyd Henion, Rich Kellum, Sharon Konopa, Ray Kopczynski, Kevin Manske, Dick Olsen, Mark Spence, Maura Wilson

Advisory Board Members absent: Bessie Johnson (excused), Danon Kroessin (excused)

CALL TO ORDER

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

APPROVAL OF MINUTES

March 4, 2014 / March 19, 2014

Dick Olsen requested a revision to the March 4 minutes: Page 5, the third paragraph, needs to show that he voted yes on the motion.

MOTION: Mark Spence moved to approve the March 4 and March 19 minutes with the above revision. Rich Kellum seconded the motion, and it passed 12-0.

SCHEDULED BUSINESS

Business from the Public

Wendy Kirbey asked that the Advisory Board seriously consider the upcoming request from Novak's Hungarian Restaurant. She said that several times a week, while scheduling tours for the Albany Carousel & Museum, visitors say they also want to have lunch at Novak's. She said it would be very good to have Novak's move downtown.

Project Update Albany Carousel & Museum – Information Only

Gary Goby gave an update on the Albany Carousel & Museum. He expressed appreciation for the support and partnership of the City over the past ten years which has helped to purchase the existing building and property and develop conceptual plans for a new building. He said that support for the project continues to grow. They have 200 active volunteers, including carvers and painters, and they have logged 160,000 hours of volunteer time. They have 30 animals and many accessory carvings completed, and the painting and carving studio continues to be active. In 2008, they had about 5,000 visitors; in 2013, they had 22,000 visitors, an average of 1,900 visitors per month. The Albany Carousel & Museum has been featured on OPB and in multiple travel magazines. They were featured in *Parade* magazine in 2013, and that exposure resulted in the next month having 3,265 visitors from 34 states and 13 countries.

Goby said the organization's fund-raising has two arms. An ongoing arm for operations has been funded by sponsors, gift shop sales, and donations. They are in the process of a building capital campaign which currently has about \$1.4 million in cash and pledges. The grant writer has recommended they not pursue large grants until they have a full set of plans. He said the Albany Carousel is expected to be a self-sustaining anchor for the redevelopment of the downtown. They are presently the largest attraction in Albany and expect

many more visitors once they have one of the largest restored historic carousels in the country. He said it is important to be thinking about parking and about how to develop historic downtown Albany tours. He said that the mechanism is at his warehouse in North Albany; tours are offered every Saturday at 1:00 p.m., and children are welcome.

In response to inquiries, Goby said that roughly \$300,000 is needed to complete plans and they are trying to find donors for that expense. When the capital campaign fund gets to \$4.5 million, they would be prompted to tear down the old building and start construction. In response to an inquiry from Loyd Henion, Goby reviewed a suggestion from his brother, who runs the school bus system for Detroit, whereby there would be a parking area near the freeway and people would be picked up for a downtown historic tour using a trolley system. The goal is to generate a destination where people will stay a day or two and enjoy all that the area has to offer.

Continuation of Presentation, Deliberation, and Funding Decisions of New Small Grant Request

Allen & Associates Insurance, Inc. (Mike Allen) (\$5,000)

Floyd Collins recused himself from the discussion and decision on this matter.

Economic Development & Urban Renewal Director Kate Porsche said that the Advisory Board previously considered this application and gave direction that an additional bid should be provided. The additional bid and photographs have been provided by the applicant and are included in meeting packets, along with the original application and decision grid.

Michael Allen said that the second bid was remarkably similar to the first – about \$58 higher. He briefly reviewed the three-phase process necessary to prep for and install the stack stone facade.

Sharon Konopa said that she appreciates the updated photos. She said the stone facade would upgrade the building considerably.

Kellum said this is not an ugly building; he asked how the City would benefit from the proposed improvements. Allen said that other businesses in the area have participated in this process successfully; he is trying to follow suit and continue to build momentum in the neighborhood. He said some of the improvements after the fire in 2000 were done in a less than desirable manner. He has added heating and cooling systems and he is now trying to improve the outside of the building.

Spence said that when applications are about beautification, it would be helpful to see images of the planned improvements. He encouraged the applicant to talk to staff and potentially get design advice, especially about lighting. He asked if the applicant feels the project would improve the value of the property around him and make businesses in the building more successful. Allen said he definitely believes that is the case; he has two tenants who desire to get these improvements done. He said he will paint the building either way; CARA funding would enable him to do a nicer job on the facade.

Bill Coburn asked if the applicant has received CARA assistance in the past. Porsche said no; Allen's previous application was in the group that was put on hold while the Advisory Board did its policy work.

In response to additional inquiries from Coburn, Allen reviewed work he has already done to the building and provided additional details of the proposed improvements.

Catlin said this is not a blighted building but it is a nondescript building. He sees this as the last step in the rehabilitation of a building to make it more attractive in a difficult area. He suggested that the applicant talk to his contractor about the possibility of cutting out some panels in the sidewalk for street trees.

Maura Wilson said she will support this because she thinks it would make the area more attractive and hopefully bring in other investments and improvements.

MOTION: Coburn moved to approve the small grant request for \$5,000 for the project at 433 Third Avenue. Wilson seconded the motion, and it passed 9-2:

Yes: Allen, Catlin, Coburn, Henion, Konopa, Kopczynski, Olsen, Spence, Wilson,
No: Kellum, Manske
Abstain: Collins

Modification to Funding Request: Novak's Hungarian Restaurant

Kellum recused himself from the discussion and decision on this matter.

Porsche highlighted items from the written staff report. The Advisory Board approved a Focus Area Loan in the amount of \$126,000 for Novak's Hungarian restaurant in November, 2013. The Novaks have submitted a modified application asking for a \$200,000 forgivable loan. Total project costs have risen from \$627,000 to \$795,000. The reasons for the modification are outlined in the application materials. The applicants are proposing to use CARA funding for building facade, City fees and SDCs, rear facade restoration, and seismic upgrades and repairs. Porsche answered clarifying questions and suggested that the Board might consider forgiveness over a five-year period contingent upon continued business occupancy by the applicants.

Bill Ryals, representative for the Novaks, said there were several issues with the original proposal that led to the modified application. The significant cost of the restaurant equipment and furnishings wasn't captured in the previous application as a contribution from the applicant. Since the Novaks contacted him several weeks ago, he has spent a lot of time inside the building with structural engineers. They found the facade of the building will need significantly more work than anticipated and that the building will need seismic upgrades. He said that restoring a historic building correctly is a very expensive and difficult proposition. The Novaks feel that their restaurant fits well with the work that is occurring in the downtown. The restaurant is a true draw, and the Novaks want to help spark a revival on Second Avenue.

In response to inquiries from Collins, Ryals reviewed the applicant's discussions with Willamette Community Bank. As he understands it, the bank would fund half of the project and the Small Business Administration (SBA) would fund the other half, based on the appraisal of the finished building. If the project costs \$600,000 and the finished building is worth \$400,000, that gap is what CARA is being asked to fund. He said the bank also expressed concerns about CARA's loan structure. Porsche clarified that the bank representative had a suggestion for a modified structure for CARA loans which would include two years of interest payments and five years of payments amortized over a 20-year period with a balloon payment at the eighth year.

Karen Novak referred to the project evaluation grid provided by staff, noting that the project meets most of CARA's criteria. She said they would take an ugly building and make it something of which Albany can be proud.

Russ Allen said that he would like to see Novak's succeed. His concern is that there has to be point of no return on an old building where it's just not viable or wise to spend the resources to bring that building back.

Kevin Manske said that the difference between the estimated cost of the project and the value upon completion is more than \$250,000. He said that having Novak's downtown would be great; however, he wonders at what point is it too much as far as return on investment and whether a project is viable based on the condition of the building. Ryals said that same logic would have applied to the whole downtown at the time that CARA was created and First Avenue is now wonderful. The Novaks are taking a risk, he said, because they believe in this project, they want to be downtown, and they hope to drive additional investment on Second Avenue.

Olsen said that the proposal would bring back a unique building and also bring an amazing restaurant to the downtown. He thinks that it is worth the extra dollars.

Coburn said that the Advisory Board likes to see three estimates and favors the use of local contractors. Novak said that they did originally get bids from several contractors and they settled on the one they found most favorable. Ryals added that the construction will employ many local contractors, as noted in the application.

In response to an inquiry from Ray Kopczynski, Ryals said that he expects the project will take five to six months to completion.

Wilson asked if the bank had concerns about a loan that is forgivable over a period of time. Ryals said that the bank representative indicated that the shorter the timeline, the better. Novak added that the bank representative is ready to work with them on the bank and SBA loan processes if this request is approved.

Loyd Henion asked if other downtown buildings were considered. Novak said that they had looked at downtown locations for a couple of years, and that this building felt like the right place. Henion said that Novak's is a unique restaurant with a wide reputation and he is glad they want to come downtown.

Collins initiated additional discussion about the underlying value of the asset. Ryals said that most of the projects that CARA has participated in would have been underwater without CARA's assistance.

Spence asked for a clearer understanding of the owner's contributions. Ryals said the owner's equity in the project is the kitchen equipment and furnishings. The value is substantial and he feels it is appropriate to include it in the project costs.

Spence said that when we talk about return on investment, we are talking about the footprint of the building but there is no way to capture the effect throughout the community. Even if CARA were considered a bank, the projections show a return on investment from tax increment in 25 years. He doesn't want to get hung up on properties that don't pencil out. What distinguishes Albany from other communities in Oregon is our downtown – it attracts capital in ways that are impossible to trace and makes this a more valuable community.

Konopa said the question is whether we want our downtown revitalized or not. Complete revitalization of a historic building costs a lot and will not pencil out, but it does add that unique piece to the downtown. Sprawl in the community costs in the way of public services; this request would not put any demand on City services. The elements for which CARA funding is requested offer a public benefit through exterior improvements and a more sustainable building.

Kopczynski said the goal is to give incentive for private investment; this investment would be a starting point for that entire area.

MOTION: Kopczynski moved to approve the request as a forgivable loan over a five-year period. Coburn seconded.

Coburn agreed that some benefits are not tangible and that having this restaurant as a draw to the downtown is a bigger investment in the community.

Allen said he thinks Novak's would be good for downtown and he will likely support the motion. His hesitancy is that there has to be a point where it's not prudent to make such a sizable investment rather than spread those resources to other projects.

In response to an inquiry from Collins, Porsche described the structure of a five-year forgivable loan. Catlin said that he appreciates the way the loan is structured so the applicants don't have to claim the entire amount on their taxes the first year. His goal is assist not only with downtown buildings, but also with the success of the businesses. He said that having Novak's on Second Avenue would benefit that area as well as other parts of the downtown as people pass through on their way to that location.

Manske said that there is a finite pool of money and he thinks the idea of spreading the money around to create more energy has merit. He would have an easier time voting for this if it had repayment attached.

Wilson said that this is a project that will not happen without CARA funding, and that we would lose a beautiful restoration that would be another draw to the downtown.

MOTION TO AMEND: Collins moved to amend the motion so that the loan is stated as a “not to exceed amount,” and that CARA realizes a dollar-for-dollar reduction if actual costs are less than estimated. Manske seconded.

Olsen said the applicants are also putting in a significant amount of money; he suggested that any under-run be split proportionally between the applicant and CARA. Spence agreed that any under-run should be proportional; he will vote against the amendment. In discussion, Porsche noted that expenses are paid on a reimbursement basis and that there is a ten percent holdback to ensure that everything is completed as required.

The motion to amend failed 2-9:

Yes: Collins, Manske
No: Allen, Catlin, Coburn, Henion, Konopa, Kopczynski, Olsen, Spence, Wilson
Abstain: Kellum

MOTION TO AMEND: Allen moved that any overall project cost under-runs be split 50/50 between the applicant and CARA. Kopczynski seconded the motion.

Wilson suggested that the issue of cost under-runs not be addressed with this application but be brought back to the Advisory Board as a policy question. Several Board members expressed agreement and additional discussion followed.

The motion to amend failed 4-7:

Yes: Allen, Collins, Henion, Manske
No: Catlin, Coburn, Konopa, Kopczynski, Olsen, Spence, Wilson
Abstain: Kellum

The main motion passed 9-2:

Yes: Allen, Catlin, Coburn, Henion, Konopa, Kopczynski, Olsen, Spence, Wilson
No: Collins, Manske
Abstain: Kellum

Porsche asked if the Board would like to take up the issue of project under-runs as a policy question. Konopa said that she would like to see the minutes of the policy discussion to see if this issue was previously decided.

General Discussion of Proposed 2014-2015 ARA Budget

Porsche gave a presentation on the 2014-15 ARA budget discussion and planning. She said the ARA Budget Committee is the official review group for the budget and no decision by this body is needed.

Porsche reviewed the urban renewal funding mechanism. Taxes from the frozen base continue to flow to taxing districts and CARA receives only the tax amount on the increase in assessed value for properties within the district. Taxing districts forgo increases in tax revenue for a finite time for a specific use. Urban renewal does not increase taxes. She reviewed the breakdown of the tax revenues to the various taxing districts. Benefits of urban renewal include job creation, additional housing units, a safer community, lower crime rates, and leveraging of private investment.

She reviewed the 2014-15 budget revenues and expenses. For projects, CARA has a reserve of about \$3.18 million, as well as budgeted borrowing capacity of more than \$3 million. In talking with the financial advisor, the actual borrowing capacity is estimated to be between \$9.5 and \$13.5 million. The borrowing capacity in the budget could be changed at a later time if that decision is made. There is also the potential to refinance the existing loan which would yield \$215,000 in interest savings. The budget proposes the addition of one full-time employee, 80 percent of which would be paid by CARA. This is similar to the staffing structure that was in place when she was hired in 2006.

City Manager Hare said that the City has cut about ten percent of its workforce over the past five or six years. As CARA revenues and workload has grown, staff members in the City Manager's Office have tried to help with the administrative burden. The proposal is a way to reallocate resources to meet the workload.

Porsche summarized that there will be about \$3 million cash on hand to invest strategically into projects. The borrowing capacity is estimated to be between \$9.5 and \$13.5 million. Conversations are still ongoing about the best way to get public input, determine projects, and begin investing in them. There is an idea inherent in urban renewal that you want to invest money as soon as possible to drive up values so there is more benefit in the end.

Collins said that the Advisory Board previously said it would discuss the potential of under-levying during each year's budget review. Since no projects appear to be lined up, he asked if consideration should be given to not levying the full amount, knowing that the City of Albany would be the biggest recipient of those funds. Hare said that how aggressively to move forward on the many items in the urban renewal plan is a policy decision. Porsche clarified that cash on hand can be used for partnerships or for public infrastructure. She said that under-levying is a policy decision; doing so would postpone investments and extend the duration of the urban renewal district. It was noted that a legislative fix is in place so that the renewed Linn County public safety levy will not be affected by CARA. Brief discussion followed.

Proposed Agenda and Plan and Open House Discussion of Infrastructure Projects

Porsche will bring back potential dates for an open house in June.

Staff Updates and Issues

Porsche gave a brief update on the Edgewater Village project.

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, May 21, 2014, 5:15 p.m., in the Council Chambers.

ADJOURNMENT

Hearing no further business, Chair Catlin adjourned the meeting at 8:13 p.m.

Submitted by,

Reviewed by,

Signature on File

Signature on File

Teresa Nix
Administrative Assistant

Kate Porsche
Economic Development & Urban Renewal Director