



IMPROVING OUR COMMUNITY

COLUMBIA GATEWAY URBAN RENEWAL AGENCY

CITY OF THE DALLES

AGENDA
COLUMBIA GATEWAY
URBAN RENEWAL ADVISORY COMMITTEE

Conducted in a Handicap Accessible Meeting Room

Tuesday, March 15, 2005
5:30pm
City Hall Council Chambers
313 Court St.
The Dalles, OR

- I. Call to Order
- II. Roll Call
- III. Pledge of Allegiance
- IV. Approval of Agenda
- V. Approval of Minutes of: January 18, 2005
- VI. Public Comment
- VII. Presentation: David Evans and Associates – Streetscape and Downtown Parking
- VIII. Action Items:
 - A. Property Rehab Grant and Loan Program – Demolition of buildings at the Hilco Fuel property
- IX. Discussion:
 - A. Wasco Lodge Grant Surplus
 - B. Flour Mill Update
- X. Next Meeting Date: April 19, 2005
- XI. Adjourn



IMPROVING OUR COMMUNITY

COLUMBIA GATEWAY URBAN RENEWAL AGENCY

CITY OF THE DALLES

Columbia Gateway Urban Renewal Advisory Committee Minutes

Tuesday, January 18, 2004

City Hall Council Chambers

313 Court Street

The Dalles, OR 97058

Conducted in a handicap accessible room.

CALL TO ORDER

Chair Dan Ericksen called the meeting to order at 5:32 p.m.

ROLL CALL

Administrative Secretary Denise Ball conducted roll call.

Present members: Dan Ericksen, Randy Carter, Jack Evans, Dick Elkins, Nikki Lesich, Chris Zukin, and Ken Farner

Absent members: None

Staff present: Nolan Young, City Manager, Dan Durow, Community Development Director, Gene Parker, City Attorney, Denise Ball, Administrative Secretary

PLEDGE OF ALLEGIANCE

Ericksen lead the group in the Pledge of Allegiance.

APPROVAL OF AGENDA ITEMS

Carter moved to approve the agenda as amended and Farner seconded. The motion carried unanimously.

APPROVAL OF MINUTES

Chair Ericksen asked if there were any corrections or additions needed for the minutes of September 21, 2004. There were none. Lesich moved to approve the minutes as submitted and Evans seconded the motion. The motion passed unanimously.

PUBLIC COMMENT

None.

ACTION/RECOMMENDATION

Expenditure on Flour Mill for Structural Analysis- Durow presented the Staff Report. He is requesting Urban Renewal funds for a structural analysis. If the study is over \$15,000, a Request for Proposals is required. There is not enough time to go through the process and have the information available to prospective developers before the March 11, 2005 deadline on the current Request for Proposals for redevelopment of the site. One estimate for the structural analysis, from Tenneson, is in the neighborhood of \$28,000 and does include the warehouse and the silos in the scope of work. A prospective developer has obtained another estimate in the \$16,000 range. Durow feels it may be possible to keep this study below the \$15,000 level so that an RFP process will not be necessary and the study can be done sooner.

The Committee and Staff discussed the possibility of having the study paid for out of escrow. Ericksen said an offer by the City to exercise the purchase option could be deemed a viable project, which could trigger Cereal Foods to pay for the study.

Durow said he is asking the Committee to recommend an authorization for up to \$15,000 for an engineering study.

James Martin, local businessman, The Dalles, said he has been in contact with the company who had provided the \$16,000 estimate. Martin said additional costs associated with the study would place their estimate in the \$28,000 range also. The previous quote did not cover all the necessary work.

Durow said that information changes everything.

Ericksen asked if a study on just the mill building would be beneficial.

Martin said one of the issues is the demolition cost of the silos. No one knows exactly how they are constructed and he has had estimates of \$200,000 to \$500,000 for the silo demolition. X-raying the structures will provide crucial information for developers.

Durow said the current agreement with Cereal Foods states that the City must have a viable project before Cereal Foods will spend money on a structural analysis study.

Ericksen asked if there was a way to negotiate with Cereal Foods to pay for the study and contract the work. Urban Renewal would pay them back., and that way the long RFP process could be avoided.

Durow said yes we could do that. However, the purchase option agreement would then have to be amended. That process would take at least six weeks. The study will take two months. Again, the information would not be available in a timely manner.

Farner suggested an alternative of letting the purchase option expire and then trying to buy the property for less money. That, however, may not be what happens.

Ericksen asked what Urban Renewal has invested in the property right now. Durow said the original Purchase option was \$27,000 and the option extension was \$13,500 for a total of \$40,500. An additional \$2,750 was paid to Tenneson for a property survey.

Lesich said that \$16,000 to \$28,000 is quite a difference for estimates on studies. Lesich asked if there were anything tangible to look at and compare.

Durow said the information he was provided by James Martin tonight, indicates that both firms' estimates are in the \$28,000 range. These were verbal quotes and are now fairly competitive.

James Martin pointed out that Tenneson had about a month to put their estimate together while the company he asked in Seattle provided him a proposal within a day. Their original \$16,000 proposal was lacking a few things and by the time they were added their quote was equivalent to Tenneson's.

Durow clarified that these were ballpark estimates. A formal bid will require much more detail for the study.

Carter said the ideal scenario would be to get the necessary funding to have the engineering study completed and get the results back before March. At that point in time Urban Renewal would have a better understanding of what the attributes and difficulties with the property are. At that point either Urban Renewal or a developer has to decide to purchase the property and go ahead with development. If the decision has to be made in March, either way, Carter said he doesn't see what the value equation is.

Durow said if there are no proposals turned in by the March deadline, Urban Renewal will have to decide to purchase the property or let it go. The purchase option is not up until May 14.

Evans asked what impact the purchase would have on Urban Renewal. Evans said he doesn't remember if it was a budgeted item.

Durow said it is a budgeted item.

Evans pointed out that one of the responsibilities of Urban Renewal is to eliminate blight. Evans said he recommends moving forward with this project.

Ericksen feels this property has a great possibility of increasing in value in the near future. He said he believes the opportunity is here and now for the development and ownership of this property.

Lesich said she does not understand why Urban Renewal would set a limit on an RFP and then tell the public what the limit is. Lesich said if she were a bidder, she would make sure she would be bidding toward the high end of the scale.

Young said the limit would let Staff know exactly how much the contract price can be. If the Committee wants to allow an unlimited amount, then no dollar amount needs to be stipulated. The engineering estimate is public knowledge.

Zukin asked for clarification on why Cereal Foods would not pay for the structural engineering study. Durow said they would pay for it if there were a viable project; they just don't want to waste the money.

Ericksen pointed out that the study has to be done even if the building has to be demolished. It doesn't appear that the money will be wasted. If the study creates a sale, then the money would not be wasted.

Carter asked who has the risk right now and who is Urban Renewal trying to mitigate the risk for: the potential developer or the City or should it be both?

Ericksen said he does not want the purchase option to expire without Urban Renewal taking some action on the property. Ericksen would like Cereal Foods to credit the City in escrow for the cost of the study when the sale takes place.

Carter said he doesn't understand why Cereal Foods would not extend the purchase option for another six months.

Durow said what he has been told is that the Board of Directors of Cereal Foods do not want this to just drag along.

Durow said the environmental study should be done at the same time as the engineering study.

Farner said the only way to make sure the development is done well, and right, and timely is to have control of the property.

Ericksen said he would like Staff to approach Cereal Foods and offer to exercise the purchase option if they will pay for the structural and environmental studies.

Carter said he doesn't think the building should be purchased until the cost of demolition of the silos is known.

Ericksen said this is one of the reasons there is urban blight all over the country. It is cheaper to leave it than to tear it down.

Martin said he believes Cereal Food thinks the cost of the structural study is \$5,000 to \$7,000. He went on to say that once Cereal Food hears the price of \$28,000 they won't be interested in paying for the study. Martin said the City should be committed to purchasing the property and paying for the studies.

Ericksen said in that case the City should try to negotiate with Cereal Food for at least half the cost.

Young added that the agreement says that the cost of those studies should not exceed the option fee. That fee is \$27,000. Young does not feel it could be stretched to include the additional \$13,500 for the six-month extension.

Farner said that Urban Renewal has the capacity to bring unrecoverable capital into the project to make it work. The control of how the project gets developed is the consideration.

Farner moved to recommend to the Urban Renewal Agency that they proceed with a Request for Proposals for an engineering study on the Flour Mill property. Evans seconded the motion and it carried unanimously.

The members of the Urban Renewal Advisory Committee were in consensus that Staff approach Cereal Foods regarding the financial aspects of the studies and the use of the escrow money for those studies.

Evans said that Urban Renewal has to have an escape. If the study shows it will cost \$700,000 for demolition it makes no sense, blight or no blight, to step into that kind of an obligation.

Ericksen said that is the problem with blighted properties – they don't make financial sense for demolition for anybody, especially the person who owns it. It is not a typical bankers decision. The Committee agreed, after a brief discussion, the environmental study should be part of the RFP process.

Farner moved to recommend to the Urban Renewal Agency that they include an environmental study with the RFP process for the engineering study. Evans seconded the motion and it carried unanimously.

The Committee discussed different versions of their third motion and finally approved language proposed by Gene Parker, as follows:

Farner moved to recommend that the Urban Renewal Agency prepare for the possible exercise of the option to purchase the Flour Mill property subject to the receipt of favorable structural engineering and environmental analysis. Elkins seconded the motion and it carried unanimously.

The members of the Urban Renewal Advisory Committee were in consensus that Staff approach Cereal Foods regarding the financial aspects of the studies and the use of the escrow money for those studies.

DISCUSSION

Property Rehab. Demolition – Durow presented the Staff Report. A developer has asked if the Urban Renewal Demolition fund of \$50,000 could be spent on environmental clean-up.

Parker advised the Committee that the risk of potential liability of finding a hazardous waste during an environmental clean-up could put the Agency on the hook for the entire clean-up.

After a brief discussion Staff and Committee members were in consensus that Urban Renewal will not fund environmental clean up.

Lesich asked if Urban Renewal monies could be spent outside the district on cleaning up a burnt home and Durow said the money could only be spent in the Urban Renewal area.

FUTURE MEETINGS

The next regular meeting is scheduled for February 15, 2005, at 5:30 P.M. Durow will not be available on that date so a new date could be selected if a meeting is necessary.

ADJOURNMENT

The meeting was adjourned at 7:30 P.M.

Respectfully submitted by Denise Ball, Administrative Secretary.

Dan Ericksen, Chair

AGENDA STAFF REPORT

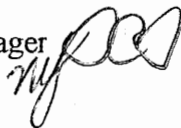
URBAN RENEWAL ADVISORY COMMITTEE

Meeting Date: March 15, 2005

DATE: March 3, 2005

TO: Urban Renewal Advisory Committee

FROM: Steve Schafroth, Urban Renewal Contract Consultant

THRU: Dan Durow, Urban Renewal Manager
and Nolan Young, City Manager 

ISSUE: Property Rehabilitation Grant & Loan, Blighted Property Demolition Loan Program application review and recommendation to the Agency Board.

BACKGROUND: The approved Urban Renewal Agency Administrative Plan in Section B. Blighted Property Demolition Loan Program states as follows:

The Agency will provide loans for the demolition of buildings contributing to blight if the demolished building is to be replaced by a new building with the design approved by the design review team or the Agency.

Blighted Areas are defined in the Urban Renewal Plan in section 203. As part of that definition one of the conditions that characterize a blighted area is defined as follows:

A. The existence of buildings and structures, used or intended to be used for living, commercial, industrial or other purposes, or any combination of those uses, which are unfit or unsafe to occupy for those purposes because of any one or a combination of the following conditions:

- 1. Defective design and quality of physical construction;*
- 2. Faulty interior arrangement and exterior spacing;*
- 3. Overcrowding and a high density of population;*
- 4. Inadequate provision for ventilation, light, sanitation, open spaces, and recreational facilities; or*
- 5. Obsolescence, deterioration, dilapidation, mixed character or shifting of uses;*

Eligible projects:

If the applicant can show that the building contributes to blight as defined above, and the Agency determines that the building contributes to blight; a loan may be made to pay for the cost of demolition of the building. All projects exceeding \$15,000 annual cost to the Urban Renewal program will require review by the Advisory Committee and approval by the Agency Board. All other projects will be reviewed and approved by a three person staff design review team appointed by the City Manager. The project must meet the following qualifications:

1. The cost of renovating the existing building is more than the cost of replacing the building.
2. The applicant plans to replace the building with a new structure.
3. The design for the new building is approved by the Agency.
4. If new construction is not planned immediately after demolition, the property must be leveled and cleaned so as not to continue to contribute to blight.
5. If this program is used to subsidize the demolition, the new construction is not eligible for interest subsidy under the Redevelopment Loan Program
6. The building to be demolished cannot be designated as an historic building in an historic district unless the demolition is approved by the Historic Landmarks Commission.
7. The Project must be located inside the Urban Renewal Area.

Loan Terms and Conditions

1. The loan will have a term of not more than 3 years with a single payment due of principal and interest at the due date.
2. The loan will have a fixed interest rate equal to 2 points less than the prime rate at the date of the loan.
3. A mortgage will be placed on the property to secure the loan.
4. If the new building construction is complete and certified for occupancy or use within three years of the date of the approval of the loan, the loan principal will be forgiven and only the interest will be due.

APPLICATION: On January 31, 2005 the Urban Renewal Agency received an application under the Blighted Property Demolition Program from Mark and Kristi McCavic. They are applying for \$45,670.00 to demolish the buildings on property that he purchased located at 703 E. 2nd St. and 208 Madison previously commonly known as the Hilco Fuel property. This property meets the criteria as being blighted.

The applicants plan to build a new medical/ dental office building for an identified tenant. The estimated overall project costs including land, demolition and new construction and related costs total \$1,322,670.00. The new building design has not yet been approved by the agency, but the loan principal forgiveness (making the loan into a grant) would not be available to the applicants until that approval is obtained. It is anticipated that the design review team will have the plans available to review in the very near future and will make

recommendation to the Advisory Committee and the Agency. The applicants indicate that they intend to build right away.

The Urban Renewal Agency would have a first Trust Deed on the property. The Appraised Value (as is) is \$114,600. That is approximately the amount that the Agency was prepared to pay for the property before private parties came forward. If the applicant defaults on this loan, we would get the property through foreclosure for \$45,670 plus expenses. In addition, the blight (the buildings) will have been removed and the lots will be cleared. That scenario is very unlikely to happen after the applicants spent the cash to purchase the property. For this reason a lengthy financial analysis of the borrower's repayment ability was not deemed to be required.

The application is eligible and meets the criteria under the program.

BUDGET IMPLICATIONS: There are no more funds available in the budget for the Property Rehabilitation Grant and Loan Program in this fiscal year. (The Masonic Lodge roof and electrical project did come in under estimates by about \$14,000. However, they are going to request that those monies be made available to them for some additional work on the building. This request will be brought back for discussion at a future date.) This direct loan request is for \$45,670.00.

It appears at this time that the \$50,000 budgeted for the ARCO site acquisition will not be needed for that project. In addition, the money budgeted for the West Gateway/Visitors Center, \$18,393, and the remainder of the Mill Creek project, \$10,000, (that portion of the total \$35,000 not used for the environmental and structural studies on the Flour Mill project) are also available, totaling \$78,393. A budget amendment would be likely if this application is approved. This can be easily accomplished.

Interest would be accrued on the loan until paid off or forgiven when construction is complete and the new building is certified for occupancy. The interest rate will be Prime Rate minus 2%. That rate would currently be at 3.5%. (It is unknown how long the loan would be outstanding, but for example, if the loan is outstanding for 6 months at 3.5%, interest earned by the Agency would be \$799.23.)

The other budget impact would come from the increase in value of the property once the improvements are made. It is uncertain what the assessor's valuation would be for taxation purposes, however, the estimated project costs are \$1,322,670 and the current appraised value is \$114,600. There will obviously be a significant impact on Urban Renewal revenues from the incremental value increase on this property.

RECOMMENDATION:

ALTERNATIVES:

Staff Recommendation: Staff Recommends the Urban Renewal Advisory Committee recommend to the Agency approval of a direct loan under the Blighted Property Loan Program subject to the agency making funds available as indicated above.

Alternative 1: Urban Renewal Advisory Committee recommend to the Agency approval of a direct loan under the Blighted Property Loan Program in the next fiscal year under that year's budget.

Alternative 2: Decline the request.

The Dalles Urban Renewal Agency

Property Rehabilitation Grant and Loan Programs

APPLICATION

Application Date 1-31-05

Application Number _____

GENERAL INFORMATION

Applicant MARK & KRISTI McCAVIC

Contact person MARK

Mailing Address 5277 CHERRY HEIGHTS RD

THE DALLES, OR 97058

Property Address 703 ED 2ND

208 MADISON

Applicant is: ☒ Property owner ☐ Business leasing the property

Telephone # 541-296-8824 or Fax # 541-298-2962

993-0458

Federal tax ID # or Social security # 540-76-4689

Bank of account and contact BANK OF AMERICA / CRB

JILL GARDNER

Name of Business McCAVIC PROPERTIES, LLC
(if different than applicant)

Mailing Address SAME

Name of Principal MARK McCAVIC

PROJECT INFORMATION

Site Address: 703 2nd St. and 208 Madison

Legal Description: Tax Lot 1800 Map #13 3 DA 100
Tax Lot 1600 & 1700 Map #13 3 DA 100

Building Age: 60 yrs

Square Footage: 1,600 Sq. Ft.
1,250 Sq. Ft.
1,750 Sq. Ft.

Project Description Outline:

Demolish and remove the three existing neglected buildings on the properties.

Perform the necessary environmental studies and impact tests to ensure compliance with DEQ requirements.

Secure a loan from Columbia River Bank to construct a professional medical/dental building on the premises.

Have an Architect create a conceptual design of the new building, including appropriate parking space requirements. The structure would be one that accommodates the needs of an expanding medical/dental office.

Hire a commercial building contractor to construct and complete the building within 6 months of construction start date.

Expected Project Costs

Cost Item	Est Cost
Land	\$200,000.00
Demolition of existing structures	\$45,670.00
Earthwork	\$85,000.00
Building shell	\$220,000.00
Tenant improvements	\$440,000.00
Contingencies	\$200,000.00
Design, Survey	\$112,000.00
Permits	\$20,000.00
Total	<u>\$1,322,670.00</u>

Proposed Sources of Funding

Source	Amount	Rate	Term
Equity (applicant)	330,668 334,998		
Bank	942,002		
Private Loan			
Other			
Urban Renewal Grant	50,000 45,670.00		
Urban Renewal Loan			
Total	<u>1,322,670</u>		


Total \$ _____

(Must equal Total of expected costs)

Applicant hereby certifies that all information contained above and in exhibits attached hereto are true and complete to the best knowledge and belief of the applicant and are submitted for the purpose of allowing the full review by The Dalles Urban Renewal Agency and its agents for the purpose of obtaining the financial assistance requested in this application.

Applicant hereby consents to disclosure of information herein and the attachments as may be deemed necessary by MCEDD and its agents for such review and investigation.

I have read and understand the guidelines of The Dalles Urban Renewal Agency Property Rehabilitation Grant and Loan Programs and agree to abide by its conditions.



Signature (and Title if appropriate)

1-31-05

Date

Signature (and Title if appropriate)

Date

Signature (and Title if appropriate)

Date

Signature (and Title if appropriate)

Date

The following additional items will be required before the loan is approved:

1. Certificate of approval from agency (if required).
2. Letter of approval from Historic Landmarks Commission.
3. A summary of the project outlining the work to be done.
4. Complete plans and specifications.



December 22, 2004

Mark McCavic
5277 Cherry Heights Road
The Dalles, Or 97058

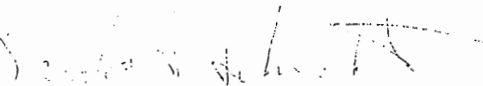
Attn: Mr. Mark McCavic

Re: Demolition at 703 East 2nd

Dear Mr. McCavic:

Per our discussion, we have a price of \$45,670 to demo, remove, and backfill the buildings at 703 E 2nd, 208 Madison, and tax lots 1600, 1700, and 1800. This would include the 3 buildings we looked at. Please review and should you have any question, don't hesitate to give me a call.

Sincerely yours,


Ronald A. Schmidt
Manager