

NOTICE OF PUBLIC MEETING

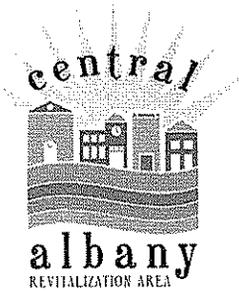
CENTRAL ALBANY REVITALIZATION AREA ADVISORY BOARD
City Hall Council Chambers
Wednesday, February 16, 2011
4:45 p.m.

AGENDA

1. CALL TO ORDER (Chair Cordell Post)
2. ROLL CALL
3. APPROVAL OF MINUTES
 - January 19, 2011. [Pages 1-5]
 - Action: _____
4. SCHEDULED BUSINESS
 - a. Business from the Public
 - b. Recess to take tour of the St. Francis Hotel building
Reconvene meeting at tour site
Recess to return to City Hall
Reconvene the meeting
 - c. St. Francis Hotel project. [Pages 6-32] (Porsche/Applicant)
Action: _____
 - d. Rescheduling meeting date for May meeting. [Verbal] (Porsche)
Action: _____
5. BUSINESS FROM THE BOARD
6. NEXT MEETING DATE: *Next regular meeting Wednesday, March 16, 2011*
7. ADJOURNMENT

City of Albany Web site: www.cityofalbany.net

The location of the meeting/hearing is accessible to the disabled. If you have a disability that requires accommodation, please notify the Human Resources Department in advance by calling 541-917-7500.



APPROVED: _____

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

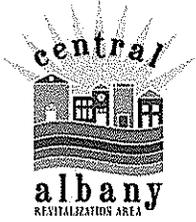
Hearing no further business, Chair Post adjourned the meeting at 7:20 p.m.

Submitted by,

Reviewed by,

Teresa Nix
Administrative Assistant

Kate Porsche
Urban Renewal Manager



TO: CARA Advisory Board
FROM: Kate Porsche, Urban Renewal Manager
DATE: February 11, 2011, for February 16, 2011, CARA Advisory Board Meeting
SUBJECT: St. Francis Hotel Project

At the last CARA Advisory Board meeting, Julie Garver with Innovative Housing, Inc., came before you with a plan and a request for funding for the St. Francis Hotel. At the close of that meeting, she expressed a willingness to work on a revised plan for the building that would address some of the concerns. Julie has revised her application and the layout of the building and is submitting it for your review. Staff also engaged George Crandall on this, and he will be present for the meeting.

Information on the new proposal is below. Before delving into that, I want to note that we have moved back the start time of the CARA meeting to accommodate a tour of the building. We will convene the meeting in the City Hall Council Chambers at 4:45 p.m., then will walk over to the hotel for a brief tour, then back to City Hall to hear details of the application including the staff report, the applicant's presentation, and testimony from the public. Please be sure to wear good walking shoes with closed toe shoes for the tour of the site.

Proposal

Please see the attached application and materials for more information. Revisions to the application are underlined for ease of reading.

The project has been revised in the total number of units, unit mix, and unit sizes. The new unit mix is as follows:

- 29 one-bedroom units
- 3 two-bedroom units
- 10 studios
- total 42 units

The change in the mix of units and size follows:

Old Plan	Number	Average Size
Studios	43	228 s.f.
1 Bedrooms	11	463 s.f.
Total	54	

New Plan	Number	Average Size
Studios	10	407 s.f.
1 Bedrooms	29	523 s.f.
2 Bedrooms	3	700 s.f.
Total	42	

The average size of units in the last application was 330 square-feet. In the revised version, the average size is now 508 square-feet, and the number of units has been reduced from 54 to 42. It is also important to note that in the change of plans, the retail area on the first floor has been

reduced about 1,000 square feet, from about 3,500 to 2,450 because of the increase in units on the first floor from 8 up to 10.

The applicants have also suggested a new component to the CARA financing package: a repayment of \$200,000 of CARA funds, dependent on cash flow (For convenience I'm going to call this the "Cash-Flow Dependant Loan" or "CFD" loan.) (See page 5 of the application and the attached expense sheet from their budget.). This amount is not guaranteed to come back to us but has been offered up that, as the cash-flow allows, any extra amounts would come back to CARA over time.

This amount would shift the ROI analysis, and so I have attached the ROI for your review; one without the repayment of the \$200,000 CFD (worst-case scenario) and one with the full \$200,000 CFD. In the scenario where our full \$800,000 is used and none of it paid back, the ROI will take 25 years, which is 6 years past the point of CARA's existence. With that, the true return to CARA before we are gone will be right around \$393,000, or 49% of our original investment. The version where we receive back the full \$200,000, which lowers our investment to \$600,000, looks a little better with an ROI in year 20.

Analysis

I believe this is the most challenging funding decision you've had come before you. There are costs, benefits, and risks on both sides of the issue. I've outlined them below:

Benefits

- A \$9.9 M project for Downtown Albany, with a relatively quick infusion of cash into the economy, the applicant estimates that if 50 percent of the cost of the project stay in Albany that translates to \$4.9M.
- The St. Francis Hotel building will be restored. Having seen IHI's work in Portland staff can say that we are confident that the quality of the physical work and the restoration will be first-rate as they've demonstrated a strong commitment to historic preservation.
- Applicants hold their buildings and plan to do so in this case, which underscores the continued maintenance of the building. IHI has demonstrated themselves as a capable and reputable developer and administrator of affordable housing projects.
- 42 units of housing, which the applicants estimate will convert to 45-50 new residents.
- Part (2,450 square-feet) of the first floor will be converted from commercial use (the print shop) to a more active, hopefully evening and weekend-friendly retail space.

Costs

- \$600,000-\$800,000 of CARA funds
- ROI in year 20 or 25, substantially slower return than the 7 years we've typically looked for in other transactions. ROI equates to only about half our funds (\$393,000) for the remainder of the life of CARA.
- Reduction of retail space on the first floor (1st floor is about 10,000 square feet, this project will place 10 housing units on the first floor and shrink the available retail down to 2,450 square-feet.)

Risks

- Effect of parking on the marketability of the project (leased spots that are available now are 2-3 blocks away), our downtown and our retail users.
- Affordable housing use contractually with the state will be for a minimum of 30 years, tenants will be required to demonstrate an income source, though this may be through employment, social security, or veteran's benefits, for example.
- Units, though bigger than the last application, still average only 508 square-feet. Staff is concerned about how this project blue-print, which has been successful for IHI in Portland, will translate to Albany.
- What near-term projects are we jeopardizing by committing a fairly large percentage of our available funds to this project? That is, Crandall's Retail Refinement study may illustrate that now is the time for an investment in Albany Square or Water Avenue, for example.
- Potential that we are premature in this decision before allowing Crandall time to complete the Retail Refinement study so that we can understand our needs and areas of opportunity.

This is not an easy question to answer. I find I'm only left with more questions: Will this project leverage private investment and induce market demand? Will the tenants be consumers? How will the parking affect downtown?

I do know that our urban renewal funds and the CARA plan take the long-view on the cultivation of a vibrant downtown. The decision will be up to you as to whether or not you feel this project will head us in that direction.

KP:ldh

Attachments

10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
\$ 5,186,930	\$ 5,342,538	\$ 5,502,814	\$ 5,667,899	\$ 5,837,935	\$ 6,013,074	\$ 6,193,466	\$ 6,379,270	\$ 6,570,648	\$ 6,767,767	\$ 6,970,800	\$ 7,179,924	\$ 7,395,322	\$ 7,617,182	\$ 15,462,879	\$ 46,852,523
\$ 30,010	\$ 30,910	\$ 31,837	\$ 32,793	\$ 33,776	\$ 34,790	\$ 35,833	\$ 36,908	\$ 38,015	\$ 39,156	\$ 40,331	\$ 41,541	\$ 42,787	\$ 44,070	\$ 45,392	\$ 46,754
3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	103%	203%
\$ 263,669	\$ 294,579	\$ 326,417	\$ 359,209	\$ 392,985	\$ 427,775	\$ 463,608	\$ 500,517	\$ 538,532	\$ 577,688	\$ 618,019	\$ 659,559	\$ 702,346	\$ 746,416	\$ 791,809	\$ 838,563

0.49123182

2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
10	11	12	13	14	15	16	17	18	19	20
\$ 5,186,930	\$ 5,342,538	\$ 5,502,814	\$ 5,667,899	\$ 5,837,935	\$ 6,013,074	\$ 6,193,466	\$ 6,379,270	\$ 6,570,648	\$ 6,767,767	\$ 6,970,800
\$ 30,010	\$ 30,910	\$ 31,837	\$ 32,793	\$ 33,776	\$ 34,790	\$ 35,833	\$ 36,908	\$ 38,015	\$ 39,156	\$ 40,331
3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
\$ 263,669	\$ 294,579	\$ 326,417	\$ 359,209	\$ 392,985	\$ 427,775	\$ 463,608	\$ 500,517	\$ 538,532	\$ 577,688	\$ 618,019



Developer Partnership

REVISED APPLICATION, FEBRUARY 9, 2011

1. APPLICANT

Name: Innovative Housing, Inc.

Business Name: Innovative Housing, Inc.

Address: 219 NW 2nd Avenue

Portland, Oregon Zip Code: 97209

Contact Name: Julie Garver Phone Number: 503-226-4368, ext. 3

Fax Number: 503-226-2509 Email Address: jgarver@innovativehousinginc.com

Legal Form: Sole Proprietorship Partnership

Corporation: Profit Non-Profit TIN# 93-0877440

In which State are the incorporation and/or organization documents filed? Oregon

2. BUILDING/BUSINESS INFORMATION

Name: St. Francis

Age of Building: 4 story building built circa 1912; 2 story building built circa 1907

Address: 110 Ferry Street SW (4 story) ; 406 1st Avenue SW (2 story) Zip Code: 97321

Legal Description: _____

Property Tax Account Number: 81378 Map: 11S03W06CC

3. OWNER OF PROPERTY (if not applicant)

Name in which title is held: Gerald W. Thorn

Contact Name: Jerry or Scott Thorn

Address: 406 First Ave. SW

Albany, Oregon Zip Code: 97321

Phone Number: 541-928-3322

4. AUTHORIZATION TO UNDERTAKE WORK: (SEE LETTER OF INTENT, ATTACHED)

If the applicant is not the owner of the property, provide written evidence that the owner authorizes this work to be undertaken. (Typically this is in the form of a lease or other written permission).

5. DESCRIPTION OF PROJECT

The Rehabilitation Project

The project will include a complete rehabilitation of the St. Francis building(s), including new systems, full seismic upgrade, and restoration of the historic façade. The interior of the building will include lobby, offices, commercial space, laundry room, bike room, and living units on the main floor. The upper floors will have additional living units for a total of 54 studio and 1 bedroom apartments. We will retain and enhance all the existing historic fabric possible on the interior of the building. On the main floor this includes tin ceilings throughout, mosaic tile flooring and wood wainscoting in the lobby, and the historic configuration of space (lobby facing Ferry and commercial spaces facing 1st. Upstairs, restoration of the windows, fir floors, stained wood casing, trim and doors are top priorities. In addition, the open vestibule surrounding the elevator with railings on each floor is a key restoration opportunity. Key historic features including wood transoms above the doors with original brass hardware will add to the appeal of the spaces. Room configurations will be maintained, with new walls added for bathrooms, and connections between rooms added for larger units. Quality kitchens with hardwood cabinets, dishwashers, ranges and refrigerators will also be included in every unit.

REVISED INFORMATION: Based on input from CARA and the community, we have revised the total number of units, unit mix and unit sizes. The new unit mix includes 29 one bedroom units, 3 two bedroom units, and 10 studios – for a total of 42 units. We feel that the new unit mix and sizes better reflect community desires, and have the added benefit of being even easier for us to rent. Our Architect Bill Ryals has created units that are each unique and take full advantage of large windows, open living areas, beautiful wood floors/doors/casings, high ceilings, and great nooks and crannies that only historic buildings tend to feature. See plans attached.

Old Plan	Number	Average Size
Studios	43	228 s.f.
1 Bedrooms	11	463 s.f.
Total	54	

New Plan	Number	Average Size
Studios	10	407 s.f.
1 Bedrooms	29	523 s.f.
2 Bedrooms	3	700 s.f.
Total	42	

Building Condition

The condition of the building is mixed. Some of the historic features such as exterior brick, most of the windows, tin ceilings and wood trim are in fair to good condition. However, there has been significant water infiltration to both buildings, and water damage is continuing even though both roofs have been replaced in the last few years. This could be due to flashing damage, compromised mortar joints in the brick (especially on the south and west sides), or siding damage in the light wells. The current owner has been working on these problems and keeping up as funds have allowed. However there are many sources for water infiltration in a 100 year old building, and many other things that compete for limited upkeep funds. The owner has also

installed fire sprinklers in the basement, with a large enough sprinkler main to accommodate the rest of the building. In addition, the power into the building has been increased. These improvements will help our project focus on major areas of concern such as building envelope waterproofing, seismic upgrade and systems replacement.

Costs and Funding

The renovation described above is not an inexpensive adventure. It is worth it, but the hard costs alone are about \$170 per square foot, which equals \$6.7 Million in construction costs. Total development cost will be right at \$10 Million. This equals \$124,000 per unit in hard cost, and \$185,000 per unit total cost for 54 units. It is very likely that a full renovation of this building would not be feasible if it were not for three main sources of funding:

- 1) The strong interest of CARA to fund historic projects in the Downtown Historic District;
- 2) Historic Tax Credit funding at \$1.2 Million; and
- 3) Low Income Housing Tax Credit (LIHTC) funding, which makes up the vast majority of funding at \$6.6 Million

Even with strong residential and commercial rental income (comparable to the average rents in the Albany market), the building can only support a commercial loan amount of \$375,000, and that is at a special interest rate for affordable housing. CARA, the Historic Tax Credits and the LIHTC's make the project possible, and provide the opportunity to give this building the complete renovation and historic restoration that it deserves. It is extremely beneficial that the Historic Tax Credits and LIHTC's work so well together, and create this type of unique opportunity to fund large, expensive historic preservation projects.

REVISED INFORMATION:

Sources	
LIHTC Equity	6,887,311
State HOME Grant	-
State Trust Fund Grant	100,000
State Weatherization Grant	-
State General Housing Grant	200,000
CARA Grant	800,000
Historic Tax Credit Equity	1,492,976
Permanent Loan	200,000
Deferred Developer Fee	223,000
Total	\$ 9,903,287

Uses	
Total Acquisition Costs	592,615
Relocation	300,000
Construction (35,000 s.f.)	6,768,184
Soft Costs	2,242,488
Total	\$ 9,903,287

New per unit hard cost: \$161,147

New per unit total cost: \$235,792

RETURN ON INVESTMENT:

During our first presentation, it became clearer to us that CARA feels strongly about Return On Investment, both monetarily and in justifiable intangibles that contribute to CARA goals. Exactly what is CARA leveraging with our project with this \$800,000 request?

CARA Key Objectives:

- Attract new private investment to the area.
- Retain and enhance the value of existing private investment and public investment in the area.

The Innovative Housing St. Francis Project meets both of the above CARA key objectives. Through a complete historic rehabilitation of an existing valuable building, existing private investment is retained and enhanced. And our project does attract new private investment, through the private loan, deferred developer fee, and historic and affordable tax credit equity. Some might say that the tax credit equity is actually “public” funding. However, the tax credit programs are defined as “public private partnerships”. The private investor infuses a significant amount of cash up front into the project and community (in this case \$8,380,287 combined historic and affordable), and then takes tax credits over 15 years to be “repaid”. Some of these tax credits are provided by the government...equal to the investor’s actual cash investment (\$8,380,287). If this was all the investor got, it wouldn’t be much of an investment. But the rest of the private investor’s return comes through real estate tax deductions that any investor can take on any apartment project...depreciation, operating tax losses, etc. This is the “private” part of the investment—the actual “return” for the investor, and the reason the programs work.

CARA Additional Objectives Met:

- Preserve the Historic Districts, historic resources and existing housing in the area.
- Create a readily identifiable core that is unique and vibrant with a mixture of entertainment, housing, specialty shops, offices, and other commercial uses.
- Increase residential density in the area.
- Encourage the development of new forms of housing and home ownership.
- Provide an enriching environment and livable neighborhoods.

Housing goals figure prominently in CARA’s mission. The St. Francis project would figure prominently in the creation of apartment units in the downtown. It is a “new form” of housing for the downtown: Workforce Housing in an Urban Environment. This is exciting! This new housing can actually help create demand for more downtown housing. The addition of 42 new people in a 24 hour setting adds vibrancy and vitality to the district. Friends and relatives will visit residents at the St. Francis, walking past the great shops and restaurants to get there. Perhaps these visitors haven’t been to the downtown in a while...and their eyes are opened to the fun variety that existing in the retail district. Perhaps these visitors enjoy their experience in the downtown and at the St. Francis so much that downtown becomes someplace they too would look for a place to live. This creates more housing demand for the downtown...in all income ranges. Someone has to be “first” to do a significant, large, urban housing project in the downtown core. This project—which will bring young, energetic working people at the beginning of their careers—will be the project that brings more people downtown, and creates demand for more places to live. Which, in turn, allows private developers to take the risk to build new housing where little has existed for decades.

Beyond the housing goals, the St. Francis project also injects retail space into the district by rehabilitating the storefront spaces on 1st and making them available for new, active retail

businesses. And certainly, leveraging \$9.1 Million of funds for one key building in the downtown is a significant achievement. Even at a very conservative figure of 50% of the cash and work coming to Albany directly, that is \$4.9 Million.

ROI Cash.

We also noticed during the last presentation that actual cash return is quite important to CARA and its ongoing mission and projects. With an expensive historic rehabilitation project such as the St. Francis, there isn't a lot of cash flow to return to CARA. However, a modest partial return is possible.

Property Tax over 20 years: \$618,019

Loan Repayment, Cash Flow Dependent: \$200,000 over 20 years

Total Return: \$818,019

Certainly the return period is longer than ideal. However we wanted to offer up what the project could pay toward future projects in the downtown.

Between the intangible benefits of more 24 hour activity and people in the downtown, leveraged funds to the community, a great historic rehab and actual cash return, the St. Francis project will be a definite asset for Albany, CARA and Innovative Housing.

Parking

Yes, it is a challenge. It will always be a challenge for this building and historic buildings like it that were built when cars were a luxury item. It is probably a bigger challenge for the St. Francis, because it is a relatively large building in the downtown area. Certainly we are exploring options like shared parking with Wells Fargo, and master leasing spaces from the Downtown Association. Also, we are very open to hearing suggestions and creative ideas from CARA and the community to address this issue. However we feel that an apartment use for a young target market is very well suited to the St. Francis and its parking issues, because our residents will be more likely to use transit, bikes and alternative transportation. In addition, our residents will be more open to walking a few blocks to a parking lot. We have several buildings in downtown Portland that do not have any parking, and we provide plenty of bike storage space and transit use incentives. Of course Albany is not Portland, and so we anticipate different issues and different solutions. But we are committed to find the solutions that make the apartments desirable to rent, and keep parking open and available for downtown businesses.

REVISED INFORMATION:

Above all, IHI has three main goals for this project after the initial renovation:

- 1) Keep the units rented at the scheduled rents
- 2) Maintain the building at a very high quality level
- 3) Meet community goals and be a good partner

The parking plan is a critical element of meeting these goals. Over the past month we have become much more educated about the parking history and concerns of the community. With this new information, we have a multifaceted parking plan:

- 20 leased spaces in private parking lots
- 15 leased spaces in public parking lots
- 7 on street spaces
- Loading Zone
- "Innovative Car"

We have identified the lots where the leased spaces are available now, both public and private. These lots are within two blocks of the St. Francis. We think the most logical place for the 7 on-

street spaces would be the new angle parking around the Post Office. The project is willing to contribute \$20,000 toward the striping of the new angle parking, which has already been approved in the City's TSP plan, but is not yet funded. We realize that when the Carousel gets up and running in the future, daytime use of angle parking spaces may not be feasible. However, at that time we are confident other acceptable areas for a few on-street spaces can be identified, or evening –use only of the post office angle space may be a possibility.

In any event, even with a parking plan identified TODAY, we know that it will need to change and evolve in the future, as surface lots get redeveloped and on street spaces develop increased demand. This is the way it *should* be, because it means the downtown is getting busier and more popular! We expect to continue working with the City and with CARA for the evolving parking plan in the future. Parking is important to us, so we are committed to keeping the leased spaces in the budget, and working with the community on where exactly those are located over time.

A loading zone would be a great addition to Ferry Street near the front doors of the St. Francis. This would allow residents to pull up, drop off groceries, and then go park. We have utilized this tool at our other buildings and it is much appreciated by residents.

The "Innovative Car" is something we are exploring for the St. Francis. In Portland there is a service called "Zip Car". They place cars all over the city in high-use areas, and people rent them by the hour in places close to their homes. IHI could do the same thing at the St. Francis, but with our own car, with the program managed by our property manager. So if a person doesn't want to have a car, there would be an affordable alternative right at the building. There is a Zip Car near one of our projects in Portland, and our residents do utilize it. We would lease a space for this car to stay near the building if the idea proves desirable and feasible.

Certainly any use that goes into the St. Francis will have similar parking challenges as we are facing. But we will commit to stay at the table and continue to work toward solutions year after year. Since we own our buildings for the long term, it is important to us to stay involved and be proactive.

The Project Team

Wouldn't it be nicer to use a local general contractor rather than one from Portland? Innovative Housing has seriously considered this question, because we support prioritizing the use of local suppliers, consultants and labor. We talked with two major Albany/Corvallis area general contractors about the project. Both had some experience in seismic reinforcement, unreinforced masonry buildings, historic rehabilitation, and some residential apartment work. However, neither had *extensive* experience in very complex projects such as the St. Francis, where many unknowns, a vast potential for surprises, and unexpected problems threaten the very viability of the effort. Walsh Construction does have extensive experience with this project type, completing dozens of historic/seismic/apartment projects all over the northwest, and two recently with Innovative Housing:

- 1) The Clifford is a 1911 building with 88 apartments & four commercial spaces. The project was completed in 2010 for a total of \$8 Million.
- 2) Musolf Manor is a 1910 building with 95 apartments & seven commercial spaces. The project was completed in 2009 for a total of \$15 Million.

Because of Walsh's experience with historic buildings, and more critically, experience completing these types of projects *on time and within budget* for IHI, we feel it is critical to have Walsh on our team for the St. Francis. We have a strong relationship with Walsh, they know our expectations, and they meet the budget...no matter what. IHI has never returned to a funder and requested additional funds for construction costs, and Walsh knows that they must live within the initial budget that they help us create for projects. Even

beyond budget, however, is Walsh's commitment to quality. Since IHI owns properties for the long term (we have over 850 units in the Portland metro area, and we have never sold a building in our 25 year history), we need buildings that last. Walsh builds them to last, and with their 46 year company history, we can count on them to be around if there are any problems in the future. They stand behind their work and they are happy to return if there is a warranty issue.

IHI and Walsh are also committed to drawing as much material and labor from the Albany area as possible. That means preference for Albany subcontractors and suppliers...making a concerted effort to funnel as many construction dollars into the Albany community as possible. With \$6.7 Million in hard costs, there is a lot of potential for dollars to come to Albany. In addition, our Architect Bill Ryals is from this area, and we will be looking for local help with hazardous materials abatement, HAZMAT testing consulting, survey, market study, furnishings, special inspections, catering and many other project needs.

The Target Market

With the discussion of Low Income Housing Tax Credit funding above, it is easy to imagine an unfavorable outcome for this project from CARA's perspective: a building full of very low income people on rent subsidy with no money to spend in the downtown and community. Certainly, every community has varying levels of need for this type of housing...hopefully in small doses mixed with higher income units.

However, this is not that project.

With the rehabilitation costs at the St. Francis, combined with the fact that Innovative Housing is located in Portland and not Albany, it is critical that rents for this project be on the fair but "high end" of the affordable housing spectrum. IHI will have a professional property management company performing the day-to-day tasks of renting units and making sure the building is maintained to a high standard. However, lower income residents require more attention and staffing in order to be successful, to which several of our Portland projects can attest. Since IHI is not close to Albany, it makes sense to have residents at the St. Francis that have higher incomes, are more self-sufficient and need fewer special services. Also, the level of rehab required for this project means that rents need to be on the high end of the LIHTC limit in order to support operating costs and debt. And most importantly, the need for housing in Albany is for people who are working, have incomes, and can help support the local economy by purchasing goods and services in the community.

For these reasons, the apartments at the St. Francis will be ***Workforce Housing***, for people working in downtown Albany and the surrounding area. Rent ***limits*** for the apartments will be similar to the highest rents being charged for studio and 1 bedroom apartments currently. Our actual rents will be slightly under the rent limits for LIHTC's, so that we will be competitive in the Albany market and make sure our apartments rent. Our target market is young professionals just starting their careers, downtown workers, and possibly retirees that would like to downsize and be close to amenities. One key component of LIHTC funding is that residents only need to income qualify when they ***first move into*** the apartment. If incomes grow over time, which we hope will be the case for young people first entering the job market, these people can continue to live at the St. Francis for as long as they would like. Perhaps the money they save on rent will go toward continuing education, saving for the purchase of a home, or extra spending money.

The Albany Market

Further, to be clear, there will not be Project Based Section 8 units at the St. Francis. There will not be any kind of project based rental subsidies that pay people's rent. The people who live at the St. Francis will be paying rent themselves, and working to support the payment of that rent. Someone asked us recently what would happen if the building "got into trouble" with operations and needed extra cash, or if tenants could not be found to rent the units at the rate that we have in the proforma. These are fair questions. Careful review of the proforma shows that the budget includes Operating, Replacement and Commercial reserves to address potential problems with repairs, residential leasing, or commercial leasing. Further, Innovative Housing recently completed a Rental Survey for studio and one bedroom units in Albany, showing a 4% vacancy rate, which is very low. Rental "specials" have largely been eliminated from the market, and landlords are increasing rents. These indicators show a strong rental market in Albany, which is a major factor in why Innovative Housing is interested in this project.

REVISED INFORMATION: MARKETING PLAN

New
Plan

Unit Type	Average Size	Number of Units	Proposed Rent	Median Income %
Studio	407	6	440	46
1B	523	14	510	50
Studio	407	6	525	55
1B	523	13	595	58
2B	700	3	740	60

42

Old
Plan

Unit Type	Average Size	Number of Units	Proposed Rent	Median Income %
Studio	228	38	395	41
1B	463	9	480	47
Studio	228	5	500	52
1B	463	2	600	59

54

The St. Francis will not be “low income” housing. It is Workforce Housing – for working people with incomes. Over the last month while talking with people in Albany, there have been concerns expressed about “What happens if you don’t get your target Workforce Housing people to rent at the St. Francis?” There is a proactive way for property owners and managers to deal with vacancy challenges. But some people in Albany fear that the proactive approach will not be taken, and therefore negative outcomes will result, as Albany residents have sometimes witnessed at other area apartments. In this section, we will provide our strategies for keeping the apartments rented with high occupancy rates to residents in our target market: **people making \$20,000 - \$25,000 per year.**

- 1) Aggressively market the units. This may sound obvious, but some property owners and managers do not go the extra mile to advertise their properties. Perhaps a sign is put on the building, and maybe a Craig’s List advertisement. But when struggling with vacancy, a more proactive approach is needed. Taking flyers around to businesses whose employees are in our target market is a good strategy, as well as participating in the Downtown Albany loft tours, having “hard hat” tours during construction to generate buzz and excitement, and having booths at local events during key leasing times. One-month move in specials, providing gift certificates to local businesses, and gas cards are also good ways of providing one-time incentives that do not permanently lower rents. If a slight rent reduction is needed to spur interest, it will be temporary and of short duration until the market lull passes.
- 2) On site staff. It is important that on site staff are professional, present and consistent. The St. Francis will have professional property management staff, including one building manager and one maintenance staff person. One of these two positions will live on site.
- 3) Building Manager attends neighborhood meetings. In this case, the meetings attended will probably be the Downtown Association. This connection keeps everyone in close contact and talking about both the good things and the challenges. We do this with our other properties as well.

- 4) Be clear about expectations. A good lease agreement is important, with building rules and behavior expectations clearly identified. When residents are clear about what is expected, then more often than not people do the right thing.
- 5) Follow through with consequences. If expectations are not met and rules are broken, consequences, including eviction, must be utilized firmly but fairly.
- 6) Prioritize safety. Everyone deserves a safe place to live. Design elements that prioritize safety are critical. This includes space design for good visibility of common spaces and corridors, and security cameras with video back up.
- 7) Maintain the building well. To keep resident expectations high and attract new residents, "curb appeal", cleanliness and good maintenance are high priorities. This also protects IHI's long term investment in the St. Francis.
- 8) No smoking in front of the building or inside the building/units.
- 9) Provide beautiful spaces. For everyone, it is really nice to be proud of where a person lives. IHI finds that when beautiful living spaces and gathering areas are provided, it increases pride of place, the desire to protect the place, and people's satisfaction with the place they call home.

REVISED INFORMATION: REPUTATION

Innovative Housing has a 25 year history of providing great housing in communities, to people at many different income levels. Different communities have different housing needs and goals. In Portland, housing for the homeless has been prioritized. In Albany, it is working people with moderate incomes that need housing. In Downtown Albany, the additional goals of Historic Preservation, active retail space, residents as customers with money to spend and excellent property upkeep are paramount. We want to stress that meeting community goals isn't just nice talk to get funded. IHI is seeking to geographically diversify into the mid valley area. We would like to do projects in Salem, Eugene and other mid valley cities. If we are awarded funds and complete the St. Francis project, we will be initiating these mid valley opportunities. And the first thing these other cities will do is ask the citizens of Albany and CARA how we did at the St. Francis. It is our goal for the resounding and indisputable answer of that question to be "excellent" in all areas. We will work hard to make that happen, and continue working long into the future to manage and care for the building in a manner that preserves and enhances our good name.

Finally, a special "thank you" to the CARA Board and Staff for allowing us the opportunity to submit first the initial application, and then working with us on ways to make the project better.

6. ESTIMATED COST OF PROJECT: \$ 800,000 (CARA FUNDS)

ESTIMATED VALUE OF PROJECTS UPON COMPLETION: \$ 5.5 MILLION REPLACEMENT VALUE
 \$ 3.36 MILLION MARKET VALUE

Basis for valuation and value upon completion: The hard cost estimate is based on a cost estimate from our contractor, and soft costs have been estimated by comparable developer projects as well as quotes on line items like insurance, accounting, permits, architectural fees and cost estimates. The replacement value was estimated by our insurance agent at approximately \$150 per foot. The market value was estimated at \$80,000 per unit.

7. PREPARATION OF COST ESTIMATES

Who prepared your cost estimates? Walsh Construction and Innovative Housing

(If applicant prepared their own estimate, objective verification may be required.)

Address: Walsh Construction, Geoff McGraw, 2905 SW First Avenue, Portland, Oregon 97201

Phone Number: 503-306-2717 Email Address: gmcgraw@walshconstructionco.com

8. IN ADDITION TO THE PROPOSED IMPROVEMENTS, IS THERE OTHER WORK PROPOSED?

Yes No

ESTIMATED ADDITIONAL COSTS: \$ \$9.1 MILLION

TOTAL ESTIMATED COST OF ALL WORK: \$ \$9.9 MILLION

9. CONSIDERING THE LIST OF PROJECT GOALS OUTLINED IN THIS APPLICATION, PLEASE IDENTIFY THE VALUE YOUR PROJECT BRINGS TO CARA

Housing and Commercial benefits for downtown

The "24 Hour Downtown" is a popular catch phrase these days. It conveys that in order for downtown businesses, eateries, retailers and entertainers to thrive, people actually being in the downtown 24 hours a day is critical. More housing located in the heart of a downtown accomplishes this goal. The community of Vancouver, Washington has recently added many housing units to their downtown core, and revitalization is consistently following. However Vancouver could take a lesson from Albany...that community does not have Urban Renewal Funding targeted for the rehabilitation of old buildings, and so the historic downtown area in Vancouver is not revitalizing as quickly as it could be. For Albany, 65 – 85 residents moving into the St. Francis would bring an influx of activity, customers and spending money right into the downtown core. And remember, these are working people with money to spend. The St. Francis will also feature commercial/retail space along 1st...a 100' frontage. IHI's priorities for leasing this space include active businesses that enhance the streetscape, draw people to the downtown, and provide amenities for our residents. Examples include a cooperative or regular grocery store, restaurant, café, or retail business geared toward the historic shopping district. We are hoping for ideas, assistance and support from the local community in getting the word out to prospective businesses. We would like to work with potential tenants throughout the development process in order to tailor the interior spaces to best meet their needs and minimize costs of tenant improvements later.

REVISED INFORMATION: 45 – 50 new residents anticipated.

Housing benefits for the community

Everyone deserves a safe, clean, stable place to live. What if that place also has historic charm, a trendy loft feel, is really attractive, is conveniently located near employment and shopping, and has excellent transportation options? And what if that place has a little lower rent than other places, allowing more of a working person's income to be spent on other things? Wouldn't that be great? That's our vision for the St. Francis.

Construction

A \$10 Million project will bring many dollars into the community, both in hard costs and soft costs. And the benefits have a tendency to spread and multiply. The local owners of the St. Francis would like to build or purchase/remodel another building in Albany for their printing business, thereby adding even more dollars to the community. In addition, the project will generate over \$60,000 in permit fees, \$100,000 in system development charges, and hundreds of thousands in property taxes over time.

Historic Preservation

Innovative Housing has an excellent track record of quality rehabilitation and restoration projects. IHI's Housing Development Director Julie Garver has extensive experience in preservation rehab projects, and served as a board member on the Clark County Historic Preservation Commission for several years. Additionally, through the use of Historic Tax Credit funding, the SHPO and National Park Service will be

monitoring and approving all project elements, as will CARA itself. But beyond meeting the regulatory requirements of preservation, Innovative Housing has a passion for historic buildings. Historic details, spaces and building types make for extremely interesting and satisfying places to live. There is something special about a solid brick façade, wavy window glass, real wood floors and period appropriate light fixtures that make people smile and feel at home. Recently a new resident who just moved into the Clifford commented, "When I walked into the lobby it was so welcoming, it made me feel loved". It is amazing how nice tile floors, glossy woodwork, crown moldings and high ceilings can make a person feel valued and good about the place they call home.

Quality of rehabilitation is a top priority for IHI, and we will pay attention to every historic detail. The details make up the whole. Sometimes people wonder about us...because we fight for little things to be right...a balustrade to be restored instead of replaced...repair of historic windows instead of replacement...keeping historic doors and getting a good carpenter to make them fit instead of replacing them...all of these things IHI has insisted on in the past, and this is the type of care we will show the St. Francis.

10. AMOUNT OF MATCHING FUNDS

\$ 9,100,000

SOURCE OF MATCHING FUNDS (CARA may withhold approval of this application until information satisfactory to CARA is provided.)

- LIHTC's \$6,682,332
- State HOME \$ 291,924
- State Trust Fund \$ 100,000
- State Weatherization \$ 50,000
- State General Housing \$ 200,000
- Historic Tax Credits \$1,235,286
- Permanent Loan \$ 375,000
- Deferred Dev Fee \$ 252,000

REVISED INFORMATION:

- LIHTC's \$6,887,311
- State Trust Fund \$ 100,000
- State General Housing \$ 200,000
- Historic Tax Credits \$1,492,976
- Permanent Loan \$ 200,000
- Deferred Dev Fee \$ 223,000

Is your funding: X available today (Def. Dev. Fee) X to be applied for April, 2011(all other sources)

(CARA may withhold approval of this application until information satisfactory to CARA is provided.)

11. EXPLAIN WHY CARA FUNDING IS NECESSARY TO INSURE PROJECT COMPLETION

Many sources of funding for this project have limits...Historic Tax Credits, LIHTC's, Permanent Loans, State grant funding. We plan to seek the maximum amounts available for these sources. This leaves a funding gap, which the CARA money will fill. In addition, the LIHTC's are awarded through the State of Oregon, and are very competitive. If a project has the support of the local community through significant funding, the State is much more likely to award funding to the project.

REVISED INFORMATION:

Local funding is also very beneficial for the project and the community, because the funding leverages more input from the community into the project.

12. WHERE ELSE HAVE YOU LOOKED FOR FUNDING?

The State of Oregon, the Historic Tax Credit program, Private Lenders

Assistance Requested - Check and complete applicable sections for requested assistance.

- Professional Services – Design Assistance (for projects such as street façade, interior layout, awnings, signs, seismic upgrades, interior wall alterations, etc.)

{Maximum grant is \$10,000 per property with a 50 percent match by the applicant*}

Total amount: _____ Grant Amount Requested (50% of total amount): _____

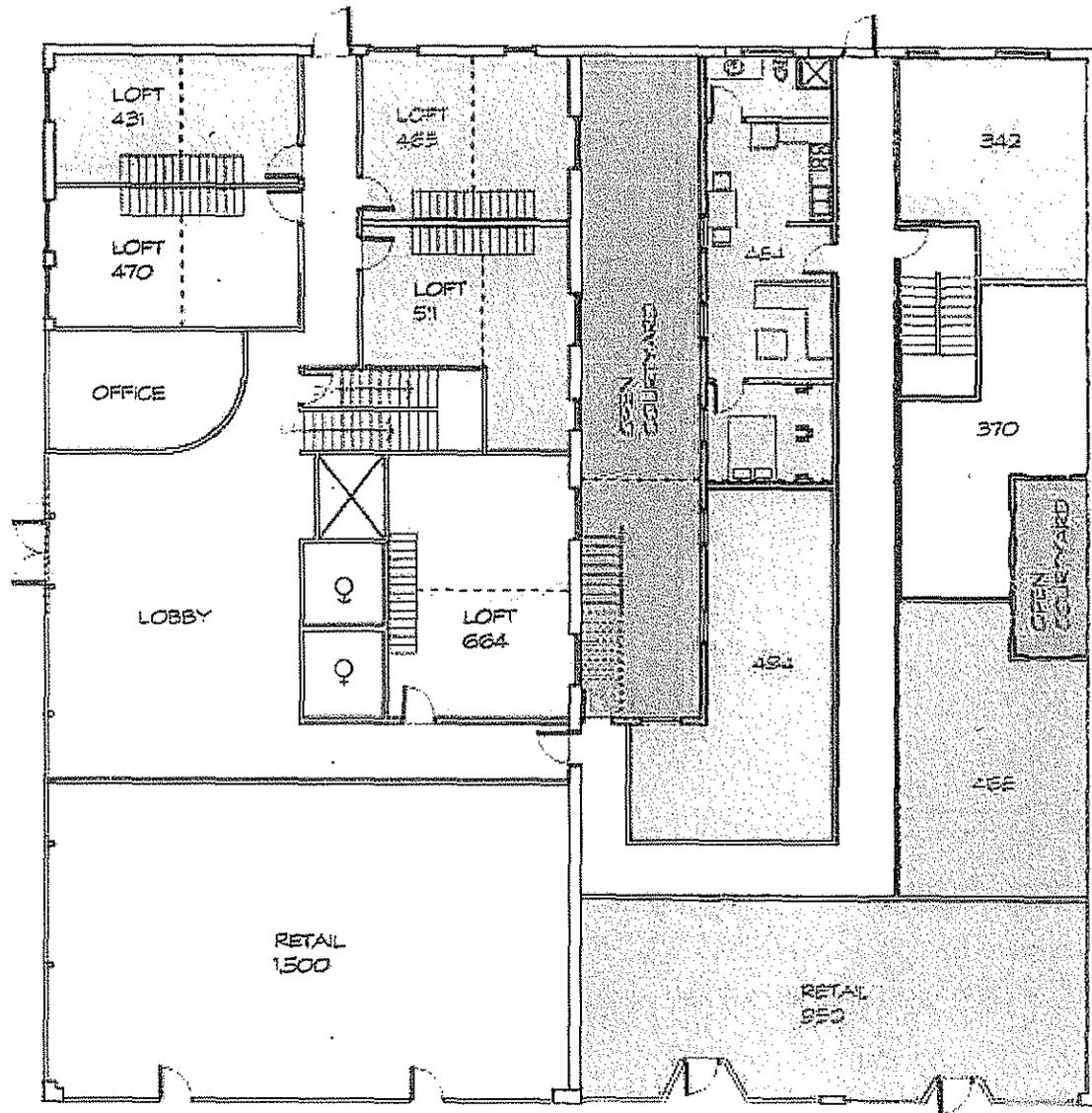
X Building Redevelopment Funding

Grant Amount Requested: \$800,000 Loan Amount Requested: _____

Other Amount Requested: _____

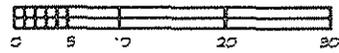
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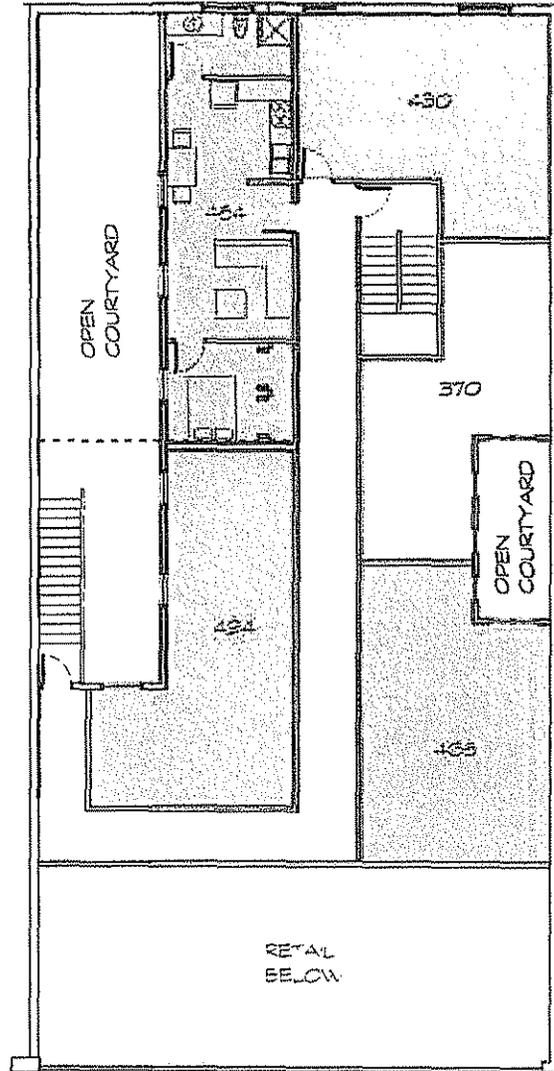
INNOVATIVE HOUSING, INC
NEW PLAN 2-9-11



Saint Francis Hotel

MAIN LEVEL
RESTORATION AND REMODEL

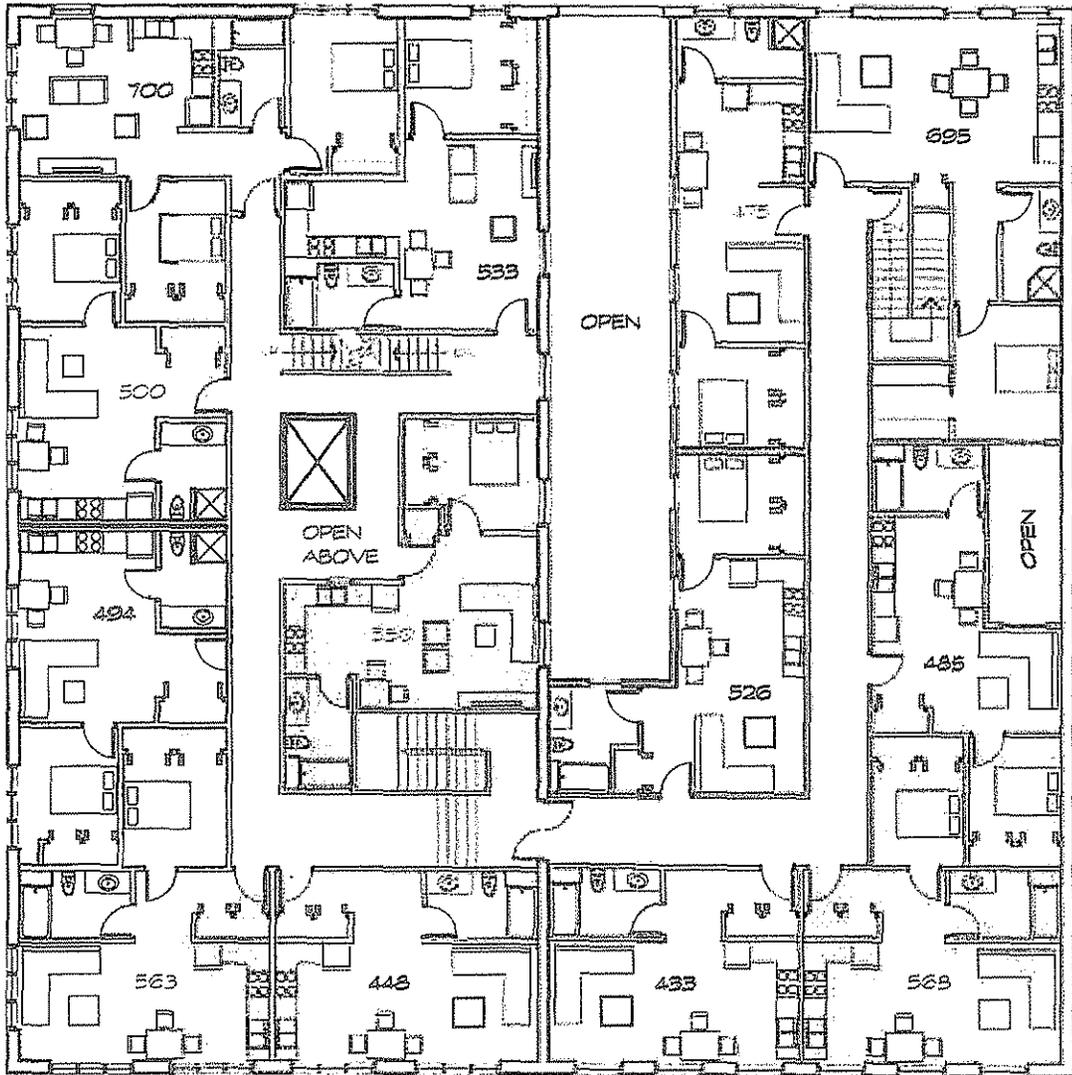




Saint Francis Hotel

MEZZANINE PRELIMINARY
RESTORATION AND REMODEL





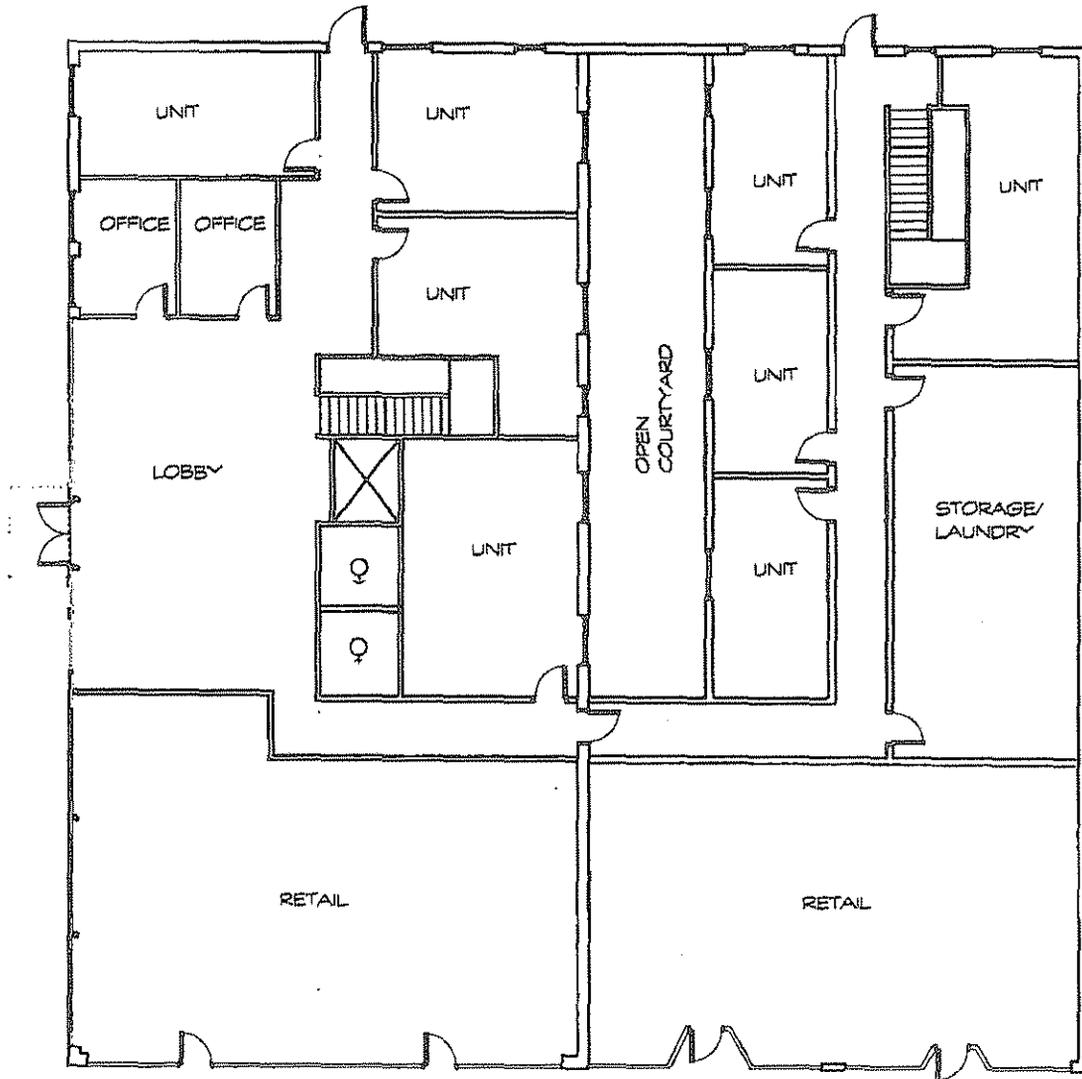
Saint Francis Hotel

2ND FLOOR PRELIMINARY
RESTORATION AND REMODEL



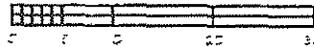
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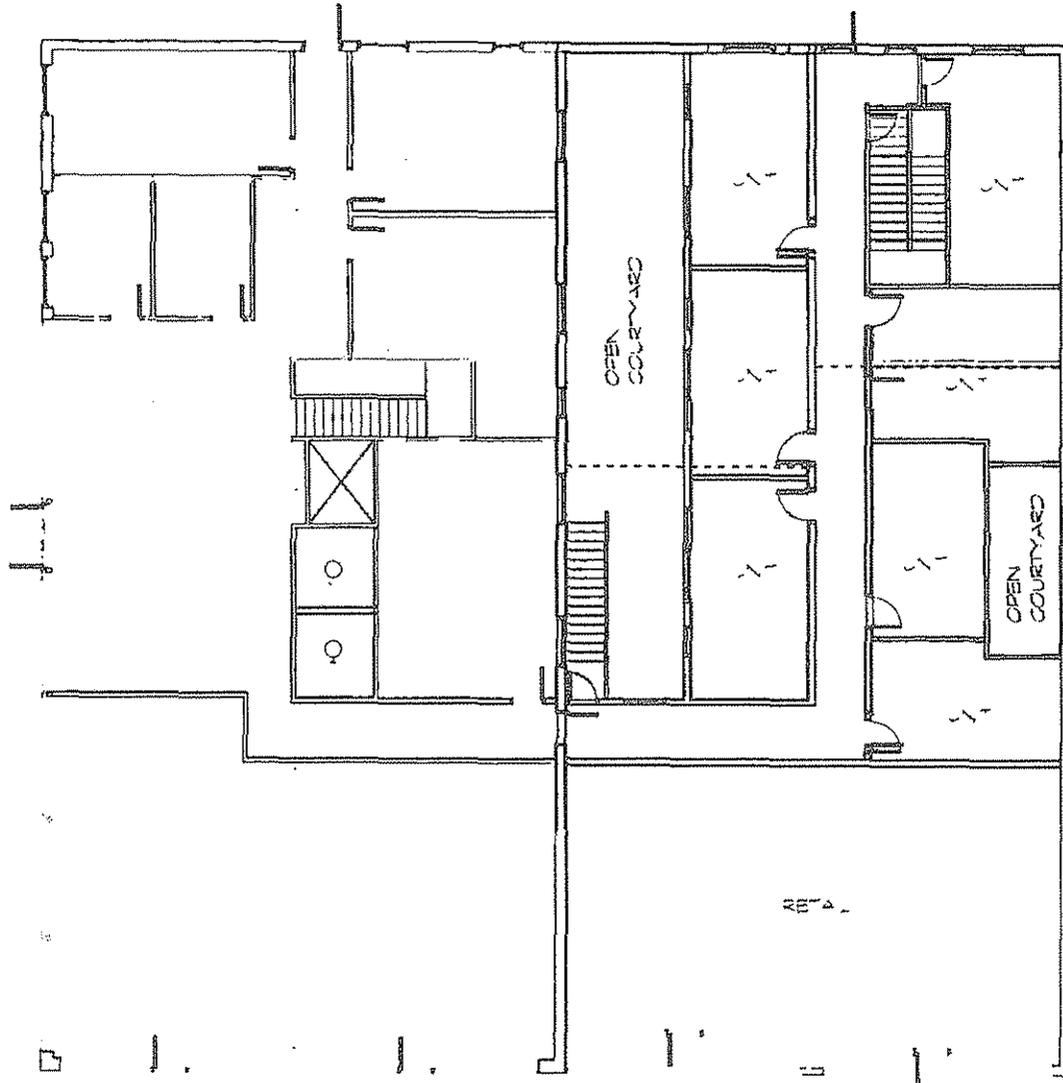
OLD PLAN 1-19-11



Saint Francis Hotel

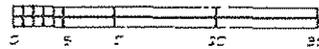
MAIN LEVEL
RESTORATION AND REMODEL

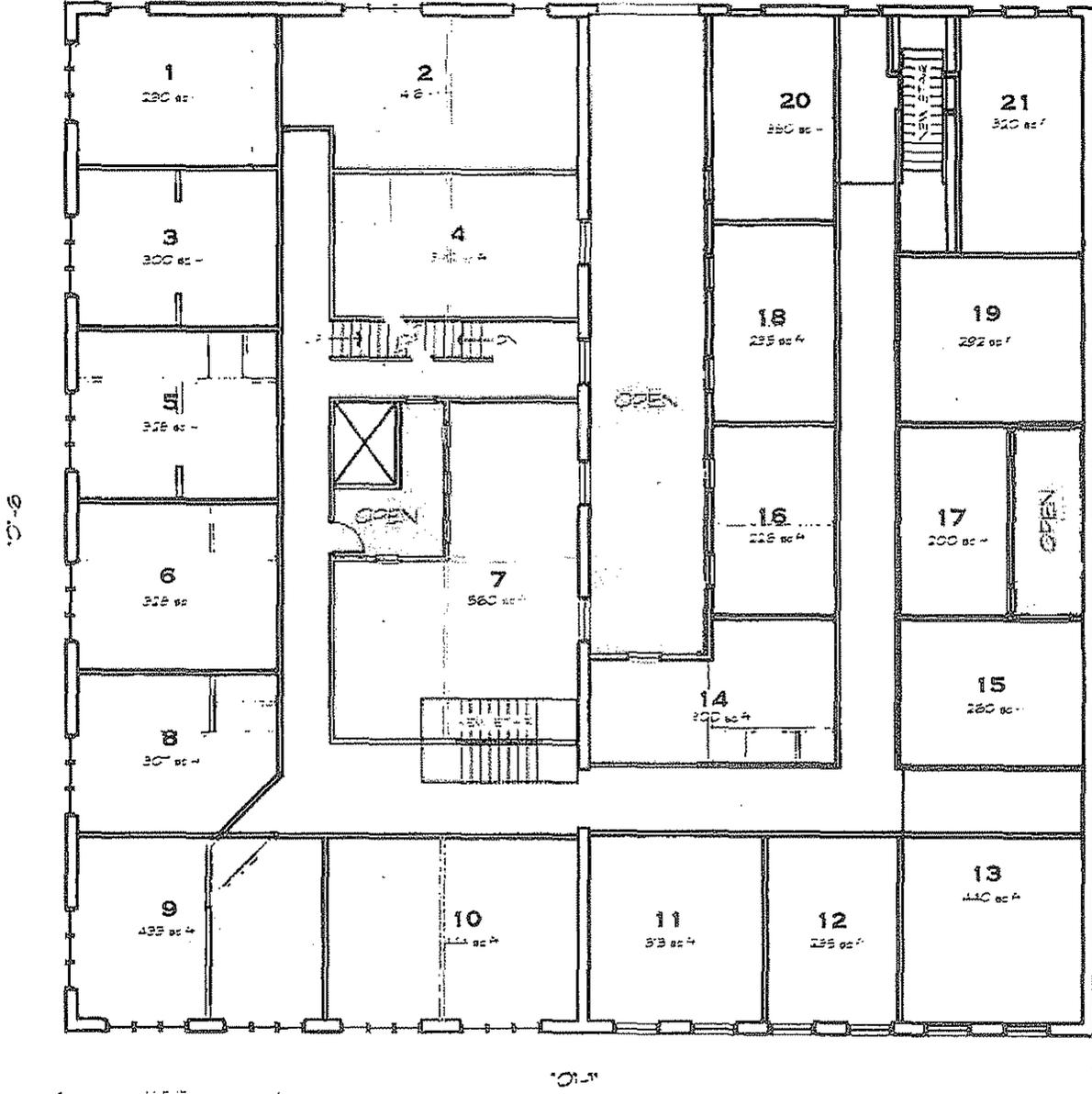




Saint Francis Hotel

MEZZANINE LEVEL
RESTORATION AND REMODEL



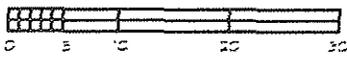


Saint Francis Hotel

RESTORATION AND REMODEL



SECOND FLOOR



HOUSING OPERATING BUDGET - EXPENSES

Project Name: St. Francis																			
Date: 02/08/11		Annual Inflation Rate Factor: 3.00%																	
Annual Operating Expenses		Annual per Unit	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Insurance	333		14,000	14,420	14,853	15,298	15,757	16,230	16,717	17,218	17,735	18,267	18,815	19,379	19,961	20,559	21,176	21,812	22,466
Utilities:(common areas)																			
Gas/Oil	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Electric	452		19,000	19,570	20,157	20,762	21,385	22,026	22,687	23,368	24,069	24,791	25,534	26,300	27,089	27,902	28,739	29,601	30,489
Water & Sewer	405		17,000	17,510	18,035	18,576	19,134	19,708	20,299	20,908	21,535	22,181	22,847	23,532	24,238	24,965	25,714	26,485	27,280
Garbage Removal	119		5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720	6,921	7,129	7,343	7,563	7,790	8,024
Cable TV	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Repairs	333		14,000	14,420	14,853	15,298	15,757	16,230	16,717	17,218	17,735	18,267	18,815	19,379	19,961	20,559	21,176	21,812	22,466
General Maintenance	588		24,708	25,449	26,213	26,999	27,809	28,643	29,503	30,388	31,299	32,238	33,205	34,202	35,228	36,285	37,373	38,494	39,649
Landscape Maintenance	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Replacement Reserve	350		14,700	15,141	15,595	16,063	16,545	17,041	17,553	18,079	18,622	19,180	19,756	20,348	20,959	21,587	22,235	22,902	23,589
Property Management:																			
On-site	940		39,500	40,685	41,906	43,163	44,458	45,791	47,165	48,580	50,037	51,539	53,085	54,677	56,318	58,007	59,747	61,540	63,386
Contracted (Off-Site)	321		13,500	13,905	14,322	14,751	15,194	15,650	16,119	16,603	17,101	17,614	18,142	18,687	19,247	19,825	20,419	21,032	21,663
Professional Services:																			
Resident Services	95		4,000	4,120	4,244	4,371	4,502	4,637	4,776	4,919	5,067	5,219	5,376	5,537	5,703	5,874	6,050	6,232	6,419
Case Management	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Legal	71		3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690	3,800	3,914	4,032	4,153	4,277	4,406	4,538	4,674	4,814
Accounting	179		7,500	7,725	7,957	8,195	8,441	8,695	8,955	9,224	9,501	9,786	10,079	10,382	10,693	11,014	11,344	11,685	12,035
Compliance Monitoring Fees	30		1,260	1,298	1,337	1,377	1,418	1,461	1,505	1,550	1,598	1,644	1,693	1,744	1,796	1,850	1,906	1,963	2,022
Office & Administration	190		8,000	8,240	8,487	8,742	9,004	9,274	9,552	9,839	10,134	10,438	10,751	11,074	11,406	11,748	12,101	12,464	12,838
Advertising/Marketing & Promotion	12		500	515	530	546	563	580	597	615	633	652	672	692	713	734	756	779	802
Unit Turnover	95		4,000	4,120	4,244	4,371	4,502	4,637	4,776	4,919	5,067	5,219	5,376	5,537	5,703	5,874	6,050	6,232	6,419
Taxes(non-real estate)	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Real Estate Taxes (20 yrs=618,019)	548		23,000	23,690	24,401	25,133	25,887	26,663	27,463	28,287	29,136	30,010	30,910	31,837	32,793	33,776	34,790	35,833	36,908
Payroll Taxes	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Internet Connection Fee	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other: Asset Management Fee	300		12,600	12,978	13,367	13,768	14,181	14,607	15,045	15,496	15,961	16,440	16,933	17,441	17,965	18,504	19,059	19,630	20,219
Other: Parking Master Lease (35 spaces)	129		5,400	5,562	5,729	5,901	6,078	6,260	6,448	6,641	6,841	7,046	7,257	7,475	7,699	7,930	8,168	8,413	8,665
Total Annual Operating Expenses:	5,492		230,668	237,588	244,715	252,057	259,618	267,407	275,429	283,692	292,203	300,969	309,998	319,298	328,877	338,743	348,905	359,373	370,154
Less Debt Service:																			
Permanent loan																			
Rate	7.25%	Term (Years)	25	Loan Amount	200,000	413	17,347	17,347	17,347	17,347	17,347	17,347	17,347	17,347	17,347	17,347	17,347	17,347	17,347
Deferred Developer Fee																			
Rate	0.00%	Term (Years)	12	Loan Amount	223,000	442	25,000	24,000	22,000	22,000	20,000	20,000	18,000	18,000	15,000	14,000	14,000	11,000	0
Cashflow Dependent Loan -- CARA																			
(With \$12,600/yr cushion for building)																			
Rate	0.00%	Term (Years)	15	Loan Amount	200,000	317	11,250	11,250	12,250	11,000	11,800	10,400	11,000	9,400	10,700	9,900	8,000	8,900	17,700
			1			0	0	0	0	0	0	0	0	0	0	0	0	0	0
			1			0	0	0	0	0	0	0	0	0	0	0	0	0	0
WITHOUT OAHTC																			
Effective Gross Income:	7,070		296,925	302,863	308,921	315,099	321,401	327,829	334,386	341,073	347,895	354,853	361,950	369,189	376,573	384,104	391,786	399,622	407,614
Total Annual Operating Expenses:	5,492		230,668	237,588	244,715	252,057	259,618	267,407	275,429	283,692	292,203	300,969	309,998	319,298	328,877	338,743	348,905	359,373	370,154
Net Operating Income:	1,578		66,257	65,276	64,205	63,042	61,783	60,422	58,956	57,381	55,692	53,884	51,952	49,891	47,696	45,361	42,881	40,249	37,460
Primary Debt Service	413		17,347	17,347	17,347	17,347	17,347	17,347	17,347	17,347	17,347	17,347	17,347	17,347	17,347	17,347	17,347	17,347	17,347
Total Debt Service	1,173		53,597	52,597	51,597	50,347	49,147	47,747	46,347	44,747	43,047	41,247	39,347	37,247	35,047	32,597	30,247	27,747	24,847
Cash Flow Per Year	405		12,660	12,678	12,608	12,695	12,635	12,675	12,609	12,634	12,645	12,636	12,604	12,643	12,648	12,763	12,633	12,502	12,613
Primary Debt Coverage Ratio	3.82		3.82	3.76	3.70	3.63	3.56	3.48	3.40	3.31	3.21	3.11	2.99	2.88	2.75	2.61	2.47	2.32	2.16
Total Debt Coverage Ratio	1.34		1.24	1.24	1.24	1.25	1.25	1.27	1.27	1.28	1.29	1.31	1.32	1.34	1.36	1.39	1.42	1.45	1.51

HOUSING OPERATING BUDGET									
	Project Name	St. Francis							
	Date:	02/08/11							
Annual Operating Expenses		18	19	20	21	22	23	24	25
Insurance		23,140	23,834	24,549	25,286	26,044	26,825	27,630	28,459
Utilities:(common areas)									
Gas/Oil		0	0	0	0	0	0	0	0
Electric		31,404	32,346	33,317	34,316	35,346	36,406	37,498	38,623
Water & Sewer		28,098	28,941	29,810	30,704	31,625	32,574	33,551	34,557
Garbage Removal		8,264	8,512	8,768	9,031	9,301	9,581	9,868	10,164
Cable TV		0	0	0	0	0	0	0	0
Repairs		23,140	23,834	24,549	25,286	26,044	26,825	27,630	28,459
General Maintenance		40,839	42,064	43,326	44,625	45,964	47,343	48,763	50,226
Landscape Maintenance		0	0	0	0	0	0	0	0
Replacement Reserve		24,297	25,026	25,777	26,550	27,346	28,167	29,012	29,882
Property Management:									
On-site		65,287	67,246	69,263	71,341	73,482	75,688	77,957	80,295
Contracted (Off-Site)		22,313	22,982	23,672	24,382	25,113	25,867	26,643	27,442
Professional Services:									
Resident Services		6,611	6,810	7,014	7,224	7,441	7,664	7,894	8,131
Case Management		0	0	0	0	0	0	0	0
Legal		4,959	5,107	5,261	5,418	5,581	5,748	5,921	6,098
Accounting		12,396	12,768	13,151	13,546	13,952	14,371	14,802	15,246
Compliance Monitoring Fees		2,083	2,145	2,209	2,276	2,344	2,414	2,487	2,561
Office & Administration		13,223	13,619	14,028	14,449	14,882	15,329	15,789	16,262
Advertising/Marketing & Promotion		826	851	877	903	930	958	987	1,016
Unit Turnover		6,611	6,810	7,014	7,224	7,441	7,664	7,894	8,131
Taxes(non-real estate)		0	0	0	0	0	0	0	0
Real Estate Taxes (20 yrs=618,019)		38,015	39,156	40,331	41,541	42,787	44,070	45,392	46,754
Payroll Taxes		0	0	0	0	0	0	0	0
Internet Connection Fee		0	0	0	0	0	0	0	0
Other: Asset Management Fee		20,826	21,451	17,094	17,607	18,135	18,679	19,240	19,817
Other: Parking Master Lease (35 spaces)		8,925	9,193	9,469	9,753	10,046	10,347	10,657	10,977
Total Annual Operating Expenses:		381,258	392,696	399,477	411,461	423,805	436,519	449,615	460,184
Less Debt Service:									
Permanent loan									
Rate	Term (Years)	Loan Amount							
7.25%	25	200,000	17,347	17,347	17,347	17,347	17,347	17,347	17,347
Deferred Developer Fee									
Rate	Term (Years)	Loan Amount							
0.00%	12	223,000	0	0	0	0	0	0	0
Cashflow Dependent Loan -- CARA									
(With \$12,600/yr cushion for building)									
Rate	Term (Years)	Loan Amount							
0.00%	15	200,000	4,500	1,400	4,500	0	0	0	0
	1		0	0	0	0	0	0	0
	1		0	0	0	0	0	0	0
WITHOUT OAHTC									
Effective Gross Income:		415,767	424,082	432,563	441,215	450,039	459,040	468,221	477,585
Total Annual Operating Expenses:		381,258	392,696	399,477	411,461	423,805	436,519	449,615	460,184
Net Operating Income:		34,508	31,386	33,086	29,753	26,234	22,520	18,606	17,401
Primary Debt Service		17,347	17,347	17,347	17,347	17,347	17,347	17,347	17,347
Total Debt Service		21,847	18,747	21,847	17,347	17,347	17,347	17,347	17,347
Cash Flow Per Year		12,661	12,638	11,239	12,406	8,886	5,173	1,258	53
Primary Debt Coverage Ratio		1.99	1.81	1.91	1.72	1.51	1.30	1.07	1.00
Total Debt Coverage Ratio		1.58	1.67	1.51	1.72	1.51	1.30	1.07	1.00