

## NOTICE OF PUBLIC MEETING

### CENTRAL ALBANY REVITALIZATION AREA ADVISORY BOARD

City Hall, Council Chambers

Wednesday, December 10, 2008

5:15 p.m.

### AGENDA

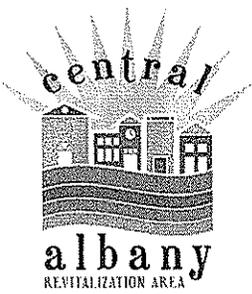
1. CALL TO ORDER (Chair Norman)
2. ROLL CALL
3. APPROVAL OF MINUTES
  - November 19, 2008, regular meeting. [Pages 1-3]  
Action: \_\_\_\_\_
  - November 19, 2008, work session. [Pages 4-6]  
Action: \_\_\_\_\_
4. SCHEDULED BUSINESS
  - a. Business from the Public
  - b. Smith properties – 222 and 228 Third Avenue SE. [Pages 7-9] (Porsche)  
Action: \_\_\_\_\_
  - c. Discussion of three Blighted Areas. [PowerPoint/Discussion] (Porsche)  
Action: \_\_\_\_\_
5. BUSINESS FROM THE BOARD
6. NEXT MEETING DATE: *Next regular meeting Wednesday, January 21, 2009*
7. ADJOURNMENT

City of Albany Web site: [www.cityofalbany.net](http://www.cityofalbany.net)

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*The location of the meeting/hearing is accessible to the disabled. If you need special accommodations to attend or participate, please notify the Human Resources Department in advance by calling (541) 917-7500.*

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APPROVED: \_\_\_\_\_

**CITY OF ALBANY**  
**Central Albany Revitalization Area Advisory Board**  
**City Hall Council Chambers, 333 Broadalbin Street SW**  
**Wednesday, November 19, 2008**

**MINUTES**

Advisory Board Members present: Chris Norman, Dan Bedore, Jeff Christman, Floyd Collins, Loyd Henion, Bessie Johnson, Gordon Kirbey, Sharon Konopa, Ray Kopczyński, Dick Olsen, Cordell Post, Ralph Reid, Jr., and Kim Sass

Advisory Board Members absent: Oscar Hult

Staff present: City Manager Wes Hare, Community Development Director Greg Byrne, Urban Renewal Manager Kate Porsche, and Administrative Assistant Teresa Nix

Others present: Approximately ten others in the audience

**CALL TO ORDER**

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

**APPROVAL OF MINUTES**

October 15, 2008

**MOTION:** Sharon Konopa moved to approve the October 15 minutes as presented. Loyd Henion seconded the motion, and it **passed** unanimously.

**SCHEDULED BUSINESS**

Business from the Public

None.

Crabtree Automotive

Urban Renewal Manager Kate Porsche reviewed the staff report. Crabtree Automotive previously came forward with a grant request. The Board considered the request and, instead, decided to grant funding in the form of a loan. Subsequently, the SBA indicated that a loan under CARA's normal terms would not work for their cash flow. Porsche said that she had a good conversation with Oregon Cascades West County of Governments (COG) Loan Officer Brenda Bays about potential solutions for incorporating the CARA loan into financing for Crabtree Automotive. The applicants later indicated that they are not interested in a loan; they are only interested in a grant.

Porsche noted that the applicants previously went through a City process and approval for nonconforming use of the site. She distributed and reviewed Albany Development Code 2.300, which states that the intent is to allow nonconformities to continue but not to encourage their perpetuation. Staff believes that, although the project would eliminate blight and create jobs, it is missing on key CARA elements as noted in the original staff report. Porsche said that there are other projects on the horizon, and she urged the Board to be cautious in its dispersal of funds. She recommended denial of the loan request.

Paula Connaghan, 845 29<sup>th</sup> Avenue SW, expressed appreciation for the opportunity to come before the Board again with this request. She introduced Brenda Bays and Diane Searle from Oregon Cascades West COG. Connaghan stated that recent changes in the economy have reduced her available funds and made it more difficult to get a bank loan. She said that the requested grant will make or break the ability of this project to go forward. She stated that the subject property is within the CARA boundaries, that it is blighted, that the project would increase the tax base and create jobs, that the project would expand an essential service in the area, and that there is a genuine need for CARA funding. She requested approval of the grant request.

Diane Searle, Loan Program Manager, Oregon Cascades West COG, submitted and reviewed written testimony. She stated that the Small Business Administration (SBA) and banks have tightened lending standards in this economy. She said this is a great project, and there is every indication that it will be a success. The project would bring jobs and additional capital investment into Albany. Due to the probability that the applicants cannot get SBA approval without the grant, she requests reconsideration of the grant request. In response to an inquiry from the Board, Searle stated that the SBA does not allow applicants to have loans with balloon payments within the first ten-year period.

Brenda Bays, Loan Officer, Oregon Cascades West COG, said that banks are backing down from loans in many cases in this economy. With the City behind this project, it would be a much stronger candidate for SBA and bank financing.

Connaghan said that she and her husband originally considered applying for a zone change rather than nonconforming use, but Planning Manager Don Donovan indicated that a zone change process would take much longer. She said that the use is intended to be permanent, and a zone change request will be coming forward in the future. Brief discussion followed regarding the zoning of the subject site and surrounding properties.

In response to inquiries from the Board, Connaghan stated that she and her husband had planned to postpone improvements to the façade and parking lot until they had settled in and begun to make money. This grant would allow for all of the improvements to be done before occupancy.

Ray Kopczynski asked if a balloon payment after the ten-year period would be acceptable to the SBA. Searle said that it probably would as long as CARA was in third position. She stated that this would result in a severe balloon payment since CARA charges compound interest, and she does not want to see the business fail. In discussion about SBA processes, Searle explained that the bank provides an interim loan and, after all receipts are reconciled and a completion notice is issued, the SBA funds the bank. Porsche reiterated that she was willing to work with the applicants on loan term and interest options, but the applicants stated that they are only interested in a grant.

Cordell Post said that the subject site is a gateway to the City in that many people who live out of town come to events at the Boys and Girls Club. He said that this is one of the last blighted buildings in the area, and he is in favor of approving the request for a grant. He commented that SBA loan underwriting standards are very strict and difficult to meet.

Loyd Henion asked if a grant for some amount less than \$75,000 would work. Searle said that it is uncertain whether the SBA loan will be approved even with the \$75,000 grant, but this is the amount that COG feels will facilitate a bank and SBA loan.

Floyd Collins said that CARA guidelines call for a 1 to 7 investment. This project would provide a 1 to 10 investment. He is willing to make this grant.

Konopa stated that she is on the Board for the COG Loan Program Advisory Committee. Searle is the administrator for that program, and Konopa knows her to be prudent and she trusts her judgment.

**MOTION:** Collins moved to approve the Crabtree Automotive grant request. Konopa seconded the motion, and it **passed** by a vote of 9 to 3:

Yes: Bedore, Christman, Collins, Henion, Johnson, Kirbey, Konopa, Olsen, Post  
No: Kopczynski, Reid, Sass

**BUSINESS FROM THE BOARD**

None.

**NEXT MEETING DATE**

The next meeting of the CARA Advisory Board will be held on Wednesday, December 10, 2008, at 5:15 p.m., in the Council Chambers.

**ADJOURNMENT**

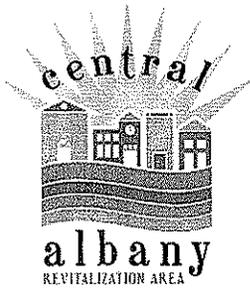
Hearing no further business, Chair Norman adjourned the meeting at 6:05 p.m.

Submitted by,

Reviewed by,

Teresa Nix  
Administrative Assistant

Kate Porsche  
Urban Renewal Manager



APPROVED: \_\_\_\_\_

**CITY OF ALBANY**  
**Central Albany Revitalization Area Advisory Board**  
**Work Session**  
**City Hall Council Chambers, 333 Broadalbin Street SW**  
**Wednesday, November 19, 2008**

**MINUTES**

Advisory Board Members present: Chris Norman, Dan Bedore, Jeff Christman, Floyd Collins, Loyd Henion, Bessie Johnson, Gordon Kirbey, Sharon Konopa, Ray Kopczyński, Dick Olsen, Cordell Post, Ralph Reid, Jr., and Kim Sass

Advisory Board Members absent: Oscar Hult

Staff present: City Manager Wes Hare, Urban Renewal Manager Kate Porsche, and Administrative Assistant Teresa Nix

Others present: Four others in the audience

**CALL TO ORDER**

Chair Chris Norman called the work session to order at 6:20 p.m.

**SCHEDULED BUSINESS**

Business from the Public

None.

Work Session

Urban Renewal Manager Kate Porsche said that the goals for this work session are to review what has been spent on various areas of the Urban Renewal Plan compared to the estimated amounts identified in the Plan and to talk about what CARA has accomplished and what it wants to accomplish in the future.

Using the overhead projector, Porsche showed graphs and reviewed the tax assessed value of the CARA District compared to the City overall. She noted that CARA is receiving tax increment income of about \$1,116,500 this year. She reviewed potential impacts on borrowing capability and tax increment income due to recent changes in the economy. She showed before and after photographs of projects in which CARA has been involved. She distributed and reviewed *CARA Projects by Status 11/19/2008*.

Porsche noted that an online survey was sent to CARA Board members, including questions about what members believe are the most and least important projects for the next five years and also looking out five to fifteen years. The survey was completed by about 15 people. The most important projects identified for both timeframes were developer partnerships, public space improvements, and infrastructure. Answers to the survey also indicated that members place importance on business retention and recruitment in the downtown, improvements to Water Avenue, riverfront housing, promotion of the downtown, commercial building rehabilitation, property redevelopment, and downtown streetscape.

Porsche distributed *Table 2 – Project Activities and Costs*. She provided a quick review of the described activities, cost estimates, and actual expenditures, noting that CARA has spent the most in areas 1 through 9 of the spreadsheet. Survey results indicate that those are the areas that members are still interested in focusing on. She asked if members agree with the survey results, if the downtown should continue to be the area of focus, and whether the Board would like to develop a specific focus for the next two-year period.

Norman expressed appreciation for the information. He noted that, given the market and the tightening of bank lending, CARA may begin to see more requests. He suggested that the Board develop a focus to help in making funding decisions.

Ray Kopczynski asked if there are funding opportunities associated with the Main Street Program. Porsche said that there are some grants available, but the program is more about helping communities using a proven 30-year method and linking into a community of 2,500 cities across the country. She noted that the Main Street program has four points of focus – promotions, economic development, organization, and design. CARA is already addressing many of these components.

Ralph Reid, Jr., said that he strongly supports streetscape improvements on Second Avenue. Bessie Johnson agreed. Kopczynski said that he would like to see more emphasis on housing rehabilitation. Floyd Collins said that items 1 through 12 on the spreadsheet are tax increment revenue drivers. He would like to focus on these drivers.

Norman said that infrastructure improvements help bring development. Brief discussion followed regarding the canal esplanade. City Manager West Hare noted that many structural pieces of the canal are over 100 years old. He said the canal will be a challenging and expensive project.

Loyd Henion initiated discussion about the need for a downtown parking structure. There was general agreement that a structure will probably be needed at some point.

Norman said he would like to develop a two to five year plan and a five to 10 year plan. When developer partnerships or other opportunities present themselves, the Board can see how they tie into the plans. Porsche said it would be helpful if the Board set guidelines, and perhaps a geographic area of focus. Collins said he likes CARA's flexibility; he would support a focus on the 7 to 1 leveraging guideline.

Gordon Kirbey stated that downtown traffic is not conducive to pedestrian flow. He noted that the public space at the corner First and Lyon is not used because it is not people friendly. Porsche noted that ODOT will not allow a two-way street system in the downtown area at this time. Brief discussion followed.

Jeff Christman said that he thinks the focus for the next two to five years should be on projects that bring tax increment income into the District. CARA could then look at doing projects that will not bring in funds during the following five to ten years.

Sharon Konopa expressed general agreement with Christman. She said that she would also like to keep an eye open for property to acquire for a future parking structure. Kim Sass suggested consideration be given to partnering with Linn County on a parking structure. Brief discussion followed regarding issues that other cities have had with parking structures. Roseburg built a parking structure thinking development would follow, but it did not. Spokane and Bend have both put in parking structures that were not very successful. Henion noted that Salem Center is very successful. Collins stated that the success of Salem Center is largely due to the anchor stores.

Porsche stated that most developers can demonstrate a 7 to 1 ratio. She asked if the Board would like to set additional policy to assist staff in screening applications. She said that a focus could be defined for a finite amount of time while still leaving the process fluid enough to allow for consideration of any good project that comes forward. Discussion followed regarding the tendency of the Board to approve most of

the applications that come forward. Hare noted that the growth of assessed value in the Urban Renewal District demonstrates that CARA's investments are working. He is not arguing against establishing a focus, but he feels CARA has done a good job to date.

Konopa initiated discussion about the point system that Kate previously worked to establish. Several members spoke against the use of a point system. Norman noted that establishing a focus area would help to preserve staff and Board time. He spoke in support of a geographic focus for the next two to five years, while leaving the door open for really good projects.

Dick Olsen said that one guideline should be to increase the value of the district. He would like to see the canal esplanade completed at some point, perhaps in the five- to ten-year timeframe.

Christman requested that Porsche identify three geographic areas within the Urban Renewal District that she would consider to be blighted and that CARA may want to focus on in next two to five years.

Collins suggested that properties which receive CARA funding not be allowed to reapply for a historic property freeze. Norman spoke in support of making loans conditioned on ownership in order to ensure that CARA is not helping developers flip properties.

Norman summarized that the guidelines mentioned include economic development, historic preservation, and downtown development. Potential policies include loans based on continued ownership, limiting tax freeze options, and a 7 to 1 or greater ratio. Other issues raised include a request that staff identify blighted geographic areas and consider a partnership with Linn County on a parking structure.

#### BUSINESS FROM THE BOARD

None.

#### NEXT MEETING DATE

The next meeting of the CARA Advisory Board will be held on Wednesday, December 10, 2008, at 5:15 p.m., in the Council Chambers.

#### ADJOURNMENT

Hearing no further business, Chair Norman adjourned the work session at 8:00 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 *Kate*  
DATE: December 4, 2008, for December 10, 2008, CARA Advisory Board Meeting  
SUBJECT: Staff Report – Smith Properties

### Background

The properties we'll be discussing next week are located at 222 and 228 Third Avenue SE. One parcel is the historic Woods Apartment Building, also known as the Labor Temple; the other parcel is a vacant lot where Mr. Smith had planned to build six townhomes. As you may recall, CARA's original partnership on these projects was a \$120,000 grant and a \$250,000 loan. Because the project encompassed the two phases, you considered and approved the funding as a package deal covering both projects.

In October, staff brought before you the restructuring of Mr. Smith's package to eliminate the \$120,000 grant and Mr. Smith's requirement to build the townhomes on the vacant lot. The Board approved this request and at the same time granted Mr. Smith an additional six months to complete work on the historic apartment building.

While underway with the preparation of the resolution and contract addendum for the rescission of the grant, I was contacted by Martin Hall, who is co-owner of Advanced Investment Corp. of Springfield, a private investor mortgage brokerage and who represents the first lien holders on Tim Smith's properties. Mr. Hall informed me that Mr. Smith has fallen behind on his payments to the lien holders and that they were on the verge of foreclosure. Mr. Smith let Mr. Hall know that there was a loan to CARA in second place and that is how Mr. Hall came to contact me.

Mr. Hall and I had a good discussion on the matter and what it could mean to CARA. I will outline the possible outcomes of this situation for you below:

### Current Situation

Because CARA is in second position behind the first mortgages, our strength is not great. The trust deed on the historic apartment building is in the amount of \$166,000 and \$80,000 on the vacant lot. Mr. Smith has drawn down all the CARA loan of \$250,000 (primarily for work on the historic building and for some engineering on the townhomes).

### Options

1. Let the first liens foreclose. In this situation, the lien holders would auction the properties to try and recoup their costs.
  - a. In this scenario, CARA could look to sue Mr. Smith for the \$250,000 loan, but Mr. Hall and staff believe that Mr. Smith's financial resources are extremely limited.
2. Step in and buy out the first lien holders and receive a deed in lieu of foreclosure from Mr. Smith. This means that CARA would pay off the first mortgages and simultaneously be given the deeds to the properties eliminating Mr. Smith from the picture.
  - a. In this scenario, CARA steps in with additional funds as an effort to recoup our original \$250,000 investment.
  - b. We would then have control of the properties and could work to find partners willing to complete the work.

In my conversations with Mr. Hall, then in talking with City Attorney Jim Delapoer, all are agreed that the second option is by far the best for CARA. Let me take a moment to outline what specifically this transaction might look like:

Funds drawn from CARA	\$250,000
+ Cost to buy out historic apartment building	166,000
+ Cost to buy out vacant lot	80,000
+ Minor accrued interest (estimated)	4,000
<u>(CARA receives deeds to the properties and takes control)</u>	
New total CARA investment	\$500,000

Right away staff would begin to work to find a new partner (in fact, I have already reached out to a couple of folks to see if they would be interested.)

Find investor to purchase the Woods Apartment Building from CARA (\$250,000)

Balance of investment from CARA \$250,000

The vacant lot could then be sold to a potential investor, or my thought is to have Parks and Recreation take a look at retaining the lot for the City as a pocket park, or perhaps a community garden. I have discussed the idea with Parks & Recreation Director Ed Hodney' and he seemed intrigued.

The scenario outlined above would see CARA made whole again by ultimately only contributing the \$250,000 that had already been committed to. Additionally, this scenario would see the completion of the apartment building which was a goal of ours to begin with and some intriguing possibilities for the vacant lot.

The specifics of this situation can be hammered out as we move forward—and specific decisions relating to this possible project would have to be approved by you all. For this month's meeting, though, the question before you is this: Are you willing to step in to this project now, contributing an additional \$246,000 to try to protect your original investment of \$250,000?

If one were to think of this project holistically, the original committed amount for both lots was \$370,000, but \$120,000 was basically given back:

Proposed additional CARA investment	\$250,000
- <u>Grant funds originally approved</u>	<u>120,000</u>
Balance or additional CARA funds	\$130,000

Urban Renewal and Property Acquisition

Since property acquisition may be a new idea for CARA, I want to take a quick moment to discuss this further. Urban Renewal Districts commonly procure property; moreover, it is specifically highlighted as an Urban Renewal power in undertaking a project. Here's how the ORS reads (see my highlighted areas):

**457.170 Urban renewal agency's powers in planning or undertaking an urban renewal project.** An urban renewal agency may plan or undertake any urban renewal project to carry out an approved urban renewal plan. In planning or undertaking an urban renewal project, the urban renewal agency has the power:

(1) To carry out any work or undertaking and exercise any powers which a housing authority is authorized to perform or exercise under ORS 456.055 to 456.235, subject to the provisions of this chapter provided, however, that ORS 456.155 and 456.160 do not limit the power of an agency in event of a default by a purchaser or lessee of land in an urban renewal plan to acquire property and operate it free from the restrictions in those sections.

(2) To carry out any rehabilitation or conservation work in an urban renewal area.

(3) To acquire real property, by condemnation if necessary, when needed to carry out the plan.

(4) To clear any areas acquired, including the demolition, removal or rehabilitation of buildings and improvements.

(5) To install, construct or reconstruct streets, utilities and site improvements in accordance with the urban renewal plan.

(6) To carry out plans for a program of the voluntary repair and rehabilitation of buildings or other improvements in an urban renewal area in accordance with the urban renewal plan.

(7) To assist in relocating persons living in, and property situated in, the urban renewal area in accordance with the approved urban renewal plan and to make relocation payments.

(8) To dispose of, including by sale or lease, any property or part thereof acquired in the urban renewal area in accordance with the approved urban renewal plan.

(9) To plan, undertake and carry out neighborhood development programs consisting of urban renewal project undertakings in one or more urban renewal areas which are planned and carried out on the basis of annual increments in accordance with the provisions of this chapter for planning and carrying out urban renewal plans.

(10) To accomplish a combination of the things listed in this section to carry out an urban renewal plan.

More specifically, the CARA Urban Renewal Plan and Report identified Property Acquisition as its first item under Development Partnerships. With that said, the procurement of property, though new for CARA, is completely typical and specifically outlined in the CARA plan.

With what I have learned discussing this matter with Mr. Hall and Mr. Delapoer, staff is convinced that the temporary procurement of these properties would better protect CARA's investment in these properties and would see the projects completed. Staff recommends approval of the additional \$250,000 to negotiate a deed in lieu of foreclosure with Mr. Smith and the first Trust Deed holders, with specific details as to the future partnerships and/or use of the properties to come back before this Board.

KCP:ldh  
Attachment