



APPROVED: February 17, 2011

CITY OF ALBANY
Central Albany Revitalization Area Advisory Board
City Hall Council Chambers, 333 Broadalbin Street SW
Wednesday, January 19, 2011

MINUTES

Advisory Board Members present: Rich Catlin, Jeff Christman, Floyd Collins, Loyd Henion, Bessie Johnson, Gordon Kirbey, Sharon Konopa, Ray Kopczynski, Chuck Leland, Dick Olsen, Cordell Post, and Mark Spence

Advisory Board Members absent: Bill Coburn (excused), and Ralph Reid, Jr.

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

Others present: Approximately 25 audience members

CALL TO ORDER

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

APPROVAL OF MINUTES

November 17, 2010

MOTION: Ray Kopczynski moved to approve the November 17 minutes as presented. Chuck Leland seconded the motion, and it **passed** unanimously.

SCHEDULED BUSINESS

Business from the Public

John Robinson, 2500 Del Rio Court SE, said that he is a citizen and a local contractor; he owns Quality Residential Construction. He said that CARA has done an outstanding job of improving areas within the district boundaries. A recent article in the *Albany Democrat-Herald* about the JC Penney Building mentioned that project's use of out-of-town contractors. The current unemployment rate in Linn County is 13 percent. Many contractors have been especially hard hit during the last three years. Many are Albany natives and are facing tremendous business challenges. He would like the CARA Advisory Board to consider requiring that Albany contractors be used on projects that receive CARA assistance, up to the amount of assistance received. He is not suggesting that out-of-town contractors be prevented from working here, but it must be recognized that there is no guarantee that they will purchase locally or use local workers. The cost to implement his suggestion would be next to nothing and the benefits would be huge. Those dollars would remain in the local economy and ensure that CARA funds provide the best benefit for the entire community. Mr. Johnson spoke about the Local Multiplier Effect (LME), which refers to the number of times dollars are recirculated in a local economy; it is generally agreed that dollars spent on local contractors recirculate five to seven times. This means a \$50,000 CARA assistance requiring the use of a local contractor would provide a benefit of \$250,000 to the local community. At a time when jobs are desperately needed in Albany, he urged the Board to give consideration to his proposal.

St. Francis Hotel Project

Urban Renewal Manager Kate Porsche reviewed the request as detailed in the written staff report. Innovative Housing, Inc. (IHI), a Portland developer, is interested in the purchase and rehabilitation of the historic St. Francis Hotel. The proposal is for 54 studio and one-bedroom low-income apartment units with rents equal to 50 to 60 percent of market rate, and for 2,400 to 3,500 square feet of commercial area on the ground floor. The financing package is outlined in the staff report. After meeting with the developer, Porsche and Community Development Director Greg Byrne were invited to Portland to see other projects IHI has done. It was evident that the developer has a commitment to historic preservation; and, because they hold their projects for the long-term, the construction and maintenance was at a very high quality. Because the question of whether this is the right project for this site is complex, Porsche and Byrne visited with architect George Crandall. A letter from Crandall is included in the staff report. Crandall raised issues related to parking, as well as timing and ratio components of market rate to low-income housing; he recommended that CARA postpone a decision on the project until the Revitalization Strategy is complete.

Porsche drew attention to written comments from John Pascone, Debi Wahl, and Debbie Lusk. She drew attention to a matrix provided by the applicant entitled *Workforce Housing Incomes, Jobs and Rents*. She said that an important question is who the renters might be and will those renters elevate the downtown; a major concern is the proposed size of apartments which average 330 square feet. After the staff report went out, the applicants indicated that there may be flexibility in the unit sizes. The question is whether the Board supports a low-income project in this location enough that they would direct staff and the applicant to work on a modified proposal for consideration.

Community Development Director Greg Byrne said that parking is regulated by the Albany Development Code, that he is on the Albany Downtown Association, and that he is passionately involved in what happens in Downtown Albany. He said that, based on studies that have reported to the City Council, there is a perception of a parking shortage and a reality of parking availability in the downtown. The parking district does not require developers to provide parking and does not differentiate between uses. His job is to look forward to the future when there will likely be removal of some of the surface lots for redevelopment resulting in increased demand and reduced supply. At some point, he anticipates recommending changes to the parking standards. It is not wise for residential development in the downtown not to provide parking for that development, and the reduction of on-street parking will translate into reduced value for retailers. Anything that can be done to forestall the need for a very expensive parking structure saves money in the short-term.

In response to inquiries from the Board, Porsche clarified that: 1) the applicants are nonprofit but not tax exempt; 2) this project would be taking advantage of a federal tax credit for affordable housing; 3) the current assessed value of the property is only \$149,650 with an annual tax bill of \$2,500; and 4) the applicants would have to adhere to regulations associated with the other public funding sources when redesigning the project with larger units (if so directed by the Board).

Julie Garver, Innovative Housing, Inc., 219 NW Second Avenue, Portland, said that she first became aware of the St. Francis Hotel last spring when she came to Albany to attend a workshop. Since that time, her firm has developed a project and budget that might work. The project team includes IHI; William G. Ryals, Architect; and Walsh Construction Company. IHI is a private, nonprofit that has been in business for 25 years and that continues to own every multifamily project it has developed. Its projects serve a variety of populations and rent levels and IHI employs onsite managers and third-party professional management. Ms. Garver gave a PowerPoint presentation showing several photographs of projects which demonstrate IHI's commitment to historic preservation. She said there are two types of affordable housing – rent-subsided apartments and workforce apartments. IHI will not be requesting any project-based rent assistance for this project; the target population will be workforce renters who have jobs and can pass income and screening criteria. She reviewed a list of jobs available in Albany that would fit into IHI's target area (50 to 60 percent of median income) as found on craigslist.com. She said renters would likely be young singles or couples without kids who could be expected to go out and to have money to spend.

Ms. Garver said the staff report lays out the issues of unit size and parking; she acknowledged that better solutions are needed in these areas. It is clear that the units as proposed are too small for this area. She would like to have architect Ryals redraw the plan and to see if she can make the budget work with larger units. The units need to be attractive to counterbalance that the parking will be a block or more way. She noted that any use that goes into this building in the near future would require an interim parking solution. She has had conversations with the Albany Downtown Association and with Wells Fargo about potential parking solutions, such as using the Wells Fargo parking lot during evening hours. She thinks that the young renters would be more willing to walk to parking than would a hotel population.

Ms. Garver reviewed the proposed rehabilitation project which would include a full seismic upgrade, all new building systems, and commercial space on the main floor. Her personal dream would be to include a cooperative grocery and/or a café or coffee shop – something engaging for the residents and the district. She reviewed the proposed budget and funding sources, as detailed in the application. The rehabilitation would have a total cost of \$10 million; the value of the building after the project would be \$5.25 million. Funding sources would include about \$6.7 million from the Affordable Housing Tax Credit; this is a public/private partnership wherein a bank would provide the funds and get paid back through tax credits. A similar process would be used to receive about \$1.2 million from the Historic Tax Credit Equity.

Ms. Garver said Walsh Construction has been in business for 45 years and has great experience working with historic buildings. She invited a representative from Walsh Construction forward.

Geoff McGraw, Walsh Construction Company, 2905 SW First Avenue, Portland, said that his firm has significant experience in historic preservation work. No two historic preservation projects are alike, and someone with experience in multiple projects is better equipped to handle issues that may come up. He referred to the testimony received earlier this evening related to the importance of using local contractors and the proposal that CARA require that local contractors be used up to the amount of CARA assistance. He understands the need to work with local subcontractors and the importance of purchasing locally. It is in his best interest to use local contractors because they have a competitive advantage. He feels that using local contractors for the amount of CARA assistance requested (\$800,000) would be an easily attainable goal.

Bill Ryals, 935 Jones Avenue NW, Albany, said that this comes before the Board at a difficult time. The economy is tough, especially in the areas of construction and development. This is an unexpected opportunity; a \$10 million investment/restoration of a beloved landmark and infusion of vitality into the downtown. The project will only be a true opportunity if we all work together; to believe in this vision is to believe in ourselves. If he has his way, this project will be different than anything that has ever been done. As an architect, the first thing he asks himself is whether a project is feasible. His first reaction to this proposal was no; we want luxury condos or high-end apartments. If he were to design high-end apartments, they would total about \$400,000 per unit; it is not surprising that no one has proposed that project. He has heard it expressed that we could wait and do this project later; however, there are considerable state and federal funds that make this project feasible now. If we do nothing, the St. Francis Hotel will likely deteriorate or become a project-based Section 8 housing development. With this application, we have a potential partner with a unique vision, a dedication to historic renovation, a connection to the community, and 25 years of success in the Northwest. He said this won't be easy but; if we are willing to work together, we may find an amazing outcome.

Olsen asked for more information about a modified plan with larger units. Ryals said that finding the right mix that attracts young, vital people with income to spend will be a key factor for this project. It is early in the process, and he would like to explore the possibilities together with staff and the CARA Advisory Board.

Kopczynski asked whether the other sources of funding are likely to change to the degree that the project may not require CARA funding. Garver said the affordable housing tax credit and historic tax credit are based on very specific formulas. She used a unit price of \$0.81 in her calculations; it is possible that could change over the next year. If the budget improves, the parties involved would get to decide what to do – perhaps help a commercial tenant with an upgrade, for example.

Konopa noted that, during the presentation, it was stressed that the target is workforce renters who have jobs and can pass income and screening criteria. She asked if someone with a Section 8 voucher would be denied. Garver clarified that the project would not include any project-based Section 8 funding but that a renter with a Section 8 voucher would be accepted if they could pass the income and screening tests.

Konopa said that State HOMES funds come with a lot of regulations; she asked if rent would be based on income. Garver said no, IHI would set its rents and required income levels. Renters would be required to have an income that is double the amount of their rent. Konopa said that, in her experience with State HOMES funds, rents had to be based on income levels.

Leland asked if the bank providing the tax credit funding would be an equity partner. Garver said yes; if the project proceeds, the applicant would go out for an RFP and have investors compete to participate in the project.

Henion said he likes the innovative idea that the applicant had in talking with Wells Fargo about evening parking; he asked if there have been other discussions along that line. Garver said she would love to talk with other interested parties about shared parking.

Kirbey asked for additional information about the federal tax credit funding. Garver said the bank would provide a check to IHI and would then get a tax credit each year, as well as depreciation and rental benefit on its taxes, over a 15-year period. In response to further inquiry from Leland, Garver said there would also be a permanent loan with a bank; that bank would be in first-lien position.

Leland asked about the potential for parking under the building. Ryals said there are three basements under different sections of the building; a parking structure there would be prohibitively expensive.

Spence asked what percentages of IHI's projects contain workforce units as compared to Section 8 units. Garver said that three of the eleven buildings in IHI's portfolio are Section 8 buildings; the remainder are workforce apartments.

The Chair invited comments from the public.

David Johnson, 7885 NE Todd Drive, Corvallis, said that he is sure the developers would do a fine job of fixing up the St. Francis but we need to look at how it would contribute to the whole of what is wanted in the downtown. He received CARA assistance to rehabilitate his building, which he did on the premise that "if you build it, they will come." However, there is not a lot of activity at this time. The developers alluded to projects they have done in downtown Portland that house people who work downtown, but there are not a lot of jobs in Downtown Albany. He expressed concern about finding workforce renters to inhabit the apartments and stated that those with Section 8 vouchers may not have disposable income to support downtown businesses.

Rusty van Rossman, 526 Fifth Avenue SE, said he appreciates what was presented this evening. He is a manufacturing manager and he hires for positions in the \$11 to \$12 per hour range. He is currently seeing people apply for these positions who have been unemployed and may be overqualified; this bumps out the younger crowd and creates a problem for those trying to get started. He doesn't know how the economy will look in a couple of years, but he thinks that people at this pay rate are moving into austerity mode and would think very little of spending in the local area.

Oscar Hult, 825 Fifth Avenue SW, said he is impressed with the historic preservation aspect of the project. He is very concerned that the small studio and one-bedroom apartments as proposed are not the type that will draw people we are hoping to bring downtown. He hopes the developers will consider revising the proposal to include mostly one- or two-bedroom apartments and to create a quality place that will draw people who want to stay long-term and frequent the shops downtown.

Porsche said the fundamental question is whether the Board is open to the St. Francis being considered for an affordable housing project. Affordable housing is what this developer does, and this will be an affordable housing project even with reconfigured units.

Collins said that, after hearing the applicant's testimony, he would like to hear more about the alternatives. He may consider proposing some CARA support if the project is done right, but he doesn't think he can make that decision without more information. He would not want to see the building deteriorate or be developed privately without CARA participation.

Spence said that this project involves a small amount of private funding leveraging an enormous amount of public funding; he can't craft ideas until he knows the limits of the various funding sources.

Kopczynski said that the Board is hearing about this for the first time and he feels rushed to make a decision. Garver said the timeline is driven by the other funding sources.

Olsen said that he would like to visit the building. Ryals said the applicants will be organizing a group tour; he would also be happy to meet Olsen for an individual tour.

Christman said that he still thinks that parking is a huge issue. This is not downtown Portland, and everyone who would move into this development would likely have at least one car.

In response to further inquiry from Leland, Ryals said that underground parking would be very expensive and may not even be possible with this structure. Garver said that the applicant is not interested in trying to add underground parking to this proposal.

Following brief discussion, there was general agreement that the Board would like staff and the applicant to work together and come back with alternatives.

BUSINESS FROM THE BOARD

Leland said that he will be absent for the February and March Board meetings.

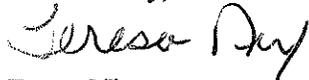
NEXT MEETING DATE

The next meeting of the CARA Advisory Board is scheduled for Wednesday, February 16, 2011, at 5:15 p.m. in the Council Chambers.

ADJOURNMENT

Hearing no further business, Chair Post adjourned the meeting at 7:20 p.m.

Submitted by,



Teresa Nix
Administrative Assistant

Reviewed by,



Kate Porsche
Urban Renewal Manager