



APPROVED: August 19, 2015

CITY OF ALBANY
Central Albany Revitalization Area Advisory Board
City Hall Council Chambers, 333 Broadalbin Street SW
Wednesday, June 9, 2015

MINUTES

Advisory Board Members present: David Abarr, Floyd Collins, Loyd Henion, Rich Kellum, Sharon Konopa, Ray Kopczynski, Dick Olsen, Betsy Penson

Advisory Board Members absent: Russ Allen, Rich Catlin, Bill Coburn, Bessie Johnson, Mark Spence, Maura Wilson (all excused)

CALL TO ORDER

Acting Chair Floyd Collins called the meeting to order at 5:15 p.m.

APPROVAL OF MINUTES

March 18, 2015

Economic Development & Urban Renewal Director Kate Porsche said the minutes would be changed to reflect that Maura Wilson was excused.

MOTION: Floyd Henion moved to approve the minutes as revised. Ray Kopczynski seconded the motion, and it passed 8-0.

SCHEDULED BUSINESS

Business from the Public

Julie Garver, Innovative Housing, Inc., 219 NW Second Avenue, Portland, Oregon, invited Advisory Board members to the Woodland Square (now Woodwind) grand opening next Wednesday. She said it has been five years since she first came before the CARA Advisory Board for this project. The project had a goal to use 25 percent local subcontractors; she is pleased to report that the project achieved 34 percent local subcontractor utilization (Albany, Corvallis, and Lebanon), rising to 61 percent when including Salem. She noted that 30 of the 54 units are now occupied, 90 percent of which include children. She thanked the Advisory Board for its strong support and participation through the process.

Sharon Konopa said she has heard nothing but praise for the project. She said IHI did a fantastic job, and she thanked them.

Kopczynski asked if the project is meeting the occupancy goals. Garver said yes, the units are very affordable and they have been leasing quickly. The first four buildings have been leased, and there is a waiting list for the last building.

Porsche reported that she nominated the Woodwind Apartments project for Urban Renewal Project of the Year through the Association of Oregon Redevelopment Agencies, and it won!

Karen Novak, 203 Benton Drive, co-owner of Novaks Restaurant, requested a loan to help meet the shortfall in funding their new building on Second Avenue. She said the original budget was off due to circumstances out of her control, including miscommunication between certain parties which is now straightened out but which is leaving them \$175,000 short.

Collins suggested that consideration of this request be added as an agenda item. It was agreed to add agenda item 4g.

Dave Clark Path Lighting Project

Porsche referenced the written staff report. The Advisory Board previously expressed interest in pursuing lighting on the Dave Clark Path but had questions about the procurement process. Staff has since discussed the best process for procurement and recommends that the project be advertised through a standard low bid contract. The project advertisement would specify the desired light fixtures and poles; detailed information about current lighting, wiring, and power sources; and performance requirements. Bids received would be brought back to the Advisory Board and Agency for final approval.

In response to an inquiry from Collins, Public Works Engineer Chris Cerklewski said staff proposes to make this a design-build project where they would identify the types of fixtures desired, the criteria for the lighting pattern, and the scope of the project. The contractor would submit a lighting plan in their bid. Porsche said the original estimate before the Advisory Board was \$269,227, but it is hoped that will come down with the low bid process.

Olsen asked if a contractor had worked on this with staff. Cerklewski said he understands a contractor was involved in the initial scoping; that contractor could bid on the project, but it would be open to other contractors as well. Olsen asked if the original contractor was compensated for his time and effort. Porsche said she understands that was a volunteer effort.

Kellum said there are substantial savings to be made on the poles by allowing local people buy local steel and do local work. He would like the advertisement to let bidders know that an equivalent pole could be made locally. Collins noted that the City Attorney has said the advertisement cannot be structured to give preference to local contractors; however, specifying an item or “approved equal” gives that opportunity to all. Kellum said the savings are significant and he wants local bidders to know it is okay to have that advantage. Cerklewski will check with the City Attorney to see what can be added to the advertisement.

Betsy Penson asked if it can be specified that the lights are to be made in the United States given that there are a lot of Chinese products on the market that are inferior. Cerklewski said he will check with the City Attorney on that issue as well.

MOTION: Kopczynski moved to proceed to advertisement for the project. David Abarr seconded the motion, and it passed 8-0.

Lepman Contract Revision

Porsche referenced the written staff report. She summarized that Scott Lepman was previously approved for a forgivable loan to assist with a two-part project on Third Avenue SW. The first part was rehabilitation of the historic Fortmiller building; the second part involved construction of four townhome units on vacant property west of the building. Following that approval, it was found that issues with the Development Code related to setbacks would prevent the construction of townhomes at that location. Lepman is requesting a contract revision that would substitute a construction project on Third Avenue SE for the Third Avenue SW townhomes. A grid in the staff report compares the project as originally proposed, a possible substitution with six townhomes, and a possible substitution with eight townhomes.

Scott Lepman, 100 Ferry Street, said Porsche and Planning staff have been very cooperative. His goal has been to renovate the Fortmiller building, but doing so won't change the assessed value significantly. He had proposed construction of the adjacent townhomes to encourage CARA's participation in funding of the historic building renovation, only to discover that the development cannot occur on that property. Six townhomes could be built on Third Avenue SE under current standards; however, he is hopeful the guidelines will be changed so that he can build eight townhomes at that location.

Kopczynski commended Lepman's team and staff for thinking outside the box. He said the code issues will take time to work through and this action will allow the project to move forward. He is in favor of the request.

Kellum expressed concern about the possible substitution with six townhomes because the after-project assessed value would be less than the deal that has been approved. Lepman clarified that he wants to build eight but the current planning guidelines don't allow that. If the minimum lot width requirement is changed, he will be able to build eight townhomes on Third Avenue SE.

Collins said he is in favor of the approach outlined by staff, under which CARA gets the historic building on Third Avenue SW as well as the increased tax value with the townhomes. The zoning issue needs to be referred back through the process.

Porsche noted that Lepman is still interested in developing townhomes on Third Avenue SW as well if the regulations can be unlocked.

Konopa said one of CARA's goals was to remove blight; a project such as this would spark more investment on that side of the district.

Olsen said this points out that all of these rules are made with good intentions; however, the more rules there are, the more likely you won't be able to comply with them all. He is in favor of the request.

MOTION: Henion moved to approve the action as recommended in the staff report. Kopczynski seconded.

Collins asked about the potential of including a reference to the Third Avenue SW townhomes. Brief discussion followed.

CORRECTED MOTION: Henion moved to approve the recommended action with the addition that if there is a change in the zoning text, Lepman will also build the townhomes on Third Avenue SW. Kopczynski agreed to the correction. The corrected motion passed 8-0.

Code Challenges/Revisions

Porsche reviewed the written staff report. As Lepman and his team worked with staff in trying to find a way that the townhomes could be built on Third Avenue SW, the discussion turned to challenges with the City's zoning and development code in the downtown area. Porsche reviewed some of the issues as detailed in the written report. The proposal is to use CARA funds to pay for a planning consultant to conduct a review of the code in the Historic Downtown (HD), Waterfront (WF), and Central Business (CB) zones. An outline of work the consultant would do is attached to the staff report. With the current workload, existing staff would not be able to complete this work in a timely way. Her hope is to bring somebody in, unlock the logjam, and create solutions that are good for business, livability, and the economic viability of the downtown core area.

Henion said he likes the concept and the idea of government being a facilitator to unlock problems and make better use of our tools.

Kopczynski asked if there are consultants who specialize in this work. Planning Manager Bob Richardson said there are consulting firms that would have the expertise needed.

Kopczynski asked for an estimated timeline. Richardson said he hopes the process could be completed in nine months to a year. He said it is important to ensure adequate public involvement by all parties who might have a vision for what code changes in the area could accomplish.

In response to a question from Olsen, Richardson said the code work would not hold up development that could satisfy current code standards.

Kopczynski asked what the cost would be to CARA. Porsche said that if there is interest by the Board, she will bring back a proposal and dollar amount.

Kellum asked if Lepman could go before the Planning Commission to get an exception. Richardson said the proposed use on Third Avenue SW is not permitted in the zone. Lepman could propose his own text amendment to the Development Code; however, making changes in the context of one application may or may not make sense for the rest of the area. Staff supports a comprehensive look at what is desired for the downtown area, which is why they recommend hiring the consultant and taking a broad look at the issue.

Porsche said Lepman has expressed an interest in working with the process to address the issue using a holistic approach, seeing the benefit of what this means to all three zones in the long-term. Brief discussion followed.

Lepman said this body exists because Albany cares about the downtown. He has observed that it's not easy to change development in the downtown area. He would like to see more capital coming in, but banks can't understand the guidelines. He is supportive of the approach to hire a planner to assist in making these changes using a holistic approach.

MOTION: Kopczynski moved to use CARA funds to pay for a planning consultant to conduct a review of the code in the HD, WF, and CB zones, using the draft outline of work as provided. Henion seconded the motion, and it passed 8-0.

Mikesell Request for Developer Partnership

Porsche briefly reviewed the request for an ad hoc repayable loan to partner on the rehabilitation of the Century Building at First Avenue NE and Lyon. Rick Mikesell is proposing a significant rehabilitation of the Century Building; photos and renderings are included in the meeting packet. The total project cost is \$1,200,100, and Mikesell has proposed a repayable no-interest loan from CARA in the amount of \$500,000. He has proposed that payments would begin at construction completion, and that there would be a 20-year amortization with monthly payments totaling \$25,000 per year. In a related request, Mikesell has requested that the existing \$200,000 forgivable loan on the JC Penney building be converted to a repayable loan under the same terms proposed for the new project. The forgivable loan is tied to procurement of a restaurant of a certain size and scope for that space; the conversion would remove that requirement.

Rick Mikesell, 3015 Salem Avenue SE, referred to his written information. He said when he came before the Board in 2008, he estimated the JC Penney building project would cost \$5,275,000. To date, the costs are \$4.9 million with three spaces still to be improved, estimated at \$500,000. His return on investment at current occupancy is 4.28 percent; his return at 100 percent occupancy would be 6.72 percent. He reviewed an investment he made in a building in Eugene for which the return is almost 9 percent. If he were to leave the Century Building as it sits with minimal investment, he calculates a 22 percent return; if he does the proposed project, he calculates about 6.8 percent return. This shortfall is why he needs CARA funding. He thinks the building has a lot of potential and there has been interest in a restaurant at the site. Historically, he has used local contractors, and this project would use all local contractors.

Kopczynski said the Advisory Board had good intentions in tying loan forgiveness to a restaurant in that space, but this basically strangled Mikesell's opportunity to lease the space. He is in favor of restructuring the loan on the JC Penney building as requested.

Kellum said he would be in favor of a low-interest loan for the Century Building, at whatever rate CARA is paying. Mikesell said he opted to request a loan as opposed to a grant; the only way the project pencils out is with an interest-free loan. He does not plan to request the state tax freeze on the Century Building; so there will be additional tax revenue from the project.

Konopa said the minimal amount of interest is a good investment to get a historic building brought back to new life.

Olsen noted CARA has often given grants or forgivable loans and, in this case, the principal will be coming back.

Collins said the district will get more in the long-term with the no-interest loan than it would if the building was on the tax freeze. He supports the proposal because it benefits the community the most.

Kopczynski asked when the project would be complete. Mikesell said he estimates it would be done the first of the year. Kopczynski asked if the funds would go out on a reimbursement basis. Porsche said yes, all CARA funds are distributed on a reimbursement basis for actual expenditures.

MOTION: Kopczynski moved to approve the requested loan for the Century Building with the understanding that building will not be put on the historic tax freeze and to restructure the loan for the JC Penney Building. Olsen seconded the motion, and it passed 7-1 with Kellum voting no.

Kellum said he hopes the project works great, but he objects to the continuing process of CARA giving forgivable or free loans.

Konopa thanked Mikesell for his investment in the downtown.

Novaks' Request

Karen Novak reviewed her request for an interest-free loan of \$175,000. She said her family has invested heavily in moving the restaurant downtown. They have a CARA forgivable loan, a SBA bank loan, personal loans, and their retirement invested. They have a shortage of funds due to miscommunication with the contractor and the bank when putting the budget together. Requirements by the City for additional footage and an ADA bathroom upstairs also increased costs. There is urgency in that their façade needs to be completed by June 30 or they will lose a \$20,000 state grant.

Collins stated that he had a telephone conversation with Novak prior to the meeting. In response to his inquiries, Novak said they have to vacate their existing building by the end of July and they plan to move into the new building in August. The loan is requested to keep the project moving forward. An additional SBA loan would include interest and fees, and there is no guarantee the additional funding would be approved.

Bill Ryals, 925 Jones Avenue NW, architect for the project, explained that the Novaks didn't go through the SBA loan with the right valuation because the façade was not included due to contractor error. The request would also cover soft expenses related to moving or replacing equipment and furniture and a dumbwaiter at the new building. The SBA loan process is long and complicated, and they are requesting that CARA consider this gap loan. They may not need all of the money, and they may be able to pay it back early.

Ryals said he was at a previous meeting when Board member Russ Allen asked at what point it is just too much to restore these buildings, and he has been thinking about that question. He said these buildings have been here and paying taxes for 100 years and, similar to our grandparents who worked to put us here, maybe we should consider that we owe something back to these buildings.

Collins asked about the potential of CARA providing a bridge loan while a new SBA loan is being processed. Novak said that the family is tapped out with taxes, bank loans, personal loans, insurance, and expenses on two buildings. She is trying to save money and stay in business, and this loan would sure help.

Olsen said this is a good opportunity to get a really good business on Second Avenue. He supports the request.

Porsche commented that she had a conversation with OSU Credit Union Representative Karen Schultz, who confirmed the situation laid out by Novak. They could look into another SBA loan, but that would include 5.75 percent interest and \$4,000 in loan fees resulting in a monthly payment of about \$1,238 for the SBA loan, compared to about \$729 for a no-interest CARA loan.

Kellum said the Board just loaned \$700,000 to a good businessman with many interests, yet is questioning whether to give a \$175,000 no-interest loan to a project it has already invested in. While a no-interest loan bothers him, it's silly to worry about one but not the other.

Kopczynski said he thinks the long-term benefits of this are well worth the risk. He supports the request.

Penson said it's hard for her to make a decision on the request without documentation or something specific to demonstrate what the money is for, as opposed to just saying the money would really help. Porsche said she understands the concern. She noted, in this case, it's not so much that the scope of work has increased but rather that errors occurred on the part of the contractor and the bank.

MOTION: Kellum moved to approve the request for a no-interest loan, not to exceed \$175,000. Kopczynski seconded the motion, and it passed 8-0.

Staff Updates and Issues

Porsche briefly reviewed the Albany Revitalization Agency (ARA) 2015-16 Approved Budget, which will be considered for adoption at the ARA meeting immediately following this meeting.

Porsche introduced Nathan Reid, a temporary City employee who will be helping with urban renewal work over the next year.

Porsche said the question of angle parking on Second Avenue was raised by a citizen. Her response was that angle parking will be looked at as an option as part of the streetscape design work on Second Avenue. Brief discussion followed.

BUSINESS FROM THE BOARD

Konopa said she would like to get more proactive on the program to assist with blighted single-family homes in the Hackleman Historic District. Porsche briefly reviewed the program to incent first-time homebuyers in that area. Staff will bring that back for further discussion.

NEXT MEETING DATE

Wednesday, July 15, 2015.

ADJOURNMENT

Hearing no further business, Acting Chair Collins adjourned the meeting at 7:11 p.m.

Submitted by,

Reviewed by,

Signature on File

Signature on File

Teresa Nix
Administrative Assistant
Director

Kate Porsche
Economic Development & Urban Renewal