



Staff Report

File #: 16-372

Version: 1

Date: 2/13/2017

Item #: 5.a.

TO: Urban Renewal Agency Board

THROUGH: Steve Powers, Executive Director

FROM: Kristin Retherford, Urban Development Director

SUBJECT:

Riverfront Downtown Urban Renewal Area Financial Incentives.

Ward(s): Ward 1

Board Member(s): Board Member - Cook

Neighborhood(s): CANDO

ISSUE:

History of Riverfront Downtown Urban Renewal Area Financial Incentives

RECOMMENDATION:

Information only.

SUMMARY AND BACKGROUND:

The Riverfront Downtown Urban Renewal Area (RDURA) was created in 1975 to attract and retain commercial businesses in the downtown and spur private investments (Attachment 1). Since 1975, several financial incentive programs have been developed to encourage private investment and address barriers to redevelopment. This report shares the history of these programs and their contributions to the revitalization of downtown Salem. RDURA financial incentives have helped create downtown rental housing units, reduce ground and upper floor vacancy, add new commercial space, and preserve historic buildings.

FACTS AND FINDINGS:

The first incentive program was a Weather Protection program established in 1977 to assist with the installation of awnings. This was followed by an exterior façade improvement program that funded permanent exterior improvements to buildings. These incentives remained unchanged until 2002 when a "Vacancy Tool Box" was developed with six different types of grants and two loan programs. Grants provided up to \$100,000 for interior and exterior renovations for historic contributing

buildings and up to \$80,000 for non-contributing historic buildings. Maximum commercial loans were established at \$1M with a 3% interest rate and flexible terms. Special Housing Opportunity Loans were funded at \$50,000 per unit.

Since 2003, the RDURA has issued 174 grants, eleven commercial loans, and one Special Housing Opportunity Fund loan for new construction. Loan sizes have ranged from a low of \$180,000 to \$2.1M and the majority of loan recipients have also received grant funds in order to make their projects financially feasible. Based on the size of the building and vacant space, some property owners have phased their projects and have re-applied and qualified for multiple grant funds. With the exception of four fully amortizing loans, eight loans have paid off in full.

In 2009, economic challenges led to new Tool Box revisions. The maximum funding for non-historic contributing buildings was increased and other building types became eligible for grants. While this program was incentivizing small projects, it was not attracting larger amounts of private investment. Based on their challenges with renovating existing buildings and developing new buildings in the RDURA, property owners and real estate professionals suggested further revision of the program to include a sliding scale for grants, expanding eligible grant costs, establishing longer commitment terms, and increased funding levels.

The grant program was modified in 2014 to the current Capital Improvement Grant Program, which requires a minimum project cost of \$10,000 and provides up to \$300,000 in grant funds based on total project costs. The types of costs eligible for funding were expanded and program objectives were created to maximize the benefits and leverage achieved from a public/private project investment. Grant requests that meet these guidelines are administratively approved by the Director of Urban Development. Exceptions are presented to the Agency Board for approval. Attachment 2 is a summary of the Capital Improvement Grant Program recipients from the inception of the program in May 2014 to date. The Downtown Advisory Board is currently developing additional criteria for grant exceptions which will be presented to the Urban Renewal Agency for consideration and adoption.

Sheri Wahrgren
Downtown Revitalization Manager

Attachments:

1. Riverfront Downtown Urban Renewal Area Map
2. Summary of Grant Program Recipients

01/27/2017