



CITY OF SALEM

585 Liberty St SE
Salem, OR 97301

Staff Report

File #: 17-576

Date: 12/11/2017

Version: 1

Item #:

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

SUBJECT:

Minor Amendment to the McGilchrist Urban Renewal Plan for a grant agreement with Oregon Fruit

Ward(s): 2

Board Member(s): Andersen

Neighborhood(s): SESNA

ISSUE:

Shall the Agency Board adopt Resolution No. 17-10 URA approving a minor amendment to the McGilchrist Urban Renewal Area Plan (URA Plan), Section V.C, to add a business grant program, designate authority to the Urban Development Director to execute a grant agreement with Oregon Fruit, and allocate \$300,000 from unspecified funds within the McGilchrist URA FY 17-18 budget for the business grant?

RECOMMENDATION:

Adopt Resolution No. 17-10-URA (Attachment 1) approving a minor amendment to the McGilchrist Urban Renewal Area Plan (URA Plan) Section V.C to add a business grant program to the Plan, designate authority to the Urban Development Director to execute a grant agreement with Oregon Fruit, and allocate \$300,000 from unspecified funds within the McGilchrist URA FY 17-18 budget for the business grant.

SUMMARY AND BACKGROUND:

Fruit Products LLC (Oregon Fruit), principal owner Ed Maletis, has operated in west Salem since 1935 and employs approximately 85 full time individuals and up to 115 employees during the summer. Oregon Fruit's buildings and equipment in west Salem are outdated and space is limited for expansion and modernization. Oregon Fruit would like to stay in Salem and purchase the NORPAC Plant #7 facility, including 15 acres of vacant land located at 3180 22nd Street SE. Oregon Fruit is requesting a \$300,000 grant from the McGilchrist URA to assist with the modernization of the vacant NORPAC Plant #7 facility, including an estimated \$5 million in new equipment, building renovation, and site improvements.

Oregon Fruit has been working with SEDCOR and City staff for more than a year to identify a new location in Salem to accommodate facility modernization and business growth. Site and local access are critical because the majority of the company's product transport is along I-5. The company is also considering two locations in the Portland metro area. The NORPAC closure, announced in July 2017, while disappointing because of the elimination of 200 NORPAC seasonal workers, provides an opportunity for Oregon Fruit to stay and grow in Salem.

Financial analysis confirms, that if approved, the grant will not impact the URA's ability to fund the McGilchrist Street Improvements, the primary public purpose of the McGilchrist URA.

The City has several URA grant and loan programs to promote job growth, but nothing in the McGilchrist URA. The amount of Oregon Fruit's grant request is consistent with the maximum grant amount of \$300,000 in the North Gateway and west Salem URA. The purpose of the Oregon Fruit grant is consistent with McGilchrist URA goals and objectives.

FACTS AND FINDINGS:

Proposed Business Grant Criteria

The proposed business grant program contains rigid criteria to meet the goals of the URA Plan and to ensure future funding continues to be available for the McGilchrist Street Improvement project. The grant criteria are:

- Minimum investment of \$3 million into project;
- Retain or create 50 traded sector jobs for a minimum of five years; and
- Investment is to be made into a vacant building.

The McGilchrist URA Plan (Attachment 4) was adopted by the City Council on September 25, 2006. The proposed business grant program is consistent with the goals and objectives of the McGilchrist URA Plan.

- Goal 1: Stimulate the development of a broad mix of compatible employment uses within the area;
- Objective 1B: Work with property owners and promote beneficial development of properties within the area; and
- Objective 1C: Increase the supply of buildable industrial land within the City.

Fiscal Impact of Approving the Business Grant Program

The McGilchrist URA has \$2,653,630 in funds currently set aside for future projects ("unspecified funds") in the adopted FY 17-18 budget. Up to this point, all funds have been directed towards the

McGilchrist Street Improvement Project. This funding has included 60% design plans, allocating match dollars for right-of-way acquisition, and potential match funds for a federal TIGER Grant for construction. The Agency currently has sufficient funds to allow up to \$300,000 for a grant, while also allowing the City to maintain necessary match dollars for pending grant requests. Future grant requests that meet the program criteria will be subject to funding availability to maintain the priority of funding the McGilchrist Street Improvement Project. *Approval of Proposed Amendment*

Amendment

Adding grant program to Section V.C of the Plan is considered a minor amendment. Section XI of the Plan sets the procedures for amendments to the Plan. Section XI.C provides for "minor amendments" and provides that minor amendments may be adopted through Urban Renewal Board Agency resolution.

Section XI.C provides, "Minor Amendments are amendments that are not Substantial or Major Amendments in scope."

Substantial Amendments involve adding land to the URA or increasing the maximum amount of indebtedness.

Major Amendments involve material changes to the goals and objectives of the plan, or addition or expansion of a project that adds a cost of more than \$500,000.

Sara Long
Project Manager

Attachments:

1. Resolution No. 17-10 URA
2. Proposed Amendment to the URA Plan (Exhibit A to the Resolution)
3. Grant Commitment Letter