

City of Salem
Urban Renewal Agency
350 Commercial Street NE
Salem, OR 97301

RE: Request for an exception to the maximum funding of the Capital Improvement Grant Program

To Whom It May Concern,

DD Salem Center Two, LLC is applying for an exception to the maximum funding of the Capital Improvement Grant Program. The following document outlines the project and how it meets the requirements for the exception.

Project Description: The project represents a redevelopment of the former Nordstrom building, an underutilized and vacant building located at 420 Center Street. The building has been vacant since early 2018 and has consistently been subject to vandalism, graffiti, loitering and camping. Exacerbated by the Covid-19 pandemic, the retail market has significantly declined and is no longer a viable option for the foreseeable future.

The current redevelopment plan is to demolish the existing building and replace it with a new 5-story urban mixed-use building consisting of approximately 162 market rate apartment units, ground floor commercial space and approximately 32 on-site parking spaces.

Apartments: The apartment units themselves will consist of stainless-steel kitchen appliances, washers and dryers in the units, luxury vinyl plank flooring, quartz countertops and quality hardware, fixtures and finishes. Some of the units will have their own balcony.

Common Areas: The common areas will consist of a lobby with comfortable seating, rooftop deck, resident community room for gatherings, pet area, parcel storage system and bike storage with a bike repair station and bike/dog wash.

- **Rooftop Deck:** The rooftop deck will provide residents and guests an outdoor gathering space with spectacular views of downtown Salem and amenities such as an outdoor grill, fire pit and lounge seating.
- **Resident Community Room:** The resident community room will offer residents and their guests an indoor space for gathering and events. It will also provide the property manager with space to hold monthly events aimed at residents getting to know their neighbors and building community within the building. The room will be equipped with WiFi, a

large screen television, sound system and kitchen appliances able to support large community gatherings.

- Alternative Modes of Transportation: To accommodate bicyclists the building will be equipped with ample bike storage, a bike repair station and a bike wash.

In addition, to encourage and to make it easy for residents to use alternative modes of transportation the lobby will be equipped with a large screen monitor for the purpose of displaying TransitScreen (www.transitscreen.com). TransitScreen displays 24/7 real-time arrival information for nearby trains (Amtrak), buses (Cherriots), bicycle and electric scooter sharing systems (Lime, Bolt and Spin), ridesharing systems (Uber, Lyft) and carsharing companies (Zipcar). It also displays nearby neighborhood businesses (coffee shops, post office, etc.) and gives the walking distance and walking time to each.

Funding Amount Requested: \$749,999

Reasons for Funding: The total projected costs for this project are \$25,776,676. There are several reasons why grant funding is needed and being requested for this project. The reasons are outlined below:

- **Commodity Price Increases:** Due to various reasons, over the past year the construction industry has experienced steep increases in construction material prices and supply-chain disruptions. The price of lumber is up approximately 500%, appliances are up approximately 12%, wire is up approximately 100%, steel and steel pipe are up approximately 37%, roofing is up approximately 15%, rebar is up approximately 30% and plastic pipe is up approximately 40%. Our contractors and suppliers have given no indication that a correction in material prices is will occur when this project will be developed. These price increases are estimated to add an additional cost of \$1,240,000 to \$1,490,000 to the project.
- **Extra Redevelopment Costs:** To prepare the property for redevelopment the existing Nordstrom building will need to be demolished. Due to the size and depth of the existing footings, deep excavation and significant structural fill will be required to support the proposed building. These extra costs are estimated to add an additional cost of \$1,100,000 to \$1,400,000 to the project.
- **Energy Code Price Increases:** The new 2021 Oregon Energy Efficiency Specialty Code (OEESC), based on ASHRAE Standard 90.1 - 2019, has been adopted and becomes mandatory after the six-month phase-in period ends on Oct. 1, 2021.

These new required energy code requirements are estimated to add an additional cost of \$648,000 (\$4,000 per apartment unit) to the project.

Eligibility: The project meets several of the Strategic Action Plan Objectives to be eligible for the grant exception. The objectives and how the project meets them are detailed below:

- **New Construction:** This building is new construction. The anticipated completion date is August of 2023.
- **Mixed Use, including housing:** As stated above, the project includes approximately 162 apartment units, commercial ground floor space and approximately 32 parking spaces.
- **4:1 Leverage of Private/Public Funds:** The project will require approximately \$25,776,676 of total funding. \$17,500,000 (67.91%) will come from the Construction Loan, \$7,520,000 (29.18%) will come from Equity and \$750,000 (2.91%) would come from the Capital Improvement Grant Program.
- **Project is characterized as blight due to obsolescence, deterioration, dilapidation, mixed character or shifting of uses:** The existing building is obsolete, deteriorating. As mentioned above, the building has been vacant since early 2018 and has consistently been subject to vandalism, graffiti, loitering and camping. Exacerbated by the Covid-19 pandemic, the retail market has significantly declined and is no longer a viable option for the foreseeable future.

We appreciate the opportunity to work with the City of Salem on a new project in Downtown and thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to be 'D. D. Salem' or similar, written in a cursive style.

DD Salem Center Two, LLC