



APPROVED: March 16, 2011

CITY OF ALBANY
Central Albany Revitalization Area Advisory Board
City Hall Council Chambers, 333 Broadalbin Street SW
Wednesday, February 16, 2011

MINUTES

Advisory Board Members present: Rich Catlin, Jeff Christman, Bill Coburn, Loyd Henion, Bessie Johnson, Gordon Kirbey, Sharon Konopa, Ray Kopczynski, Dick Olsen, Cordell Post, Ralph Reid, Jr., and Mark Spence

Advisory Board Members absent: Floyd Collins (excused) and Chuck Leland (excused)

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

Others present: Approximately 28 audience members

CALL TO ORDER

Chair Cordell Post called the meeting to order at 4:45 p.m.

APPROVAL OF MINUTES

January 19, 2011

MOTION: Ray Kopczynski moved to approve the January 19 minutes as presented. Ralph Reid, Jr., seconded the motion, and it **passed** unanimously.

SCHEDULED BUSINESS

Business from the Public

None.

Recess for a Tour of the St. Francis Hotel Building

The Advisory Board recessed; Board and audience members took a tour of the St. Francis Hotel building.

St. Francis Hotel Project

Chair Post reconvened the meeting at 5:20 p.m.

Urban Renewal Manager Kate Porsche said that Julie Garver, Innovative Housing, Inc. (IHI), has revised the application as detailed in the written staff report. The revised application has fewer units at a larger size, reduced first floor retail space, and a proposal that \$200,000 of the \$800,000 request be repaid to CARA dependent on cash flow. Two ROI analyses are included in the packet – one without repayment of the \$200,000 and one with full repayment of that amount. Porsche addressed questions and assumptions that have come over the last month as follows:

How much money does CARA have available for projects? There is currently \$2.7 million available for projects. Funding of \$250,000 has been committed for the promenade, the Board is considering \$800,000 for the St. Francis, and there is a market rate residential project expected to come forward with a request for about \$750,000. If CARA says yes to all, the remaining funds would be about \$900,000 for projects on the horizon such as Albany Square, Water Avenue, and the Carousel.

Can't the project work as anything but low-income housing? Other potential uses of the site include market rate housing or a hotel. Porsche has talked with a developer who indicated that a market rate project could possibly work with a similar CARA contribution. She has also looked into new market tax credits – a program that contributes about 20 percent of the cost for projects that help create a positive community. So, there are possibilities other than low-income housing that could be researched.

If this proposal is approved, how long will low-income use be in the building? The state of Oregon has advised that the minimum duration for affordable housing projects is 30 years; some projects have a 40-, 50-, or 60-year duration.

Questions about Section 8. The proposal is not for a project-based Section 8 development; however, people with Section 8 vouchers who qualify would live here. It is fair to say that Section 8 voucher holders have limited income and would not likely be big consumers of downtown services. Linn-Benton Housing Authority has said that, of the 179 affordable units in our area, 44 percent of the tenants are voucher holders.

Some have said that CARA is against affordable housing. CARA has funded 35 units of low-income housing in the core of the city – 20 on Calapooia Street and 15 in the Washington Street Studio Apartments. George Crandall has recommended 4 to 1 market rate to low-income housing. It is important to consider the timing and placement of low-income units.

Some have said that CARA should not have a say in how buildings are used. CARA is putting public money into these projects and that gives it a say. CARA has tried to take the long view and has looked for projects that are the highest and best use for the space due to the influx of precious public funds.

Porsche said questions before the Board include: Is this the highest and best use for this location? Does this project further the goals of the urban renewal district? Is this the right time for the project given that Crandall's Downtown Refinement Program has not been completed? Is this the right project for the St. Francis Hotel?

In response to inquiries from the Board, Porsche added that: 1) An analysis on a market rate project using CARA's typical 1 to 7 funding ratio calculated a ROI by year 10; and 2) The new market tax credit program could be used to fund various projects that can be shown to be a benefit to the community. The program funds could be combined with urban renewal money and historic tax credits.

Julie Garver introduced her team: Architect Bill Ryals, Geoff McGraw of Walsh Construction Company, and Jeff Reingold of Income Property Management (IPM). She said the refined plan includes a parking plan, a change in unit sizes and mix, and construction information. The multifaceted parking plan includes 35 leased spaces, seven on-street spaces, a loading zone, and an "innovative car" (a zip car that can be leased by residents). The City's Transportation Systems Plan calls for angled parking on First Avenue, Second Avenue, and Calapooia Street which is currently unfunded. IHI would contribute \$20,000 to the striping of those spaces even though it proposes using only seven of them for the project. She hopes to work with the City, CARA, and the Albany Downtown Association on an evolving parking plan for the area.

Bill Ryals reviewed the revised layout. He said that it seems things are falling into place – the angled parking is already adopted, the building lends itself to reasonably sized units, and workforce housing is needed. He said that this is not the kind of building that lends itself to market rate housing. In response to inquiries from the Board, Ryals reviewed plans for the elevator, stairs, seismic upgrades, and the basement which will have laundry areas and storage.

Geoff McGraw, Walsh Construction Company, Portland, said that the soft and hard construction dollars that are projected to come to Albany with this project total about \$4.9 million. He questioned whether someone has the expertise to say a market rate project could be done for less. The St. Francis has over 35,000 square feet of technically difficult rehabilitation. He showed photo examples from rehabilitation work his firm did that is similar to what would be done at the St. Francis. In response to inquiries, McGraw said that the soft costs include SDCs in the amount of \$100,000 and building permits in the amount of \$65,000. The hard costs would be about 60 percent labor and 40 percent materials.

Jack Reingold, Income Property Management, Portland, said IPM has been in business 37 years and manages 6,000 units in 140 properties. His firm adheres to strict screening criteria, conveys and enforces reasonable rules and regulations, is careful to interact with the neighborhood, and does a good job of keeping buildings clean and maintained. He showed photos of buildings managed by IPM. He referred to a low-income housing project in Corvallis that has not been so successful and stated that differences between that project and this proposal include the experience level of IHI and IPM and appropriate budgeting. He encouraged people to consider that affordable housing residents are likely to shop and eat downtown. He said the idea of market rate housing being financed and built is pretty remote in his opinion. In response to inquiry, Garver said that IHI would commit to having either a maintenance person or manager living onsite.

Sharon Konopa noted that the proposal is for workforce housing; she asked if it would be possible for the building to become project-based Section 8 housing in the future. Garver said that Linn County does not do project-based Section 8 housing and that IHI would include in the contract that this project would not be project based. She said that it is not IHI's mission to refuse voucher holders if they can pass the screening criteria and have the required income level. From her point of view, the proposal is for moderate-income housing for working people making 50 to 60 percent of median family income. A market rate project would require rents of about \$1,500 per month for a 1,000 square foot unit in order to finance the cost of the project. She is able to propose putting \$10 million into a building that will be worth about \$5.5 million because of the affordable housing tax credits.

Bill Coburn asked if IHI would be limited to renting to people in the 50 to 60 percent income levels. Garver said yes, but residents only have to income qualify when they first move in. In response to further inquiries, Garver said that IHI will pay whatever is left of the \$200,000 balance at the end of a 20-year period. It was noted that CARA has a remaining lifespan of 16 years. She added that property taxes on the St. Francis are now about \$2,500 a year; the project has \$23,000 budgeted for the first year property taxes.

George Crandall said that he has been asked to review the proposal in terms of the Downtown Retail Refinement Plan, which has just been started and will move forward over the next four or five months. The charge is to prepare a plan and implementation strategy to guide development in the downtown. He reviewed competing retail at North Albany Village, which has followed the fundamentals – it has an anchor in Ray's Market, high visibility, a busy road, convenient and adequate parking. He reviewed the components of an ideal downtown main street – an attractor at both ends (grocery or department store), continuous retail in between, on-street parking, and a parking reservoir. This is a formula that has been followed in successful downtowns nationwide; First Avenue is the best place for this to occur in Downtown Albany. His firm is familiar with workforce housing and has been involved in and recognizes the need for affordable housing projects. The St. Francis is on the proposed retail main street and would use parking needed for retail. When convenient parking is degraded, retail has a tough time. Historic buildings have become market-rate housing in many areas. The Pearl District in Portland started off with market-rate housing. Typically, areas start with market-rate housing and affordable housing follows. He showed an alternative conceptual plan for the St. Francis that would have retail on the ground floor, a total of 13 units on the upper floors, and onsite parking in the area of the oldest and most deteriorated part of the building. His evaluation of the St. Francis proposal is that tenants would need cars due to a lack of downtown services and employment opportunities, that parking on the street would degrade existing downtown retail and degrade the Carousel as an attractor, that the opportunity for revitalizing downtown retail would be seriously compromised, and that CARA funds should be reserved for projects that stimulate private investment. He showed examples of “silver bullet” projects – projects meant to improve downtowns that have significant long-term negative impacts; he said the St. Francis is in this category. He believes this project is in the wrong place and that it is the wrong time for it.

Chair Post invited comments from the public. Porsche drew attention to four letters on the dais regarding the proposal – three in opposition and one in support.

Celia Formiller, 1228 36th Avenue, read a statement from Michael Waldock, leader of the newly formed Historic Albany Recovery Program (HARP). The statement said that affordable housing is an industry and that struggling property owners do not need a pool of taxpayer subsidized housing in a saturated market. We must focus on what will generate the most income and benefits for the City and residents. The City has millions of dollars invested in First Avenue. Tying this existing investment to ongoing annual events, HARP will push to increase the town's income. The Carousel, the Regional Museum, the potential future Fire Engine Museum, the Jensen Arctic Collection, etc., will make Albany a destination for tourists and create the need for a high quality hotel. The St. Francis could attract a boutique hotel developer. HARP will assist in developing a proposal package for developers and help ensure that Historic Albany makes maximum use of its limited resources for the greatest return and long-term benefit of the community, not speculators.

Russel Shaw, Oregon Language Center, 237 Third Avenue SW, read a statement on behalf of himself and his wife. He said approval of the proposal may be a grievous mistake. While the developer is top notch, the St. Francis would look amazing after renovation, and there appears to be a need for low-income housing, he feels that the developer may be able to create more for our tax dollars by renovating a more modern structure or starting from scratch in an area of town where residents work, shop, and secure public transportation. Downtown developers have made a significant investment in the renovation of historic structures and must attract customers with generous disposable incomes. An upscale apartment for high-income tenants or a tourist hotel would generate desperately needed spending downtown. He suggested that the developer partner with McMenamins or the Holiday Inn to transform the St. Francis into a boutique hotel. He asked that CARA reject the request for funding for this project.

Wendy Kirbey, 2135 22nd Place SE, President of the Albany Brass Ring Carousel, said that the intent is to have nighttime activities at the Carousel and parking will be critical. The Carousel currently has 2,000 visitors per month; she expects it to have a huge draw in the future, and she is concerned about the parking situation.

Oscar Hult, 825 Fifth Avenue SW, Executive Director of the Albany Downtown Association (ADA), said that he expressed concern at the last meeting about the size of the proposed units, and he is happy to see larger units in the revised proposal. He distributed and reviewed a survey about housing choices which had 31 local respondents. The majority of respondents said that the minimum size apartment they would be comfortable in would be over 700 square feet, that the configuration that would best suit their needs would be two bedrooms plus office, that laundry needs to be in their apartment, that they own one or two vehicles, that they would want to park their bike in their apartment or in the basement, and that they would want to park their vehicle on their block. The survey had a variety of responses to how much rent one would be willing to pay and what other services and amenities are important. He said the proposal does not respond to people's needs. He recommended that the Board deny this proposal and wait for the Retail Refinement Plan before funding any project.

Kim DeMarcus, 1325 Marigold Drive, Independence, Executive Director of Albany Partnership for Housing and Community Development (APHCD), said that she is disappointed that the applicants did not approach APHCD about this project. APHCD has a tough time renting its one-bedroom apartments, and most of those on the waiting list do not meet the income or screening criteria. Oak Plaza has had two units vacant for two years. She distributed a spreadsheet from Oregon Housing and Community Development (OHCD) and said OHCD has indicated that workforce housing is not needed in Albany. About half of APHCD tenants are voucher holders; the IRS requires acceptance of vouchers if tenants pass the screening criteria. She does not believe that tenants must have income if their voucher pays the entire rent. Some of the bedrooms in the St. Francis proposal do not have windows; she understands that every sleeping area must have two exits, one of which leads outside. She would like to see IPMS screening criteria; she doesn't understand how they could get tenants when APHCD cannot. In response to inquiries, DeMarcus said that there is no requirement that the applicants contact her organization; but she thinks it is odd that they did not want to see what APHCD's experience was in this market.

Scott Lepman, 100 Ferry Street NW, said that Ryals and Garver came by his office to discuss this project and he indicated that he would allow them to use some parking at his property if the project moves forward. He said that both CARA funds and the tax credit program provide reverse incentives. He does not see how these units could compete in the market. They are too small, and it appears that some of the units don't have bedroom windows. In response to inquiries, Lepman said that the St. Francis would be a tough building to rehab and that there is a lot of risk with redevelopment in the current market. He feels this development would have a hard time competing with other apartment buildings in town that have larger units and convenient parking.

David Johnson, 7885 NE Todd Drive, Corvallis, said that he thinks the applicants would do great job with the building; but CARA needs to consider what the project would do for Albany. When he received a loan from CARA, he was held at compliance with the seven-year payback. To accept a 20-year payback on this project would be ridiculous. Funding put into this project would take up funds that could be made available for projects to help implement Crandall's plan. He asked if this is the best project for the long-term and whether this applicant shouldn't be held to the same terms as previous loan recipients.

Morris Embry, 214 First Avenue SW, said that he lives in the apartment over First Burger. He finds it challenging to find a parking space for his vehicle every evening. He tends to park near the St. Francis Hotel because that is the closest parking he can find that is not limited time retail space. Residential parking is a huge issue.

Matt Bennett, 442 First Avenue SW, said that his restaurant is open and needs parking at night. He said that Emma Downtown is a great space and more of that type of retail is needed downtown. It makes him nervous that the applicants opened a payday loan service for their tenants. He doesn't know if anything has been done to explore the possibility of a boutique hotel at this location. He has a degree in hospitality management and his former professors have expressed an interest in looking at the St. Francis Hotel. He doesn't know if the numbers would pencil out, but he would love to see that explored.

Debbie Lusk, 530 Ferry Street SW, owner of the Pfeiffer Cottage Inn, said that she has been in the hospitality industry for the last three years. She said that the proposed project is counterintuitive to everything we have in Albany. The vision is to bring people downtown to eat, shop, and enjoy what is offered. To bring this facility downtown would be a huge mistake. If there is an opportunity to consider a boutique hotel at this site, there is a lot of information available on the Internet.

The Chair invited rebuttal from the applicants.

Garver said that IHI would help with parking enforcement by requiring that residents put a sticker on their car and making it a lease violation to park in the three-hour spaces. She said that parking would be very necessary for a boutique hotel and she spoke against Crandall's suggestion to remove part of the historic building for parking. She said that the Pearl District started off with artist's lofts and then affordable housing; it did not start off with market-rate housing as stated by Crandall. She said that the respondents to Mr. Hult's survey were ADA members, farmer's market customers, etc., and not comparable to IHI's tenant market. She said IHI did a survey and found occupancy levels were high in one-bedroom and studio apartments in the Albany area; Porsche has a copy of the survey. She said that workforce housing is needed in Albany as evidenced by the spreadsheet submitted by Ms. DeMarcus; she does not know why OHCD steered Ms. DeMarcus wrong over the telephone. IHI did not contact APCDH because it felt that this downtown urban environment was not comparable to the affordable housing market in Albany. IHI accepts Section 8 vouchers but also has income requirements as part of its screening criteria. A handful of the bedrooms would have no windows; every unit would have window, and most of the units would have windows in every bedroom. Regarding the payback period, she said that CARA has projects with a seven-year payback and projects with zero payback; this project is in the middle. She said that the payday loan company is a creative alternative to help people by providing loans at better terms than other payday loan companies; she is proud of the program, but she doesn't think that the tenants at the St. Francis would particularly need that service.

Bill Ryals said that the bedrooms proposed without windows are allowed in the Code. He has looked at the option of a boutique hotel and feels that the development costs would be far too much. He said that the St. Francis is deteriorating, that this is a tough market, and that this is a project that would bring people downtown.

Jeff Reingold said that his firm could develop custom screening criteria to meet all of the concerns.

Post noted that the Board is not giving permission for this project; it is just deciding whether to contribute.

Rich Catlin said that this is a great team and that they would do a great project, but he feels that this is not a use that fits in this location. He finds Crandall's arguments and the testimony from the merchants to be compelling, and he struggles with the fact that the affordable housing tax credit program would dictate the project and who would live there.

Kopczynski said that the project would result in over \$4 million coming into the community during construction. If the developers were able to come up with the money without CARA assistance, CARA would have no input into the project. The team has tried to do what CARA has asked, and they have a good track record. He is firmly in favor of the proposal.

In response to an inquiry from Bessie Johnson, Community Development Director Greg Byrne said that there would be no requirement for parking with this project. Parking is provided on a district basis and managed by the ADA.

Mark Spence said that the tax credit funding source is the primary driver and that the funding source is creating an artificial urgency. The applicants are risking \$200,000 on a project at the end of which they will have a \$5 million building. He thinks that CARA's contribution allows the funding house of cards to hold together; otherwise, there would be no reason for the applicants to come to CARA.

Catlin said that the tax credit funding source has been around for years; he thinks there will be opportunities to use that pool of money in the future if desired.

Lloyd Henion said that this is a tough decision and that he would like time to explore other possibilities. He asked if there is any opportunity to delay this decision.

Dick Olsen said that he has had an idea to advertise Albany as a destination that is easily accessed by car, train, air, and bike and that has interesting things like the Carousel, museums, and historical houses. He would like to see what Bennett's former professors have to say about the possibility of a boutique hotel at this location.

Kopczynski said that this building has sat rotting while there is talk about grandiose plans for what might happen there. Here, we have a team with a proven track record willing to take a chance on Albany. The worst case scenario, if the developers are not able to make a go of the business, would be that we end up with a newly restored building that could be utilized under new ownership.

Konopa said that, if the owning corporation has the capacity to absorb the losses, it is not allowed to get out from under a property funded with this tax credit program even if the property is losing money. If the corporation goes under, the property remains low-income housing under a new owner.

MOTION: Catlin moved to not approve the request for funding. Konopa seconded the motion, and it **passed** by a vote of 10 to 2, with Henion and Kopczynski voting no.

Post said that this was a great application team and that they came with an impressive amount of information. He thinks that this was a very difficult decision.

Rescheduling the Meeting Date for May

Porsche advised that the May CARA Advisory Board meeting will need to be rescheduled to accommodate the ARA Budget Commission meeting schedule. Following brief discussion, the meeting was rescheduled to Thursday, May 5, 2011, at 5:15 p.m.

BUSINESS FROM THE BOARD

None.

NEXT MEETING DATE

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

ADJOURNMENT

Hearing no further business, Chair Post adjourned the meeting at 9:01 p.m.

Submitted by,



Teresa Nix
Administrative Assistant

Reviewed by,



Kate Porsche
Urban Renewal Manager