



CITY OF SALEM

585 Liberty St SE
Salem, OR 97301

Staff Report

File #: 16-087

Version: 1

Date: 6/27/2016

Item #: 6.b.

TO: Urban Renewal Agency Board

THROUGH: Steve Powers, Executive Director

FROM: Kristin Rutherford, Director, Urban Development Department

SUBJECT:

North Gateway Urban Renewal Area Interior/Exterior Grant Policy Amendments

Ward(s): Ward 5

Board Member(s): Dickey

Neighborhood(s): Northgate

ISSUE:

Should the Agency Board adopt Resolution No. 16-3 URA approving revisions to the North Gateway Urban Renewal Area Interior/Exterior Grant Program Policies to:

- (1) Increase the maximum grant award from \$25,000 for interior improvements and \$25,000 for exterior improvements to \$300,000 for all improvements;
- (2) Expand the use of urban renewal funds to include multi-family housing and capital equipment; and
- (3) Make changes aimed at more efficiently administering the program?

RECOMMENDATION:

Adopt Resolution No. 16-3 URA approving revisions to the North Gateway Urban Renewal Interior/Exterior Grant Program (North Gateway Grant Program) Policies to:

- (1) Increase the maximum grant award from \$25,000 for interior improvements and \$25,000 for exterior improvements to \$300,000 for all improvements;
- (2) Expand the use of urban renewal funds to include multi-family housing and capital equipment; and
- (3) Make changes aimed at more efficiently administering the program.

SUMMARY AND BACKGROUND:

The recently adopted Portland Road Corridor Action Plan (Action Plan) recommends restructuring existing financial incentives within the North Gateway Urban Renewal Area Plan (North Gateway URA Plan), including modifications to the North Gateway URA Grant Program that expand eligibility and increase funding availability (Attachment 1).

With the Agency Board's approval of the Action Plan on March 28, 2016, staff was directed to "identify and prepare those measures needed to implement the Action Plan for Agency Board review." The proposed amendments to the North Gateway Grant Program Policies (Grant Policies) are required to implement the Action Plan.

Market conditions in the Portland Road Corridor remain challenging. Several properties remain vacant and underutilized, and many buildings are in poor condition. Since creation of the North Gateway Grant Program in 2008, approximately \$530,000 in North Gateway URA funding has been dispersed for building improvements scattered throughout the 928 acres. Until recently, the majority of those grants have been small (\$25,000 or less). Since fall 2015 the Urban Renewal Agency Board (Agency Board) has approved three exceptions to the Grant Policies from individuals requesting more than the \$50,000 maximum grant award allowed by the current Policies. The recommended amendments to the Grant Policies aim to increase development activity within the North Gateway URA and broaden the eligibility to a wider range of development types.

FACTS AND FINDINGS:

The following amendments to the Grant Policies respond to the Action Plan recommendations :

Recommendation: "Restructure Financial Incentives to Better Serve Businesses, Developers, and Property Owners."

The current Grant Policies allow for up to \$50,000 in grant and \$100,000 in loan funding per applicant. Adjustments to increase grant awards in the West Salem and Riverfront Downtown Urban Renewal areas have proved effective in stimulating redevelopment and expansion of existing businesses. The maximum grant award for these areas is \$300,000. Interviews with stakeholders and businesses in the North Gateway area indicate that the existing \$50,000 limit should be increased. The added text in Sections 1 and 4 is underscored. Deleted text is marked with a ~~strike-through~~.

Proposed amendment:

Section 1. AWARD TERMS

A. ~~\$25,000 interior/\$25,000 exterior grants, with a maximum award of \$50,000.~~ The maximum grant award is up to \$300,000.

Recommendation: Include Fixed Assets as Eligible Expense

Restructuring financial incentives is more than increasing the maximum grant award. Housing and fixed assets (manufacturing equipment) are not currently eligible grant expenses. Expanding the eligible use of grant funds to include capital equipment will allow companies to acquire equipment necessary to increase efficiency, remain competitive, or to add capacity.

Proposed Amendment:

Section 2: ELIGIBLE RECIPIENT

C. Grantees awarded funding prior to July 1, 2014 who apply for funding after June 27, 2016 will be considered a new applicant and if eligible, considered for up to \$300,000. Individuals awarded North Gateway URA funding after July 1, 2014 will be eligible to apply for the balance of their previous award, up to \$300,000. The same eligibility requirements and Program Policies apply to all applicants, regardless of whether they have received previous grants.

Recommendation: Address Eligibility for Applicants with Previous Awards

Since proposing the draft amendments to the Program Policies staff has received requests from previous grantees for additional funding. Adding this provision will provide additional guidance for staff in administering the Program.

Proposed Amendment:

Section 4. ELIGIBLE GRANT ACTIVITIES

J. Purchase of capital equipment as a business investment or to expand job opportunities. Equipment purchased with URA funds shall remain with the building for a period of 10 years. Should the equipment be moved outside of the North Gateway URA, the grant funds used to purchase the equipment shall be reimbursed to the Urban Renewal Agency on a proportional basis related to the time remaining on the 10-year commitment.

Example: a company that purchases equipment with URA funds, leaves the URA in 8 years (two years short of the 10 year commitment) shall reimburse the City for 20 percent of the original grant award.

Recommendation: Include Housing as Eligible Expense

Support for housing development is not currently an eligible grant expense. The Action Plan recommends that housing be eligible (and listed as a priority) for any new grants/loans developed following the approval of the Action Plan. The proposed amendment expands the eligible list of grant activities to include housing.

Proposed Amendment:

Section 4. ELIGIBLE GRANT ACTIVITIES

B. New construction or redevelopment of commercial, industrial, mixed-use, and multi-family housing properties.

The proposed amendments in Resolution No. 16-3 URA (Attachment 2) also include minor changes to more effectively administer the grant program.

NEXT STEPS:

Additional actions will be required to fully implement the Portland Road Corridor Action Plan. These actions are also on the Agency and Council agenda tonight and include:

- Amendments to the North Gateway Urban Renewal Plan.
- Approval of funding to begin implementing short term recommendations identified in the Action Plan.

Mark Metzger
Project Coordinator

Attachments:

1. Recommended Amendments
2. Resolution No. 16-3 URA

06/7/2016