



Staff Report

File #: 21-267

Version: 1

Date: 6/28/2021

Item #:

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

SUBJECT:

Salem Opportunity, LLC Riverfront-Downtown Urban Renewal Capital Improvement Grant Program Exception (hotel development at the site of the former Marion Garage at Commercial Street and Ferry Street)

Ward(s): 1
Board Member(s): Stapleton
Neighborhood(s): CANDO
Result Area(s): Strong and Diverse Economy

ISSUE:

Shall the Urban Renewal Agency approve an exception to the maximum grant amount for the Riverfront-Downtown Urban Renewal Area (RDURA) Capital Improvement Grant Program for a total grant award of \$749,999 for a 129-room hotel to be developed by Salem Opportunity, LLC at 195-197 Commercial Street SE?

RECOMMENDATION:

Approve an exception to the maximum grant amount for the RDURA Capital Improvement Grant Program for a total grant award of \$749,999 for a 129-room hotel to be developed by Salem Opportunity, LLC at 195-197 Commercial Street SE.

SUMMARY:

Agency Board action is needed to approve a grant in the amount of \$749,999 as an exception to the maximum grant amount of \$300,000, which is the maximum amount that can be approved by the Director under program guidelines, to partially fund the costs to construct a hotel at the former Marion Auto Garage site at the corner of Commercial and Ferry Streets.

FACTS AND FINDINGS:

The site of the proposed Holman Hotel was previously occupied by the Marion Car Rental and Park, built in 1950. The two-story parking structure was built on the site of the historic three-story Holman Building, constructed in the mid-1850's. The Holman Building is best remembered today as the meeting place of the Oregon State Legislature from 1857-1876. The hotel's branding will focus on both the history of the building and regional wine and agricultural industries of the area. The location of the Holman Hotel will be directly northwest of the Salem Convention Center and will provide additional lodging options for event attendees, tourists, business travelers, and parents/guests attending Willamette University activities.

Salem Opportunity, LLC submitted a letter on May 4, 2021, (Attachment 1) requesting an exception to the Capital Improvement Grant Program maximum grant amount. Total project costs are estimated to be \$38.6M. The grant funds will be used to partially fund the 40-50% increased costs for steel, and timber, along with the additional project costs for building demolition and historic and tribal oversight during the demolition of the former building.

At the time of their purchase, the existing building was in very poor condition. It was not structurally or financially feasible to reuse the building and demolition was necessary.

The Holman Hotel will be a newly-constructed, 7-story, 129-room hotel with a ground floor lobby. It will include a restaurant, guest library, conference rooms, four levels of hotel rooms, and two levels of parking.

The developer of the project is Vanessa Sturgeon of Sturgeon Development Partners, which is based out of Portland. Sturgeon Development Partners has experience building projects of similar types and sizes in the Northwest.

While sustainability is not currently a requirement of the grant exceptions criteria, the building will include energy efficient heating/cooling systems and water heating systems, occupancy detection in guestrooms to reduce unnecessary heating/cooling, on-site management of stormwater, LED lighting, bicycle parking, and EV charging stations for electrical vehicles. Building materials include high efficiency glazing and façade system and use of recycled materials for finishes.

The Riverfront-Downtown Urban Renewal Plan, Section 1105, Core Area Redevelopment, identifies grants as an eligible project for funding.

Salem Opportunity, LLC members include:

- Irving Levin, Madrona Partners, LLC
- Opportunity Development Partners, LLC
 - John Davidson
 - Brian Jaffe
 - Doug Fisher
 - Philip Olson
 - William Smith
 - Mark Stevenson
 - Jeffrey Miller
 - Brian Smith
 - Maria Pope
 - Richard Pearson

The Salem Opportunity, LLC project meets the Capital Improvement Grant Program Exception Criteria for projects requesting more than the \$300,000 maximum grant allowed for approval by the Director within the program guidelines.

If approved, the FY 2020-2021 Capital Improvement Grant Program Budget of \$2.15M will be reduced by \$749,999.

BACKGROUND:

On May 8, 2017, the Agency Board approved the "Exception Criteria" (Attachment 2) to determine eligibility for grant requests greater than \$300,000. Salem Opportunity, LLC project meets the following Capital Improvement Grant Program Exception criteria:

Mandatory Requirements

1) *Project must meet a minimum of two Capital Improvement Grant Program Objectives*

Salem Opportunity, LLC satisfies this requirement through the following two Capital Improvement Grant Program Objectives:

- New Construction
- Alley Improvements

2) *4:1 Leverage of Private/Public Funds*

Estimated Total Project Cost:	\$38.6M
City Funding Request:	\$749,999
Leverage:	\$51.5:1

3) *Project must meet one of the "Other Criteria"*

- Project is characterized as blight due to its former building being designated as derelict and vacancy for more than 5 years.

Salem Opportunity, LLC will be required to provide confirmation of funds from lenders or investors to cover the costs not covered by the grant as a condition of grant disbursement. All grants are conditioned upon a qualified contractor and meeting all of the City of Salem's building requirements.

With approval of this grant exception a large, long time vacant, highly visible site will be redeveloped into a hotel that will create job opportunities and bring guest to economically support downtown businesses.

Sheri Wahrgren
Downtown Revitalization Manager

Attachments:

1. Salem Opportunity, LLC Grant Exception Request Letter
2. Capital Improvement Grant Program Exception Criteria