

FOR AGENCY MEETING OF:  
AGENDA ITEM NO.:

May 12, 2014  
4.3 (a)

TO: URBAN RENEWAL AGENCY BOARD  
THROUGH: *Linda Norris*  
LINDA NORRIS, EXECUTIVE DIRECTOR  
FROM: *John H. Wales*  
JOHN H. WALES, DIRECTOR  
URBAN DEVELOPMENT DEPARTMENT  
SUBJECT: CHANGES TO THE RIVERFRONT-DOWNTOWN URBAN  
RENEWAL AREA GRANT PROGRAMS TO ENCOURAGE LARGER  
PRIVATE SECTOR INVESTMENT IN THE DEVELOPMENT,  
REHABILITATION, GROWTH, AND RETENTION OF BUSINESS IN  
THE DOWNTOWN

**ISSUE:**

Shall the Agency Board replace the existing Riverfront Downtown Building Rehabilitation and Restoration Interior and Exterior Grant Programs with the Riverfront-Downtown Urban Renewal Area Capital Improvement Grant Program and authorize the Urban Development Director to administer the program?

**RECOMMENDATION:**

Replace the existing Riverfront Downtown Building Rehabilitation and Restoration Interior and Exterior Grant Programs with the Riverfront-Downtown Urban Renewal Area Capital Improvement Grant Program and authorize the Urban Development Director to administer the program.

**BACKGROUND:**

In 2003 the Urban Renewal Agency Board approved the Riverfront Downtown Building Rehabilitation and Restoration Interior and Exterior Grant programs, better known as the "Toolbox" program. In 2011 the Agency Board approved the strategies and activity recommendations outlined in the Downtown Strategic Action Plan, which recommended funding of the financial incentives in the Toolbox program. Over the years, the Toolbox's grant guidelines for property-type eligibility, funding maximums, and project-cost eligibility have been revised.

Starting in 2012, a series of five meetings occurred with property owners, tenants, and real estate professionals to inform them of recent changes to the Toolbox and to solicit feedback on their challenges as business and property owners in downtown and to confirm that the current financial incentives were appropriate. More than twenty-one individuals participated in these meetings.

Property owners shared their challenges in renovating existing buildings, which included high renovation costs due to the size and configuration of some buildings, limited ability for windows/natural light, available capital, and low rental rates. The property owners suggested a sliding scale for grants, expansion of eligible grant costs, longer commitment terms, and increased funding to incent downtown housing.

In May 2013, the Downtown Advisory Board held a retreat and indicated an interest in utilizing the Toolbox to more strategically meet the goals of the Riverfront Downtown Urban Renewal Area (RDURA) Plan and Downtown Strategic Action Plan. The information provided from the Downtown Advisory Board and stakeholder meetings was taken into consideration in the proposed RDURA Capital Improvement Grant Program (Program).

Since the Toolbox was approved by the Agency Board, 129 funding commitments have been issued on 65 different buildings within the RDURA. The Toolbox has helped property owners improve their buildings with eligible projects that include windows, HVAC, ADA/seismic upgrades, elevators, sprinklers, electrical/plumbing upgrades, and façade improvements. Under the existing Toolbox, a project that costs \$300 has the same grant funding considerations as a project that costs \$4M. Maximum funding for both interior and exterior grants is \$50,000 each. The average size of projects being completed is \$60,000 to \$120,000. It is apparent that the existing Toolbox supports small projects, but may not be working to incent private investment for larger projects.

Following the January 13, 2014, work session regarding the RDURA, the Agency Board directed staff to consider a grant program that encourages larger development or redevelopment projects with a greater degree of private investment that satisfies the projects within the RDURA Plan. On April 24, 2014, the Downtown Advisory Board agreed to recommend to the Agency Board a new program to replace the existing Toolbox program.

#### **FACTS AND FINDINGS:**

The goal of the proposed Program is to leverage RDURA grant funds with private sector capital to encourage new development, rehabilitation, increased land values, and business retention and growth within the RDURA. In order to incent higher levels of private investment, the proposal creates "small project" and "large project" grant categories. Small Projects are those that cost between \$10,000 and \$100,000, with the Agency grant providing up to 50% of the eligible project costs.

Large Project grants are those that cost over \$100,000, with the Agency grant providing between 15% to 25% of eligible project costs, depending upon the cost of the project, and the degree to which the project furthers the Program objectives and guidelines. The maximum potential grant under the Program is \$300,000, without specific Agency Board approval.

The following table provides a breakdown of the project categories and potential grant funding.

<b>SMALL PROJECT COST</b>	<b>GRANT AMOUNT</b>
\$10,000 - \$100,000	50% of eligible cost

<b>LARGE PROJECT COST</b>	<b>GRANT AMOUNT</b>
\$100,001-\$300,000	\$50,000 + 25% of eligible project cost over \$100,000
\$300,001-\$600,000	\$100,000 + 20% of eligible project cost over \$300,000
\$600,001 +	\$160,000 + 15% of eligible project cost over \$600,000
Maximum Grant \$300,000	

In order to allow a transition period to process projects that qualify under the Toolbox program, but may not qualify under the new Program, and to make the Program available as quickly as possible, the Downtown Advisory Board is recommending the Toolbox program continue until June 30, 2014, while simultaneously accepting applications under the new Program.

A grant program is identified as an eligible project in Sections 1105 and 1108 in the Riverfront Downtown Urban Renewal Plan.

**Eligibility**

An applicant may be a person, or legal entity with property in the RDURA. Non-profit entities that do not pay taxes would not be eligible for the Grant Program. A checklist of required materials would be submitted with the application to determine if the application is complete. Some of these items include: cost estimates, tax information, and evidence of sufficient financing to complete the project.

**Grant Objective**

In order to be eligible for a Project grant, a project must be a capital improvement, and meet at least one of the following objectives:

- New Construction
- Mixed-use – including housing
- Upper Floor Renovation – improvements that make currently un-leasable space to a level it can be occupied
- Alley improvements
- Expansion of existing business, retention or recruitment of a new business that results in creating new jobs
- Historic Preservation projects that require Historic Landmarks Review

### **Project Construction**

Once an applicant has been awarded a grant from the Program, construction of the project must commence within twelve months of the grant commitment date. The project must be completed within two years. Grantee may request one extension to the two-year project completion date. The extension must be requested at least one month in advance of the completion deadline. The extension will be for a maximum of six months beyond the original completion date.

### **Large Project Grants Funding Requirements**

In order to mitigate the risk that urban renewal funds are disbursed on projects that are not completed, Large Project Grants must satisfy one of the following requirements:

- Grant funds will not be disbursed until the following: (1) completion of the project; and (2) where applicable, after a certificate of occupancy has been issued by the City; or
- In instances where the Grantee has expressed the need for grant funds to be disbursed during the construction of the project, the grant must be secured by a payment and performance bond equal to the grant amount in a form satisfactory to Agency.

### **Program Funds**

To date in FY 2013-14, 30 grant commitments for a total of \$186,235 have been issued under the Toolbox program. The average size of the grant in this fiscal year is \$6,207. There is currently \$823,241 available for the Program. Additional funds of \$1.5M are proposed in the RDURA budget for FY 2014-15.

### **Next Steps**

If approved, staff will complete the application and application materials checklist and will make them available on the City of Salem website. There will be an outreach effort to inform property owners of the Program prior to the summer 2014 construction season. Additionally, staff will update the Agency Board through the quarterly economic development information reports.

### **Attachment A: RDURA Grant Program Guidelines**

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