CITY OF OREGON CITY
CITY COMMISSION WORK SESSION AGENDA

Commission Chambers, Libke Public Safety Facility, 1234 Linn Ave, Oregon City
Wednesday, August 21, 2024 at 6:00 PM

Typically there are no public comments at work sessions, but written comments are accepted by:
- *Email recorderteam@orcity.org (deadline to submit written testimony via email is 3:00 PM on the day of the meeting)*
- *Mail to City of Oregon City, Attn: City Recorder, P.O. Box 3040, Oregon City, OR 97045*

1. CONVENE MEETING AND ROLL CALL

2. GENERAL BUSINESS

2.a. Adaptive Re-use Building Rehabilitation Program 2.0

3. COMMUNICATIONS

4. COMMITTEE REPORTS

Commissioner O'Donnell
- South Fork Water Board

Commissioner Smith
- Clackamas Heritage Partners
- Oregon City Tourism Stakeholder's Group
- South Fork Water Board

Commissioner Marl
- Citizen Involvement Committee Liaison
- Clackamas County Coordinating Committee (C4)
- Clackamas County I-205 Tolling Strategies Committee
- Youth Advisory Committee

Commissioner Mitchell
- Clackamas County Coordinating Committee (C4) – Metro Subcommittee
- Clackamas County I-205 Tolling Diversion Committee (alternate)
- Metro Policy Advisory Committee (MPAC) (alternate)

Mayor McGriff
- Clackamas Water Environment Services Policy Committee
- Clackamas Heritage Partners (alternate)
- Downtown Oregon City Association Board
- Metro Policy Advisory Committee (MPAC)
- Oregon City Tourism Stakeholder's Group
- South Fork Water Board
- Willamette Falls and Landings Heritage Area
- Willamette Falls Legacy Project Liaisons
- Willamette Falls Locks Authority
- Youth Advisory Committee Liaison

5. ADJOURNMENT

ORDINANCE NOTICE

If an ordinance is noticed above in this agenda, the text of the ordinance is available online with the posted agenda packet. In addition, three copies are provided for public review in the Office of the City Recorder upon request.

PUBLIC COMMENT GUIDELINES

Complete a Comment Card prior to the meeting and submit it to the City Recorder. When the Mayor/Chair calls your name, proceed to the speaker's table, and state your name and city of residence. Each speaker is given 3 minutes to speak. Representatives of neighborhood associations may be given 5 minutes to speak if requested. As a general practice, the City Commission does not engage in discussion with those making comments. Complaints shall first be addressed at the department level prior to addressing the City Commission. Electronic presentations are permitted but must be delivered to the City Recorder 48 hours in advance of the meeting.

ADA NOTICE

The location is ADA accessible. Hearing devices may be requested from the City Recorder prior to the meeting. Individuals requiring other assistance must make their request known 48 hours preceding the meeting by contacting the City Recorder's Office at 503-657-0891.

Agenda Posted at City Hall, Pioneer Community Center, Library, City Website.

Video Streaming & Broadcasts: The meeting is streamed live on the Oregon City's website and available on demand following the meeting. The meeting can be viewed on Willamette Falls Television channel 28 for Oregon City area residents as a rebroadcast. Please contact WFMC at 503-650-0275 for a programming schedule.

625 Center Street
Oregon City, OR
97045
503-657-0891

CITY OF OREGON CITY

Staff Report

To:	City Commission	**Agenda Date:**	August 21, 2024
From:	James Graham, Economic Development Manager		

SUBJECT:
Adaptive Re-use Building Rehabilitation Program 2.0

STAFF RECOMMENDATION:
Review and accept staff's revised version of the Adaptive Re-use Building Rehabilitation Program.

EXECUTIVE SUMMARY:
On June 11, 2024, staff from the Department of Public Works presented the guidelines of dormant Adaptive Re-use Building Rehabilitation Program as a way aid the conversation about assisting real estate project developers of older buildings. During the conversation, members of the City Commission expressed the following ideas and concerns:

- The commission was not in agreement but discussed making the program for buildings that were 50 years of age or more or historically eligible structures.
- Commission members expressed concern that there should be a requirement or a way to stipulate that the project developer cannot change the project from its initial intent.
- Commission members pondered-what is the purpose of the program? Is it for housing, renovation, general economic assistance?
- Commission members agreed that the program must be for rehabilitation only, no new builds on vacant land or new builds.
- The commission seemed to agree that the location of the program should be the Urban Renewal boundary.

The economic development staff was asked to revise the existing program to support the re-use or rehabilitation of older buildings. The newly revised Adaptive Re-use Building Rehab Program is a forgivable loan program instead of an outright grant program.

BACKGROUND:
In previous meetings, the City Commission has expressed a desire to aid real estate project developers of older buildings, especially within the community's historic areas, recognizing that Oregon City is Oregon's first established city. Consequently, there are many historical and old structures. The City Commission charged the City Manager to confer with other communities (with historic buildings) and evaluate how these cities managed SDC

assessments of their older structures. Not finding any other programs in other communities, staff presented the idea of revamping an older Oregon City program that was established in 2012.

On October 10, 2023, staff reported findings from outreach to 14 different agencies, including four specified by the City Commission. Staff conferred with Jacksonville, Astoria, Albany, and Ashland. Staff also considered previous work done by Financial Consulting Group, a consulting firm which has a regional understanding of utility rates and fee policies in an additional 12 cities. Staff also conducted a detailed review of Municipal SDC codes for 15 cities.

This research revealed that no cities provided an exemption to historic buildings. Instead, some cities provide "look backs" to dates prior to Oregon City's SDC credit calculation date (year 2000). In addition to these findings, it was revealed that the City of Corvallis exempts structures that were originally part of the original incorporated name, Marysville.

Other Funding Options (Adaptive or Build Reuse Grant)

During 2011-2016 Oregon City's Urban Renewal Commission (URC) created and utilized a program called the Adaptive Re-Use Building Rehabilitation Grant Program. During the last year of the program, the URC set aside $200,000 in program funding to encourage investment and upgrades to commercial property that would increase the value of existing commercial property.

On June 11, 2024, staff from the Department of Public Works presented the guidelines of the dormant Adaptive Re-use Building Rehabilitation Program as a way to aid the conversation about assisting real estate project developers of older buildings. During the conversation, members of the City Commission expressed the following ideas and concerns:

- The commission was not in agreement but discussed making the program for buildings that were 50 years of age or more eligible structures or historically eligible structures.
- Commission members expressed concern that there should be a requirement or a way to stipulate that the project developer cannot change the project from its initial intent.
- Commission members pondered-what is the purpose of the program? Is it for housing, renovation, general economic assistance?
- Commission members agreed that the program must be for rehabilitation only, no new builds on vacant land or new builds.
- The commission seemed to agree that the location of the program should be the Urban Renewal boundary.

The economic development staff was asked to revise the existing program to support the re-use or rehabilitation of older buildings.
The Adaptive Re-use Building Rehabilitation Program 2.0

DEFINITION

Adaptive Reuse: To make structural changes (internal and external) to re-institute the use of an existing building for a purpose other than what it was originally built or designed for.

Building Rehabilitation: To stabilize, restore and to modernize an existing building. Does not involve conducting maintenance work and/or making repairs.

The newly revised Adaptive Re-use Building Rehab Program 2.0 is a forgivable loan program instead of an outright grant program. The program will provide forgivable loans to for-profit businesses and commercial development investors and nonprofit organizations (under certain conditions) seeking to rehab existing buildings within the legal boundaries of Oregon City. If the proposed building rehab project has been completed and has been approved for occupancy, the loan will be converted into a grant.

The funding will remain a collateralized loan with amortized monthly payments under the following conditions:

- the project will not be completed within the time frame negotiated and/or
- the project has changed, contrary to the development agreement.

If program funding is promptly returned by the investor either through refinancing with another lender or the funding is simply returned by other means, the loan will be considered paid in full. Reassigning the project or flipping the project is permissible as long as the existing covenants of the initial development agreement remain intact, and the City Commission has approved the proposed new project reassignment. The City Manager, in his/her sole discretion, through project review/analysis and consultations will determine the project's funding status (remaining a loan or converting to a grant).

Included with this staff report are the following documents:

- the complete set of program guidelines, and
- a flow chart depicting the process of the newly proposed initiative, and
- a comparison of the revised program with that of the older program.

OPTIONS:

1. Review and approve staff's revised version of the Adaptive Re-use Building Rehabilitation Program.
2. Do not accept the staff's revised version of the Adaptive Re-use Building Rehabilitation Program and direct staff to offer another version.

ADAPTIVE REUSE BUILDING REHABILITATION PROGRAM 2.0
APPLICATION PROCESS AND REQUIREMENTS

I. DEFINITION

Adaptive Reuse: To make structural changes (internal and external) to reinstitute the use of an existing building for a purpose other than which it was originally built or designed for.

Building Rehabilitation: To stabilize, restore and to modernize an existing building. Does not involve conducting maintenance work and/or making repairs.

II. PROGRAM GOALS AND OBJECTIVES

Oregon City to set aside a total of $300,000 in an **Adaptive Reuse Building Rehab Program.** *(This program could be a model for the Urban Renewal Agency whereby by both entities could partner to fund the initiative*). The program will accomplish the following goals:

- encourage the reuse and/or rehabilitation of the existing older buildings within the city,
- enhance the local economy,
- enhance the safety factor of older buildings,
- increase the assessed value of eligible existing buildings, and
- support projects that actually come to fruition.

Through this initiative, Oregon City will accomplish the aforementioned goals by realizing the following objectives:

- reduce the number of underutilized older buildings within the community,
- broaden and increase the tax base, and
- retain jobs and/or create net new jobs.

III. GENERAL PROGRAM DESCRIPTION

The Adaptive Reuse Building Rehab Program will provide forgivable loans to for-profit businesses and commercial development investors and nonprofit organizations (under certain conditions) seeking to rehab existing buildings within the legal boundaries of Oregon City. If the proposed building rehab project has been completed and has been approved for occupancy, the loan will be converted into a grant.

The newly revised Adaptive Reuse Building Rehab Program is a forgivable loan program instead of an outright grant program. The program will provide forgivable loans to for-profit businesses and commercial development investors and nonprofit organizations (under certain conditions) seeking to rehab existing buildings within the legal boundaries of Oregon City. If the proposed building rehab project has been completed and has been approved for occupancy, the loan will be converted into a grant.

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The City Manager, in his/her sole discretion, through project review/analysis and consultations will determine the project's funding status (remaining a loan or converting to a grant).

IV. PROJECT ELIGIBILITY

Eligible projects include existing buildings that are at least 40 years old or more at time of application and are within the legal boundaries of Oregon City. Projects must be properly zoned for the uses being proposed and can demonstrate the ability to comply with the City's permit entitlement requirements.

Emphasis and priority are placed on rehabilitation projects that meet the goals of the program. Commercial mixed-use real estate projects are eligible projects. Commercial mixed-use projects include real estate that are a combination of retail, housing, office, repair/maintenance or wholesale distribution (not only warehouse storage).

The program is designed to provide funds to a limited number of small-scale rehabilitation projects (non-façade). Eligible project size will range from a minimum of $300,000 in total eligible project costs up to a total of $1,000,000 of such costs. Proposals will be reviewed depending on and subject to availability of program funding.

V. ELIGIBILE EXPENSES

The following expenses are eligible under this program (property owner, investor developer may choose which expense(s) to apply for):

- expenses relating to structural improvements and expansion;
- seismic upgrade and code improvements;
- hard cost facility upgrades such as new HVAC equipment, new sprinkler system infrastructure, installation of new electrical system, and other such hard cost upgrades (not repairs);
- property appraisal costs;
- system development charges (SDCs);
- other Oregon City permit fees;
- engineering and architectural fees;
- internal demolition; and
- addition and/or expansion of residential units of an existing eligible building, as long as the expenses are consistent with the rehabilitation and adaptive reuse of the building.

VI. INELIGIBLE EXPENSES AND CONDITIONS

The following are ineligible expenses and conditions under this program:

- Soft project costs including license fees, accounting/bookkeeping fees, insurance costs, taxes, penalty fees, other governmental jurisdiction permit fees and other such expenses.
- Administrative and/or managerial personnel-related costs, utilities, rents, insurance, penalty fees, finance-related costs and other such working capital-related expenses.
- Applicants receiving funding through this program within the last 12 months are not eligible to apply in the following fiscal year.
- Applicants that owe local, county, state, and/or federal taxes, city utility fees, permit fees are not eligible to apply.
- Applicants who are not in good standing with local, state, and/or federal agencies' business registration requirements are not eligible to apply.
- Nonprofit organizations are not eligible unless there is an agreement to pay local property taxes.
- Applicants involved in any legal proceedings that may impact on the ownership, financial performance and/or feasibility of the project are ineligible conditions.

VII. GRANT/LOAN TERMS AND CONDITIONS

Initially, funding is provided to eligible recipients as a loan up to 15% of eligible rehab costs or a maximum of up to $150,000 max. If the project does not come to fruition, the funding will remain a loan subject to the following terms and conditions:

1. Up to $150,000 max
2. Loan term up to 5 years
3. Simple interest rate of 20% monthly
4. Loan collateralized at 80% Loan-to-Value Ratio
5. Loan will not be subordinated to other investors
6. Under certain conditions, loan may take a shared or second position with financial institutions
7. No penalty for early repayment

VIII. APPLICATION CHECKLIST

1. Complete PROGRAM ELIGIBILTY APPLICATION with the following accompanying documentation
    a. Submit electronic copy(ies) of the application and supporting documents, except financial related documentation.
    b. Detailed written description of the scope of the project.
    c. Documentation of property ownership (including, but not limited to a deed of trust) or copy of lease. Lessees must have written authorization from the property owner
    d. Documentation on the legal form of the business that owns the project (LLC, Sub-chapter S, Sub-chapter C, LLP, partnership agreement, etc.)
    e. Copy of current Oregon City business license
    f. Photos of existing site and its current use

2. Complete FINANCIAL SUPPORT REQUEST Application
    a. Project budget showing ALL sources of funding/amounts and ALL uses of funding/amounts for the project (should include construction expenses, fees, permits, design costs, etc.)
    b. Financial pro-forma of the project documenting the net operating income, return on investment and if relevant, cap rate
    c. Financial Information on the project developer (business or corporate entity)
        - Past two years profit and loss statement of project developer
        - Current profit and loss statement of project developer
        - Projected profit and loss statement by month for 24 months
        - Balance sheets for past and current year of operation

      or

    d. Financial information on" individual" project developer
        - Personal Financial Statement
        - Two years Federal Income Tax Filing (current and previous year)
        - Financial pro forma of the project

IX. APPLICATIONS PERIOD

1. Applications are reviewed on a first-come, first-served basis. Incomplete and/or inaccurate applications shall lose their place in the queue to complete applications.

2. Once an application is received, expect a minimum of a 30-to-40-day review period.

X. APPLICATION PROCESS: "PROJECT OF INTEREST"

1. PROJECT ELIGIBILITY REVIEW and GRANT/LOAN APPLICATION REVIEW meeting with the Economic Development Manager

2. The City Commission conducts a "project of interest review" whereby the governing body express an interest in seeing the project move forward through the City's permit entitlement process because it meets the goals and objectives of the program. This does not constitute an approval of any funding assistance or approval of any permits.

XI. PERMIT ENTITLEMENT PROCESS

1. Planning Review/Approval Meeting
    a. Pre-application meeting with City Planning department. Information needed for the meeting, go to link: https://www.orcity.org/775/Pre-Application-Conference .

    b. If Type II Plan Review (Community Director renders the City's decision)
        i. Go to link: https://www.orcity.org/DocumentCenter/View/3596/Type-II-Process-PDF?bidId=
        ii. Submittal of a Land Use Application: https://www.orcity.org/DocumentCenter/View/2571/Land-Use-Application-Form-Fillable-PDF

c. If Type III Plan Review (The Planning Commission or Historic Review Board shall render City's decision)
   i. Go to link: https://www.orcity.org/DocumentCenter/View/3597/Type-III-Process-PDF?bidId=
   ii. Submittal of a Land Use Application: https://www.orcity.org/DocumentCenter/View/2571/Land-Use-Application-Form-Fillable-PDF

d. If Type IV Plan Review, include only quasi-judicial plan amendments and zone changes (The Planning Commission and City Commission shall render a decision)
   i. Go to Link: https://www.orcity.org/DocumentCenter/View/3598/Type-IV-Process-PDF?bidId=
   ii. Submittal of a Land Use Application: https://www.orcity.org/DocumentCenter/View/2571/Land-Use-Application-Form-Fillable-PDF

2. Building Department Permit
   a. Why is a building permit required: https://www.orcity.org/1401/Apply-for-a-Building-Permit
   b. Building permit instructions: https://www.orcity.org/DocumentCenter/View/7025/Submittal-Guidelines-and-Requirements-PDF-1
   c. Building permit application: https://www.orcity.org/DocumentCenter/View/7111/Building-Permit-Application-New-May-1-2023-PDF-1

3. Public Works Review
   a. Development & Engineering Requirements: https://www.orcity.org/742/Documents-Drawings-Forms-Permits
   b. SDC Charges: https://www.orcity.org/868/System-Development-Charges-SDCs

XII. CITY COMMISSION MEETING

a. Staff negotiates project development agreement
b. The City Commission reviews and approves the project's development agreement
c. Project moves for to the Loan Review Committee for credit analysis

XIII. FINANCIAL SUPPORT (FORGIVABLE LOAN)

1. Committee's loan review criteria:
   a. Applicants should have a minimum credit score of 700 (Equifax, TransUnion, Experian)
   b. Maximum debt to income ratio of 40% for individuals or businesses
   c. Minimum debt service coverage of 1.25:1 for businesses
   d. Minimum global Debt coverage ratios 1.25:1
   e. Value of collateral
   f. Co-signor not required but will enhance credit request
   g. No prior bankruptcies for individual or business

2. Loan Committee reviews the financial support request application
   a. Financial Support Request Application
   b. Conducts financial review of project and applicant
   c. Approves loan underwriting requirements
   d. Approves the loan

XIV. FUNDS DISBURSEMENT

1. Applicant receives loan funds.
2. Terms of the loan will commence if has been determined that the project is not going forward or if the project has changed relative to the conditions in the executed development agreement.
3. If the project is realized, i.e., it is in compliance with the development agreement and a certificate of occupancy is issued, the loan will be forgiven.

ADAPTIVE RE-USE BUILDING REHABILATION PROGAM

A Comparative between Old Program and Revised

Program Guideline Categories	Adaptive Re-use/Rehab	Adaptive Re-use/Rehab 2.0
Program Goal/Objectives	Improves the value of existing commercial property and supports the highest and best use of commercial property within the URC.	• Encourage the reuse and/or rehabilitation of the existing older buildings within the city, • Enhance the local economy, • Enhance the safety factor of older buildings, • Increase the assessed value of eligible existing buildings, and • Support projects that actually come to fruition.
Eligible Recipients	For-profit commercial-mixed use	• For Profit commercial mixed use • Nonprofit (under certain conditions)
Total Program Funding	$150,000	$300,000
Project Funding	$100,000 to $150,000 (max)	$45,000 to $150,000
Typing of Project Funding	Grant (Reimbursable)	Forgivable Loan
Eligible Expenses	• Design Services • Engineering & Architectural Fees • Permits • Other Fees • Historic Register Listing Expenses • Structural Improvements • Seismic Upgrades • Code Improvements • Facility Improvements • Internal Demolition • Additional Residential Units	• expenses relating to structural improvements and expansion; • seismic upgrade and code improvements; • hard cost facility upgrades such as new HVAC equipment, new sprinkler system infrastructure, installation of new electrical system, and other such hard cost upgrades (not repairs); • property appraisal costs;

	• Limited Expansion of Bldgs.	• system development charges (SDCs); • other Oregon City permit fees; • engineering and architectural fees; • internal demolition; and • addition and/or expansion of residential units of an existing eligible building
Program Guideline Categories	Adaptive Re-use/Rehab	Adaptive Re-use/Rehab 2.0
Project Evaluation Methodology	Program Scoring- • Level of Private Match • Addition of Residential Units • LEED Certification • Development Experience • Adds value based on ROI, Cap Rate, Pro forma	Program Scoring- • Age of building • Size of the project • Experience with building rehab projects • Job creation (net new jobs) and/or job retention • Type and quality of re-use/rehab project • Ability to execute permit entitlement requirements • Project benefit, impact, and quality
Evaluation Criteria	• Match (1:1) • Increases usable square feet • Development experience • Increase in property value by proforma, appraisal, econ analysis • Project benefit, impact, and quality	* Applicants should have a minimum credit score of 700 (Equifax, TransUnion, Experian) * Maximum debt to income ratio of 40% for individuals or businesses * Minimum debt service coverage of 1.25:1 for businesses * Minimum global Debt coverage ratios 1.25:1 * Value of collateral * Co-signor not required but will enhance credit request * No prior bankruptcies for individual or business

Adaptive Re-use Building Rehabilitation Program 2.0