



Staff Report

File #: 20-399

Version: 1

Date: 11/9/2020

Item #:

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

SUBJECT:

Purchase and Sale Agreement and Ground Lease with Mid-Willamette Valley Community Action Agency, Inc. for acquisition of real property located at 615 Commercial Street NE

Ward(s): 1

Board Member(s): Kaser

Neighborhood(s): CANDO

Result Area(s): Good Governance; Safe Community; Welcoming and Livable Community

ISSUE:

Shall the Urban Renewal Agency authorize the Executive Director to execute the attached Purchase and Sale Agreement and Ground Lease with Mid-Willamette Valley Community Action Agency, Inc.?

RECOMMENDATION:

Authorize the Executive Director to execute the attached Purchase and Sale Agreement and Ground Lease with Mid-Willamette Valley Community Action Agency, Inc.

SUMMARY:

In acknowledgment of the City's Strategic Plan and growing community concerns regarding homelessness, the City's Urban Renewal Agency amended the Riverfront-Downtown Urban Renewal Plan in November of 2018 to add projects to address homelessness. The Agency and the City have provided urban renewal and federal entitlement funds as grants and loans to the Mid-Willamette Valley Community Action Agency (MWVCAA) to construct improvements at 615 Commercial Street NE to operate the ARCHES program and provide homeless services. Urban renewal funds were used to build out space to be used in the future as a sobering center while HUD entitlement funds were used to build out dayroom space and kitchen and hygiene facilities.

To implement goals and actions of the 2017 Strategic Plan, staff entered discussions with MWVCAA about their property and ways to support and partner in expanded service hours. The attached

purchase and sale agreement and ground lease are the culmination of these efforts.

Proceeds from the sale will allow Seller to pay off its mortgage on the Property, and funds previously used for debt service will be used to expand service days/hours to serve the homeless community. The cost associated with the expanded service hours are roughly equivalent to the amount of monthly debt service the seller will no longer incur.

FACTS AND FINDINGS:

Property acquired by the Agency will include the land. Seller will retain title to all improvements (Improvements) on the Property. Improvements on the Property consist of a 15,939 square foot office building and related improvements.

Staff and Seller have come to terms on a Purchase and Sale Agreement (Agreement) (Attachment 1) for acquisition of the Property as well as a ground lease (Lease) (Attachment 2) to allow Seller's Improvements to remain on the Property long term. Key terms of the Agreement and Lease are below.

Agreement:

Purchase Price:	\$2,225,000
Acres:	0.75
Earnest Money:	\$15,000
Closing:	within 30 days of due diligence completion

Lease:

Type:	ground lease only
Rate:	\$100 annually
Term:	30 years
Renewal Options:	two 10-year options
Use Restrictions:	ARCHES Project or other community-related service
Special Conditions:	expanded service days/hours to include minimum of Monday, Tuesday, Wednesday, and Friday 9:00 a.m. - 4:00 p.m., Thursday 9:00 a.m. - 3:00 p.m., and Saturday 9:00 a.m. - 4:00 p.m.

The Seller is encumbered with HUD grant requirements to maintain homeless services at this site for a total of twenty years. Approximately seventeen years of compliance remain. To assure full compliance with HUD requirements, the Purchase and Sale Agreement is structured so that the Agency is only purchasing the land. The Seller will retain ownership of the building and enter into a long-term ground lease with the Agency. This practice is not uncommon around the country as a means for subsidizing the cost of affordable housing, social services, and land banking. The lease includes provisions for addressing potential future changes in service and/or use of the building.

Funding for the acquisition plus associated expenses and revenue related to the Lease will be accounted for using Riverfront-Downtown Urban Renewal Area funds. Urban renewal funds cannot be used for operations. However, they can be used for property acquisition. The acquisition is permitted under Section 1110 of the Riverfront-Downtown Urban Renewal Plan.

BACKGROUND:

The City of Salem's 2017 Strategic Plan identified goals and actions to address affordable housing, social services, and homelessness, including maximizing resources and coordination for local social services and partnering to establish a sobering and recovery center. Since 2016, community concern about homelessness has continued to grow as evidenced in the City's annual Community Satisfaction Survey, growing as a top concern for 7% of respondents in March 2016 to 49% in 2020.

Clint Dameron
Real Property Services Manager

Attachments:

1. Proposed Agreement
2. Proposed Lease