

March 7, 2019

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

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

To Whom It May Concern: Koz on State Street 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 to the maximum funding.

- A. The name of the property is Koz on State Street LLC, formally known as the Nishioka Building. There are currently two members of the LLC. The members are Koz Development LLC and State Street Square LLC.
- B. The funding amount requested is \$749,999.
- C. The Koz on State Street building, represents redevelopment of an underutilized vacant lot. It has been vacant since 2006, when a fire destroyed the building that occupied this property. The Koz on State Street project includes 148 apartment units, 5,300+ square feet of ground floor retail and 15 on-site parking spaces. The units themselves include high quality materials and finishes. The project will include common laundry areas throughout the building, an outdoor gathering area on the second floor roof top and 44 secured, bike parking spaces on the first floor.
- D. The total projected costs for this project are \$18,100,000. There are several reasons why grant funding is needed and being requested for this project. The reasons are outlined below:
 - a. Extra costs will be incurred because the project is located in the historic district. Materials for the building have been chosen to reflect the traditional building materials used on historic buildings in downtown Salem. The primary exterior façade material on street facing and alley facades is brick masonry. A dominant and accent color of brick have been utilized in the façade composition. In addition, specific window restrictions require paintable windows that are not constructed of vinyl, which will be provided at a greater cost than what would be

used at another location. Ensuring compatibility with the neighborhood at this location has added approximately \$500,000 to the development costs.

- b. Redevelopment of the site is very costly. After the fire destroyed the building on the site and the debris cleared, pea gravel was brought in to fill the hole on the site. This complicates construction significantly and adds additional cost. It is estimated that the additional foundation costs alone will exceed \$100,000.
 - c. The Oregon State Historic Preservation Office indicated that there are two archaeological sites on this property therefore an archaeological permit was required for this site. In addition, there will be archaeological observation required during sitework which will add expense.
 - d. As stated above, Koz on State Street is a mixed use apartment building. The building features studios and one and two bedroom apartments. The average rents on the units range from \$850 to \$1,200. The average rent for each unit type is sub 80% AMI, including utilities. This makes the units affordable and accessible to individuals providing an attractive new housing option downtown. In order to keep the rents in this affordable range, construction costs have to be allocated carefully and all funding options must be explored.
- E. The Koz on State Street project meets several of the Strategic Action Plan Objectives to be eligible for the grant. The objectives and how the project meets them will be detailed below:
- a. **New Construction-** This building is new construction. The anticipated completion date is August 2020.
 - b. **Mixed Use- including housing-** As stated above, the Koz on State Street project includes 148 apartment units, 5,300+ square feet of ground floor retail, 15 on-site parking spaces and 44 secured bike parking spaces.
 - c. **Historic Preservation-** The building design proposal was presented to the Historic Landmarks Commission for review and approval. The proposal was approved by the Historic Landmarks Commission with the condition that a copy of the state archaeological permit authorizing the proposed ground disturbing activity on this site is provided prior to issuance of grading and building permits. This condition has been satisfied.
 - d. **Expansion of existing business, retention or recruitment of a new business that results in creating new jobs-** Construction of this building will provide jobs during the construction phase. While the number of jobs will vary and is hard to estimate, there will probably be 20 employees at the project at any given time during construction. Once the project is completed, there will be 2.5 employees

employed by the apartment building and an undetermined number of employees working in the retail spaces.

- e. **Exterior Beautification Projects-** There are several exterior beautification projects associated with the Koz on State Street building in addition to the building materials carefully chosen to reflect the traditional style used on historic buildings in downtown Salem. The building is placed adjacent to lot lines on all sides fully filling the property and providing a contiguous street front, designed with a generous above ground pedestrian walkway. It has an extensive lower level storefront which provides a pleasant urban experience and plentiful options for future retail infill. There will also be light posts along the walkway that reflect the historic style, that will compliment and activate the pedestrian experience.

Thank you for taking the time to review our grant program application. We are very excited to build our Koz on State Street building in beautiful Downtown Salem. We feel that the project will revitalize the streetscape while bringing desirable residents to Downtown Salem. Please let us know if there is any additional information that we can provide or questions that we can answer.

