



APPROVED: November 16, 2011

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

**MINUTES**

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

Advisory Board Members absent: Rich Catlin (excused), Bill Coburn (excused)

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

Others present: Approximately 6 audience members

**CALL TO ORDER**

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

**APPROVAL OF MINUTES**

September 21, 2011

**MOTION:** Ray Kopczynski moved to approve the September 21 minutes as presented. Chuck Leland seconded the motion, and it **passed** 12 to 0.

**SCHEDULED BUSINESS**

Business from the Public

Bill Sheretz, 794 Montclair Drive NE, said that he previously submitted a letter in support of American Legion Post 10's CARA application, and he is here to answer any questions. He said that Post 10 is the largest in Oregon with over 1,000 members and that it would draw a substantial population that might not otherwise come downtown. Urban Renewal Manager Kate Porsche said the letter and request will be in the packet and on the agenda in November.

In response to an inquiry from Floyd Collins, a representative from American Legion Post 10 reviewed funding-raising efforts to date, including an insert in area newspapers, proceeds from the regular Saturday breakfast, and donations from contractors and other American Legion Posts. Other than a donation bucket at the spaghetti feed and continental breakfast, there are no plans to do additional fund-raising this Veterans' Day. Collins commented that a lot of people come from out of town for the Veterans' Day parade and that may be a good opportunity for a fund-raising effort.

Recess to Take a Tour of Two Projects

Post recessed the meeting at 5:25 p.m. for a tour of the Keyhole House and the Labor Temple project. The meeting was reconvened at 6:15 p.m.

## Labor Temple Refinance

Porsche drew attention to the written staff report and reviewed the history of the project located at 228 Third Avenue SE. Last April, the project had slowed because the developers were having difficulty procuring a construction loan, and CARA agreed to step in with a loan of \$120,000 in the second lien position. The current contracts indicate that CARA would agree to subordinate to no more than \$176,000. Last month, Don Ward approached her to discuss the possibility of CARA subordinating its second lien to a new amount of \$235,000 to cover fees, back payments, taxes, and additional costs that were incurred during the project. She and the City Attorney have discussed three possible alternatives as detailed in the staff report – subordinate to the new amount, do nothing, or refinance the property.

City Attorney Jim Delapoer said that the three alternatives are well detailed in the staff report and he won't repeat that information. He said that he has no opinion about the value of the building and that rental buildings are often appraised by what they can generate in the way of income. He understands that three of the four units are rented and that the rent is about \$775 for each unit.

Delapoer said that if CARA did not agree to subordinate to a higher amount or to refinance the loan, the owners say this would increase the risk that the project will fail. If the project fails, CARA would need to pay off the current indebtedness as well as interest and foreclosure costs. Regarding the option of subordinating to a new amount, this would allow the owners to get the extra money they need, but at very high rates. If the owners would then default, the risk to CARA would be even greater. Regarding the idea of CARA refinancing the property, the appraised value is more than the combination of all of the debts including the additional money being requested. If CARA is in the first position and the owner did not make payments, CARA could foreclose and then either sell or rent the property. Staff's recommendation, as detailed in the staff report, would be to refinance the loan, resulting in a first lien in the amount of \$235,000 and a second lien in the amount of \$120,000, for a total of \$355,000. The appraised value is \$375,000. The loan would be at 11 percent interest which is high enough to economically incentivize the owners to get a conventional loan as soon as they are able to generate the required two years of stable rental income needed to do so. The CARA loans would be due and payable in three years.

Don Ward came forward. In response to inquiries from the Board, he said that three of the four units are rented and he does not foresee any problem renting the fourth unit when it is ready. An 11 percent loan is not attractive or comfortable, but he is willing to take that on for a limited time because he believes in the project and he is betting on its success. Delapoer noted that the loan from CARA would save the property owners points and loan fees in the amount of at least \$17,000.

Bessie Johnson said that she is comfortable with having CARA refinance the loan due to Ward's reputation and history with CARA and that she thinks the value when completed will be at least the amount appraised.

In response to an inquiry from Collins, Jeff Christman said that Option 3 makes sense from a lender's perspective; the other two options would put CARA in an unsecured loan position. Brief discussion followed.

**MOTION:** Loyd Henion moved to recommend Option 3 – CARA refinance of the property, as detailed in the staff report. Johnson seconded the motion.

In response to further inquiries from the Board, Ward said that he has a reciprocal parking agreement for the project with Davis Glass, he would plan to establish a rental pattern and get a conventional loan well before the three-year expiration date of the CARA loan, and he has been using income from the building toward the project, but there is much yet to be done including work required by the Landmarks Advisory Commission.

Kopczynski said he will vote against the motion. He doesn't think that CARA should be in the position of possibly being the landlord of this building. CARA has already put much money into this building, and he is in favor of cutting the losses and moving on.

The motion **passed** 10 to 2 with Kopczynski and Leland voting no.

## Policy Issues Discussion

Porsche drew attention to the written staff report which outlines several policy issues for discussion.

**Local Contractors and Materials:** Porsche recalled that, in January of this year, John Robinson presented an idea to require that Albany contractors be used on projects up to the amount of CARA assistance; a letter from Robinson is included in packets. Delapoer said that the question of whether CARA can require the use of local contractors as a loan condition and whether that could be defended if challenged is unclear. It is appropriate to add conditions that are reasonably related to CARA goals, but requiring the use of local contractors even if they are more expensive seems counterintuitive to getting the most redevelopment for CARA dollars. If local contractors are not more expensive, developers would likely prefer to use them. Rather than making the use of local contractors a condition of a loan, he would recommend that staff be directed to include a place in the application where applicants would identify economic benefits to the community. The use of local contractors or vendors could then be added to the mix as one of many elements the Board values in considering applications. Brief discussion followed.

**MOTION:** Leland moved to adopt Delapoer's recommendation. Sharon Konopa seconded the motion.

John Robinson came forward. He said that there is a reference on CARA's website to "increasing economic vitality" and that is what he is requesting. The use of local contractors would result in that money staying in Albany and turning over five to seven times. He said that the assumption that using local contractors would cost more is not true and that Albany has a pool of contractors to choose from. He said that CARA is not obligated to give money to anyone, that CARA funds are given on a reimbursement basis, and that he feels there is a way for CARA to have this as a condition of a loan. He suggested a two-pronged approach wherein loan recipients would be required to use local contractors for up to the amount of CARA funds and would be given a bonus amount for using only local contractors for the entire project. This would result in the CARA Board communicating that it is behind the community.

In response to inquiries from the Board, Mr. Robinson said that the approach laid out by the City Attorney seems less direct than what he is proposing, that he is requesting that CARA specify the use of Albany contractors, and that he does work in Lebanon and understands he could lose some of that work if the urban renewal district there implemented these procedures.

Kate Foster said she considers Linn County and Corvallis to be local; she thinks that limiting to Albany contractors could result in a limited pool and slowed projects. Robinson said there are many contractors in Albany. He said this first came to his attention when he noticed contractors from out of town at the JC Penney Building. Post stated that the JC Penney Building used many Albany contractors and that millions of dollars were spent on local contractors for that project. Robinson said he had not been aware of that.

The motion **passed** 12 to 0.

**Churches/nonprofits:** Porsche said that the question has been raised whether it is appropriate for CARA to fund projects for religious organizations. CARA has funded historic preservation projects for St. Mary's and Whitespires Church; there is nothing to preclude those types of projects. The question of how to evaluate nonprofit projects of any kind, based on their lack of return on investment, is another policy question. Collins said this goes back to his previous comments that CARA should not fund any nonprofit unless there are other social redeeming values that outweigh the loss of tax increment. Henion said that historic preservation is extremely valuable but he agrees that CARA should have clear criteria.

**Decision Making Grid:** Porsche drew attention to the draft project evaluation grid in packets. Based on the earlier direction, she will add the use of local contractors to the grid *[include place in the application where applicants would identify economic benefits to the community. The use of local contractors or vendors could then be added to the mix as one of many elements the Board values in considering applications.]* Another consideration would be whether to add specific references to the recommendations in Crandall's retail refinement plan. She invited input.

Kopczynski said that he would like to tighten up the requirements related to other financing. City Manager Wes Hare said that he once sat on a regional economic development organization which required applicants to show rejections by three banks; this was an exercise in futility because a bank will write a rejection letter on request. He said that, in trying to be a lender of last resort, it is very difficult to get proof that someone could not complete a project in some other way.

Mark Spence said that he doesn't like to think of CARA as a lender of last resort but as an attractor; that is why he feels that large public projects deserve priority. He shares the concern and thinks that some projects that have been funded would have been done without CARA funds.

Foster said that the term "highest and best use" in Item C could have different meanings. Collins said that it is staff's job to provide an analysis to help the Board make the best decisions; coming to a conclusion on what is the highest and best use is up to the CARA Advisory Board and Agency.

Porsche asked if the Board would like to add something to the matrix regarding Crandall's recommendation for first floor retail on First Avenue. In discussion, several Board members expressed approval for that addition. Porsche noted that this is a fluid process and the matrix can be changed in the future.

#### Staff Updates and Issues

Porsche referred to Robinson's comment that he was not aware the JC Penney Building had used local contractors. She has considered creating a questionnaire for the purpose of gathering data on projects. The results could provide information about the use of local contractors, job creation, how much historic space was saved, etc. She will bring this back at a future meeting. Post said that, anecdotally, he thinks the vast majority of projects use local contractors because it is cheaper.

Porsche reported that the Broadalbin Promenade pilot project won the Oregon Main Street Award for Outstanding Public Project of the Year.

#### BUSINESS FROM THE BOARD

None.

#### NEXT MEETING DATE

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

#### ADJOURNMENT

Hearing no further business, Chair Post adjourned the meeting at 7:34 p.m.

Submitted by,



Teresa Nix  
Administrative Assistant

Reviewed by,



Kate Porsche  
Urban Renewal Manager