

Staff Report

File #: 16-303**Version:** 1**Date:** 10/24/2016**Item #:** 4.3a.

TO: Urban Renewal Agency Board
THROUGH: Steve Powers, Executive Director
FROM: Kristin Retherford, Urban Development Director

SUBJECT:

Award a \$740,000 Opportunity Grant to PDQ Investments, LLC for construction of a mixed-use building, including housing, at 245 Court Street

Ward(s): Ward 1
Board Member(s): Bennett
Neighborhood(s): CANDO

ISSUE:

Shall the Agency Board authorize the Executive Director to execute the attached grant agreement with PDQ Investments, LLC to partially fund the costs to construct a mixed-use project, including housing at 245 Court Street?

RECOMMENDATION:

Authorize the Executive Director to execute the attached grant agreement (Attachment 1) with PDQ Investments, LLC to partially fund the construction costs of a mixed-use building to be located at 245 Court Street.

SUMMARY AND BACKGROUND:

On September 15, 2016, PDQ Investments, comprised of Paul Gehlar and Daphne C. Schneider, submitted a letter to the Urban Development Department requesting \$740,000 in Riverfront-Downtown Urban Renewal Area grant funds to partially fund construction costs for a to-be-built 43,000 square foot mixed-use commercial building at 245 Court Street (Attachment 2), the northeastern corner of Court Street NE and Front Street NE in downtown Salem.

Currently the site consists of a surface parking lot and non-historic vacant building. Redevelopment of the site will include a 4-story building with 40 for-rent residential units, and 2,180 square feet of ground floor commercial space. Forty-eight parking spaces are proposed in a combination of open garage and surface spaces.

There are eight different unit types proposed ranging from 480 sf to 1,400 sf with a rental rate range of \$800 - \$2,600. Total project costs are estimated to be \$9M, which is a \$12.16 leverage of private investment for every \$1 of Riverfront-Downtown Urban Renewal Funds. Owner Equity will be more than \$1M with proposed financing of \$6M. Estimated construction start date is early 2017 with a targeted completion date of fall 2018.

The FY 2016-17 Riverfront-Downtown Urban Renewal (RDURA) budget has an allocation of \$4M for Opportunity Purchases. Based on recent information obtained from downtown property owners who have been identified in opportunity areas, on August 22, 2016, the Downtown Advisory Board (DAB) recommended to the Agency Board that funding be available to property owners to incent redevelopment in downtown, not acquisition of property at this time.

This project aligns with the following RDURA, Council, and Downtown Strategic Action Plan goals/objectives:

- Reduction of Vacancy
- Housing Options
- Increased Property Value and Tax Increment
- Alley Enhancements
- Connectivity between Riverfront Park and Downtown
- Activate Sidewalks
- Downtown Vibrancy
- Leverage of Public Funds with Private Investment
- Job Creation
- Streetscape Enhancements

FACTS AND FINDINGS:

The Riverfront-Downtown Urban Renewal Plan, Section 1105 (Core Area Redevelopment), states that urban renewal funding to engage in any combination of activities including grants and construction is eligible.

On September 22, 2016, one member of DAB declared a conflict of interest, and the remaining board unanimously approved a recommendation of support to the Agency Board for the grant funding request.

All grants are conditioned upon confirmation of financial resources necessary to complete the project, financial feasibility, final construction costs, qualified contractor and meeting all of the City of Salem's building requirements.

The FY 2016-17 RDURA budget reflects \$4M in the Opportunity Purchase line item to support this funding request.

Sheri Wahrgren
Downtown Revitalization Manager

Attachments:

1. Grant Agreement
2. Funding Request.

10/06/2016