



Staff Report

File #: 23-429

Version: 1

Date: 11/27/2023

Item #: 3.3a.

TO: Urban Renewal Agency Board

THROUGH: Keith Stahley, Executive Director

FROM: Kristin Retherford, Director of Community and Urban Development

SUBJECT:

Riverfront-Downtown Urban Renewal Capital Improvement Grant Program Exception for Deacon Development, LLC.

Ward(s): 1

Councilor(s): Stapleton

Neighborhood(s): CANDO

Result Area(s): Strong and Diverse Economy.

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 the Riverfront-Downtown Urban Renewal Area Capital Improvement Grant Program guidelines, to partially fund the costs to construct a mixed-use project including 98 rental housing units at 277 High Street NE.

ISSUE:

Shall the Urban Renewal Agency Board approve an exception to the maximum grant amount from the Riverfront-Downtown Urban Renewal Area Capital Improvement Grant Program for a total grant award of \$749,999 for a mixed-use housing project to be developed by Deacon Development, LLC at 277 High Street NE?

RECOMMENDATION:

Approve an exception to the maximum grant amount from the Riverfront-Downtown Urban Renewal Area Capital Improvement Grant Program for a total grant award of \$749,999 for a mixed-use housing project to be developed by Deacon Development, LLC at 277 High Street NE.

FACTS AND FINDINGS:

Deacon Development, LLC, an Oregon Limited Liability Company, submitted a letter on October 31, 2023, (Attachment 1) requesting an exception to the Capital Improvement Grant Program maximum grant amount. The proposed project is a redevelopment of an existing paid, public parking lot located at 277 High Street NE. Until demolition in 1972, the parking lot was the original location of the old Salem City Hall. It subsequently became the parking lot and drive-thru for the former First National Bank Building, which was demolished in 2016.

The current redevelopment plan is to demolish the existing parking lot and replace it with a new six-story, mixed-use building, including 105 units, of which seven units will be ground floor commercial live/work units with street front access for the business owners/residents. Fifteen percent of the total units, or 16 units, will be affordable. Total project costs are estimated to be \$27M. The grant funds will contribute to the estimated 32 percent on average increase in construction costs, including implementation of the new 2021 Oregon Energy Efficiency Specialty Code requirements, which adds an additional estimated \$4,600 per apartment unit and increased interest rates. Deacon Development has experience in project development and construction of similar housing projects and currently is constructing Rivenwood Apartments at the former Nordstrom site, which is scheduled for completion in Spring 2024.

The design of the building will include a lobby, community deck, resident community room and on-site bike washing, storage and repair station. The unit mix will be comprised of studios, and one- and two-bedroom units.

An estimated 26-29 parking spaces will be included onsite and residents will be encouraged to use alternative modes of transportation.

Deacon Development, LLC currently has the site under contract to purchase with an estimated closing timeline of May 2024. In order to close on the property, Deacon is requesting grant funds to secure all the necessary funding sources for the project.

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

The proposed project will replace an existing surface parking lot with a mixed-use building including rental housing.

The Deacon Development, LLC project meets the Capital Improvement Grant Program Exception Criteria for projects requesting more than \$300,000, which is the maximum grant allowed under the Director's approval within the program guidelines. If approved, the FY 2024 Capital Improvement Grant Program Budget of \$5.9M will be reduced by \$749,999.

BACKGROUND:

For more than ten years, the parking lot has been a paid, public lot, and the former drive-thru station has been closed and deteriorating. The parking lot and adjacent fenced hole in the ground

resulting from the demolition of the former First National Bank Building (Wells Fargo) have contributed to the lack of vibrancy in the area.

On May 8, 2017, the Agency Board approved the "Exception Criteria" (Attachment 2) to determine eligibility for grant requests greater than \$300,000. Deacon Development LLC's 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:

Deacon Development, LLC satisfies this requirement through the following two Capital Improvement Grant Program Objectives:

- Alley Improvements
- New Construction

2) 4:1 Leverage of Private/Public Funds

Deacon Development, LLC satisfies the 4:1 Leverage of Private/Public Funds based on the following analysis:

Estimated Total Project Costs:	\$27M
City Funding Request:	\$749,999
Leverage:	36:1

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

- Housing

Deacon Development, LLC will be required to provide funding commitments from lenders or investors to cover the costs not covered by the grant as a condition of grant disbursement. With approval of this grant exception, this project will re-energize a highly visible corner in downtown Salem.

All grants are conditioned upon a qualified contractor and meeting all City of Salem's building requirements.

Sheri Wahrgren
Assistant Director, Community and Urban
Development Department

Attachments:

1. October 31, 2023, Grant Exception Letter - Deacon Development, LLC
2. Capital Improvement Grant Program Exception Criteria

