



Staff Report

File #: 16-051

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Date: 6/6/2016

Item #: f.

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

SUBJECT:

Exceptions to the North Gateway Urban Renewal Area Grant Program Policies to fund a \$300,000 grant for redevelopment of the Northgate Center Building at 3850 Portland Road

Ward(s): Ward 5
Board Member(s): Dickey
Neighborhood(s): Northgate

ISSUE:

Shall the Agency Board approve two exceptions to the North Gateway Urban Renewal Area Grant Program Policies to: 1) increase the maximum grant amount from \$50,000 to \$300,000; and 2) reduce the percentage of match required for the grant from 50% to 33%, to support redevelopment of the Northgate Center building at 3850 Portland Road and authorize the use of \$300,000 in currently unallocated funds to fund the grant?

RECOMMENDATION:

Approve two exceptions to the North Gateway Urban Renewal Area (NGURA) Grant Program Policies to: 1) increase the maximum grant amount from \$50,000 to \$300,000; and 2) reduce the percentage of match required for the grant from 50% to 33%, to support redevelopment of the Northgate Center building at 3850 Portland Road and authorize the use of \$300,000 in currently unallocated funds to fund the grant.

SUMMARY AND BACKGROUND:

Until recently, the Northgate Center Building on Portland Road was owned by the Willamette Education Service District (WESD). WESD has leased the building to small businesses and non-profits. On May 18, 2016, the property was purchased by Mike Bliven for the purpose of restoring the building to leasable condition for market rate tenants.

Mr. Blevin paid \$335,000 cash for the building and is pledging another \$150,000 for renovations. He

is committed to redeveloping the property for lease to market rate tenants. There is significant deterioration of the interior and exterior of the building that needs to be addressed over the summer when weather conditions are favorable. Mr. Bliven has submitted a letter (Attachment 1) requesting a \$300,000 award from the NGURA Grant Program to help fund needed rehabilitation of the building. The Northgate Center request for \$300,000 exceeds the current \$50,000 grant limit for the NGURA Toolbox Grant Program Policies. Mr. Bliven is requesting an exception to the maximum award policy.

NGURA Grant Program policy requires a 50% applicant match for grants. Mr Blevin is requesting an exception to the 50% grant match and is asking for approval of a 33% match. His eligible project costs are estimated to be \$450,000 and his available cash to invest in renovations after his \$335,000 cash investment in the purchase of the building is \$150,000. This represents a 33% applicant match, less than the required 50% match. Staff is recommending approval of an exception to the 50% match requirement based on his significant cash investment in this deteriorated, underperforming property.

Mr. Bliven's requested exception to the maximum grant award amount is consistent with the recommendation of the Portland Road Corridor Action Plan (Action Plan) that was adopted by the Agency Board on March 23, 2016. The Action Plan recommends increasing the maximum grant for the North Gateway Urban Renewal Area to an amount consistent with the maximum award amounts in the West Salem and Riverfront Downtown Urban Renewal Areas--\$300,000.

Staff is preparing a package of amendments to the North Gateway Urban Renewal Plan Grant and Loan Program (NGURA Grant Program) policies to implement the Action Plan later this summer that package will include an amendment increasing the maximum award to \$300,000. Some of the rehabilitation work proposed by Mr. Bliven needs to be completed during the summer construction season. Delaying the project until the NGURA Grant Program amendments are complete would delay redevelopment of the building.

Staff recommends approving exception to the match amount given the overall investment of the applicant in the Northgate Center property. Until Mr. Blevin's purchase, The Northgate Center has been a publically owned building that leased to a mix of private sector and non-profit organizations. The Marion County Assessor's records show that in 2015-2016, just \$2,207 in property taxes were levied on the property. A renovated building in private ownership could significantly increase the contribution to the property to the tax rolls.

The Agency Board has previously approved exceptions to the NGURA Grant Program policies. On April 11, 2016, the Agency Board approved a \$1 million grant to the Career and Technical Education Center. A policy exception was also granted on November 17, 2014, to allow funding of up to \$100,000 for a new dental clinic on Portland Road.

FACTS AND FINDINGS:

Grant Program Criteria

The North Gateway Urban Renewal Agency Interior/Exterior Grant Program Policies (Attachment 2) contains sections listing: 1) the Award Terms; 2) Eligible Recipients; 3) Eligible Properties; and 4)

Eligible Grant Activities. The section below makes findings with respect to the Grant Program Policies.

Conclusion: The North Gateway URA Interior/Exterior Grant Program Policies outline the award terms and identify eligible recipients, properties, and grant activities. Based on the findings presented, Mr. Blevin's request conforms to the North Gateway Grant Program Policies with the exception of the grant amount requested. Mr. Blevin is requesting the Agency Board to make an exception for the grant limit, and approve his request for \$300,000.

Section 1: Award Terms

Policy: Section 1 of the grant policy limits the total award for interior and exterior improvements to \$50,000. A 50% match of eligible project costs is required by the applicant. A total of five awards are allowed in five years to a single applicant.

Finding: The \$300,000 request exceeds the \$50,000 grant limitation. The request does not conform to the grant policy. Mike Bliven, owner of the Northgate Center, is requesting an exception to this policy.

Table 1. Northgate Center Redevelopment--Revenue and Cost Summary

Revenue Source	Amount
Match: Applicant's commitment toward the renovation (33% of project costs)	\$150,000
Grant Award	\$300,000
Total Revenue	\$450,000
Eligible Project Costs	Amount
Interior	\$215,000
Exterior	\$235,000
Total Costs	\$450,000

Finding: Table 1 shows the applicant has requested to match \$450,000 in eligible project costs with \$150,000, a 33% match.

Finding: Mr. Bliven has not received previous grants through the North Gateway Urban Renewal Area program. Under the terms of Section 1, his request for the Northgate Center conforms to the grant policy.

Section 2: Eligible Recipient

Policy: Section 2 limits grant awards to the property owner or to a tenant with an executed lease and written consent of the property owner. This section defines a "recipient" to include "all legal entities where the recipient has a membership, shareholder, or ownership interest. Non-profit entities

are not eligible for grants.

Finding: Mr. Bliven purchased the Northgate Center on May 18, 2016. Under the terms of Section 2, the Northgate request conforms to the grant policy.

Section 3: Eligible Property

Policy: Section 3 states that properties eligible for grant awards must be located within the North Gateway Urban Renewal Area, and must be "industrial, commercial or mixed use."

Finding: The Northgate Center is located at 3850 Portland Road in Salem. Attachment 3 is a map showing the boundaries of the NGURA. The map shows that Northgate Center building is within the URA.

Finding: The Salem Zoning Map shows the site is zoned Retail Commercial. Chapter 522.005 of the Salem Code lists the allowed uses of property within the General Commercial zoning district. Table 522-1 lists a variety of retail commercial and office uses as "Permitted Uses" in the Retail Commercial zone.

Finding: Renovation and repair of the Northgate Center is for the purpose of leasing suites for commercial and office uses. Under the terms of Section 3, the Northgate Center request conforms to the grant policy.

Section 4: Eligible Grant Activities

Policy: Section 4 of the North Gateway Interior/Exterior Grant Program Policies lists eligible grant activities. These activities include:

- Restoration or rehabilitation to the face of a building that is in public view, including installation, repair or replacement of: Awnings, Canopies, Exterior Lighting, Roofing, Gutters, Painting, Signs, Windows, Doors, and other facade improvements.
- HVAC, Electrical, Plumbing repair or replacement.
- ADA Accessibility Improvements.
- Environmental Remediation.
- Building Permit and Design Review Fees (not exceeding \$1,500 total)
- New Construction.
- Repair or replacement of items required to address Zoning, Building, Fire code or seismic deficiencies.

- Demolition in conjunction with an approved project.

Finding: Mike Bliven proposes to use the funds for renovation and repair of the existing structure to allow it to be leased as market rate office space. The proposed use of funds falls within the list of eligible grant activities. Under the terms of Section 4, the Northgate Center request conforms to the grant policy.

Fiscal Impact of Approving the Grant

There is significant funding available for new projects in the North Gateway Urban Renewal Area, including those included in the approved Portland Road Corridor Action Plan. Currently \$3 million of unallocated cash is on-hand to fund projects. An additional \$12 million in cash on-hand will be available by FY 2017-18. Table 2 shows the anticipated North Gateway URA FY 2015-16 fund balance if the Action Plan projects are approved. The table also shows the available balance in the URA fund if the Northgate Center redevelopment grant is approved.

Table 2. Portland Road Corridor Action Plan Project Budget FY2015-16

Recommended Action Plan Projects	
Restructure Financial Incentives - New Grant Funding	\$500,000
Public Market Feasibility Study	\$80,000
Support Industrial Flex-Space, Mixed Use - New Grant Funding	\$500,000
Portland Road Streetscape Improvements - North (design)	\$450,000
Total Action Plan Budget FY 2015-16	\$1,530,000
Cash-On-Hand FY 2015-16	\$3,000,000
FY 2015-16 Balance	\$1,470,000
Balance if the \$300,000 Northgate Center Grant is Approved	\$1,170,000

There is currently \$157,000 available in the grant program. In order to keep some funds available in the program, staff recommends allocating \$300,000 of currently unallocated funds in the NGURA adopted budget to fund this grant.

Mark Metzger
Project Coordinator

Attachments:

1. Letter of Request for Grant Policy Exception with Exhibits, May 16, 2016
2. North Gateway Urban Renewal Area Grant Program Policies
3. Location Map

05/18/2016