



CITY OF SALEM

585 Liberty St SE
Salem, OR 97301

Staff Report

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

SUBJECT:

Riverfront Downtown Urban Renewal Area (RDURA) Capital Improvement Grant Program Exception Criteria.

Ward(s): Ward 1

Board Member(s): Kaser

Neighborhood(s): CANDO

Result Area(s): Strong and Diverse Economy.

ISSUE:

Shall the Agency Board approve modifications to broaden the exception criteria to the RDURA Capital Improvement Grant Program?

RECOMMENDATION:

Approve modifications to the exception criteria to the RDURA Capital Improvement Grant Program.

SUMMARY:

The Capital Improvement Grant Program was created to leverage RDURA grant funds with private sector capital to encourage new development, rehabilitation, increased land value, and business retention and growth within the RDURA. In order to incentivize large projects, criteria to allow exceptions to maximum grant amounts was approved. Because downtown is experiencing an increase in vacancy in large buildings, a reuse of a vacant building that did not include a housing component would likely not qualify under the current exception criteria. The proposed modifications will broaden eligibility for large existing property redevelopment to access grants that exceed the \$300,000 program grant maximum.

FACTS AND FINDINGS:

A grant program is identified as an eligible project in Sections 1105 and 1108 in the Riverfront-

Downtown Urban Renewal Plan.

On May 12, 2014, Agency Board approved the Capital Improvement Grant Program and on March 13, 2017, approved the Capital Improvement Grant Program Exception Criteria.

On September 24, 2020, the Downtown Advisory Board unanimously approved recommending the modifications to the Capital Improvement Grant Program Exception Criteria.

BACKGROUND:

The approval of the Capital Improvement Grant Program Exception Criteria established the parameters for grant requests that exceed the maximum grant funding of \$300,000 and which require Agency Board approval. To date, six projects have received approvals for maximum grant exceptions. The combined grant total for the six projects is \$4.66M and has resulted in a leverage ratio of 10.52:1.

These grants have benefited downtown by increasing new housing options, restaurant/commercial businesses, and increasing tax increment revenue by making investments in new construction on land that had been vacant for many years.

At the June 25th Downtown Advisory Board meeting, staff shared a memo regarding increased vacancy in large downtown buildings. Over the last two months the Director of Urban Development and staff have been meeting with owners of large vacant properties to gather information on the impacts of COVID-19, homelessness, to learn about any projects they might be considering, and to share information on City financial incentives. Based on the feedback received during these conversations, staff reviewed the existing grant program criteria and exception criteria and identified the need for modifications to the exception criteria to broaden eligibility to include adaptive reuse.

As currently structured, it would be difficult for an existing large building such as Penny's, Nordstrom, or Liberty Plaza to qualify for a maximum grant exception.

In order to broaden the opportunity for meeting the grant exception criteria as a tool to incentivize adaptive reuse of an existing building and to add clarification to some language to make it easier to administer the program, staff is proposing the following changes to the Capital Improvement Grant Program Exception Criteria (Attachment 1). The Downtown Advisory Board has reviewed and supports these changes.

Current Exception Criteria

Mandatory Requirements

1) Project must meet a minimum of two Capital Improvement Grant Program Objectives listed below:

- New construction

- Mixed-use, including housing
- Alley improvements
- Historic preservation projects that require Historic Landmarks Review
- Expansion of existing business, retention or recruitment of new business that results in creating new jobs
- Upper floor renovations - improvements that make currently un-leaseable space to a level it can be occupied.
- Exterior Beautification Projects

2) 4:1 Leverage of Private/Public Funds, and

3) Project must meet one of the following "Other" criteria,

- Grant payback analysis of increased tax increment reflects payback over 7-10-year period or sooner, or
- Project is characterized as blight due to obsolescence, deterioration, dilapidation, mixed character or shifting of uses, or
- Affordable Housing.

Proposed Revisions to Capital Improvement Grant Program Criteria
The Proposed changes are in *Bold* or ~~strikethrough~~.

Mandatory Requirements

1) Project must meet a minimum of two Capital Improvement Grant Program Objectives listed below:

- New construction
- Mixed-use, including housing
- Alley improvements
- Historic preservation projects that require Historic Landmarks Review
- Expansion of existing business, retention or recruitment of new business that results in creating new jobs
- Upper floor renovations - improvements that make currently un-leaseable space to a level it can be occupied.
- Exterior Beautification Projects

- 2) 4:1 Leverage of Private/Public Funds, and
- 3) Project must meet one of the following "Other" criteria,
 - **Third-party** Grant payback analysis of increased tax increment **that** reflects payback **of grant** over a 7-10 year period or sooner, or
 - Project is characterized as blight **based on the following; 1) raw land or building that has been vacant for more than 5 years; or building has been designated as a derelict building by the City of Salem** ~~due to obsolescence, deterioration, dilapidation, mixed character or shifting of uses, or~~
 - **Affordable Housing, or**
 - **Adaptive reuse of existing building where grant eligible project costs are in excess of \$3M.**

The proposed Capital Improvement Grant Program Exception Criteria supports multiple goals and provides transparency to potential grant applicants, DAB, and Agency Board members when exceptions are requested for consideration.

Sheri Wahrgren
Downtown Revitalization Manager

Attachments:

1. Capital Improvement Grant Exception Criteria