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, May 21, 2013
5:30 pm
City Hall Council Chambers
313 Court Street
The Dalles, OR

1. CALL TO ORDER

2. ROLL CALL

3. PLEDGE OF ALLEGIANCE

4. APPROVAL OF AGENDA

5. APPROVAL OF MINUTES

   A. April 16, 2013

6. PUBLIC COMMENT (for items not on the agenda)

7. ACTION ITEM – Recommendations concerning amendments to the Interest Buy Down Program

8. ONGOING URBAN RENEWAL PROJECTS UPDATE

9. NEXT REGULARLY SCHEDULED URBAN RENEWAL ADVISORY COMMITTEE MEETING – June 19, 2013

10. ADJOURNMENT

DRAFT

Columbia Gateway Urban Renewal Agency Advisory Committee Meeting Minutes

Tuesday, April 16, 2013
5:30 p.m.

City Hall Council Chambers
313 Court Street
The Dalles, OR 97058
Conducted in a handicap accessible room.

CALL TO ORDER

Chair Zukin called the meeting to order at 5:30 p.m.

ROLL CALL

Members Present: Chris Zukin, Gary Grossman, Steve Kramer, Mike Zingg, Robin Miles, Linda Miller

Members Absent: Greg Weast, Jennifer Botts, Dick Elkins

Staff Present: City Manager Nolan Young, City Attorney Gene Parker, Administrative Fellow Garrett Chrostek, Administrative Secretary Carole Trautman

Also Present: Economic Development Specialist Dan Durow

PLEDGE OF ALLEGIANCE

Chair Zukin led the group in the Pledge of Allegiance.

APPROVAL OF AGENDA

It was moved by Grossman and seconded by Kramer to approve the agenda as submitted. The motion carried unanimously; Weast, Botts and Elkins were absent.

APPROVAL OF MINUTES

A. March 19, 2013 – It was moved by Grossman and seconded by Zingg to approve the minutes as submitted. The motion carried unanimously; Weast, Botts and Elkins were absent.

PUBLIC COMMENT

None.

ACTION ITEM – Recommendation Concerning the Granada Block Disposition and Development Agreement

City Attorney Parker introduced Michael Leash and Jason Pasternak, representatives for the Granada Block project development team. Parker distributed a revised Exhibit A-1, "Sketch of Project Site" of the Disposition and Development Agreement (DDA) to the committee members (copy enclosed), and presented highlights of the Staff Report. Parker noted that the completion deadline date for the Redevelopment Plan for Phase 1 (Section 2.8.1) was pushed back from August 15, 2015 to December 31, 2015 in order to allow more time for the developers to complete the construction of the hotel project.

Referring to DDA pages 39 and 10 subsection (c), Zingg asked if the Final Termination Date for the Phase 1 Option closing would be extended to December 31, 2014 if there were unavoidable delays. Zingg stated that the list of Conditions Precedent to Conveyance (DDA pages 6 and 7) was extensive and could potentially cause a maximum extension to the closing. Parker responded that the Unavoidable Delay clause in Section 8.10 (DDA page 26) pertained mostly to unforeseen situations (such as acts of God) and was separate from the Conditions Precedent to Conveyance. If those conveyance conditions were not agreed upon, the Final Termination Date, at most, would be December 31, 2013, and the Option would terminate itself, Parker stated. The outside date for the hotel construction completion would be December 31, 2015 unless there were unavoidable delays or other problems that were not anticipated, Parker said.

Regarding the terms of purchase dates, Grossman requested an explanation of the potential for separating the Granada Theater from the remainder of the Phase 1 parcels. Development team representative Michael Leash stated there was an upside from the business perspective to renovate and utilize the Granada ahead of the hotel development timeline. City Manager Young clarified that the DDA carried provisions that the Granada Theater, if purchased separately from the other Phase 1 parcels, would come back to the Agency in the event of a default (DDA page 8 (c)).

Chair Zukin asked why the final payment for the Granada was June of 2025. City Manager Young explained that this payment plan was patterned after the Commodore project which allowed the developers time to make the project successful before the payoff.

Development team representative Jason Pasternak reported that a Hilton Hotel representative was interested in developing the hotel site. The team was working on producing the financial packet, Mr. Pasternak stated, but archaeological issues had caused the capital community to be somewhat hesitant in committing until those issues were resolved. Pasternak assured the committee that the development team was working on parking plan changes to mitigate the archaeological issues. The current plan would exclude underground parking except for some spaces under the Recreation Building site only.

Eric Gleason, 704 Case Street, stated that he would need access to the rear of his First Street Chinese Laundry Building which was adjacent to the development site if a partial alley vacation was developed. City Manager Young stated that the City's intent was to vacate the alley up to the east end of Mr. Gleason's property, and the final design had not yet been determined. During construction, property owners would be notified in advance through the permitting process of any alley access disruptions. The City would attempt to keep such disruptions to a minimum, Young stated.

Mr. Gleason commented that the wording in Section 4.3.5 should be changed from "Downtown National District" to "National Historic Register District." Mr. Gleason suggested the Recreation should be renovated instead of demolished. City Manager Young stated that it was highly unlikely the Recreation would ever be renovated because it would not be cost effective.

Mr. Gleason suggested that the $50,000 of Urban Renewal funds designated for the demolition of the Blue Building should be designated for renovation, because he believed the Blue Building could be restored. City Manager Young stated that those Urban Renewal funds were targeted for the specific use of demolishing old buildings and replacing them with higher-valued buildings.

Gleason stated that the Granada Block was a spectacular archaeological site that had the potential of becoming a tourist attraction. Mr. Gleason also stated that the proposed grand arch entrance mentioned in Section 4.4.3 was a good idea. Regarding Phase II of the project, Gleason reminded the committee that it was also an archaeological site and should be considered as such since there were plans for underground parking at that site.

JC Penney store manager Debra Vosper, 3305 Columbia View Drive, stated she had concerns about the construction dust and the availability of employee parking during construction. City Manager Young responded that the City would work closely with developers and contractors to manage dust and parking issues. Ms. Vosper requested that property owners be notified in advance on any street closures.

It was moved by Grossman and seconded by Zingg to recommend approval of the Agreement for Disposition of Property for Redevelopment of Downtown Blocks and the Granada Theater, as presented, to the Urban Renewal Agency Board. The motion carried unanimously; Weast, Botts and Elkins were absent.

ONGOING URBAN RENEWAL PROJECTS

City Manager Young gave the following urban renewal updates:

- Archaeological testing was conducted at the Recreation Building. Two holes were bored, and there were some animal bones found. Archaeologists were drafting final reports.
- The City was working with the developers on the Recreation Demolition Permit.

City Manager Young reminded committee members that the City would, from time to time, update committee members through email correspondence rather than scheduling a meeting if no feedback was necessary from the committee members.

Chair Zukin adjourned the meeting at 6:31 p.m.

Respectfully submitted by Administrative Secretary Carole Trautman.

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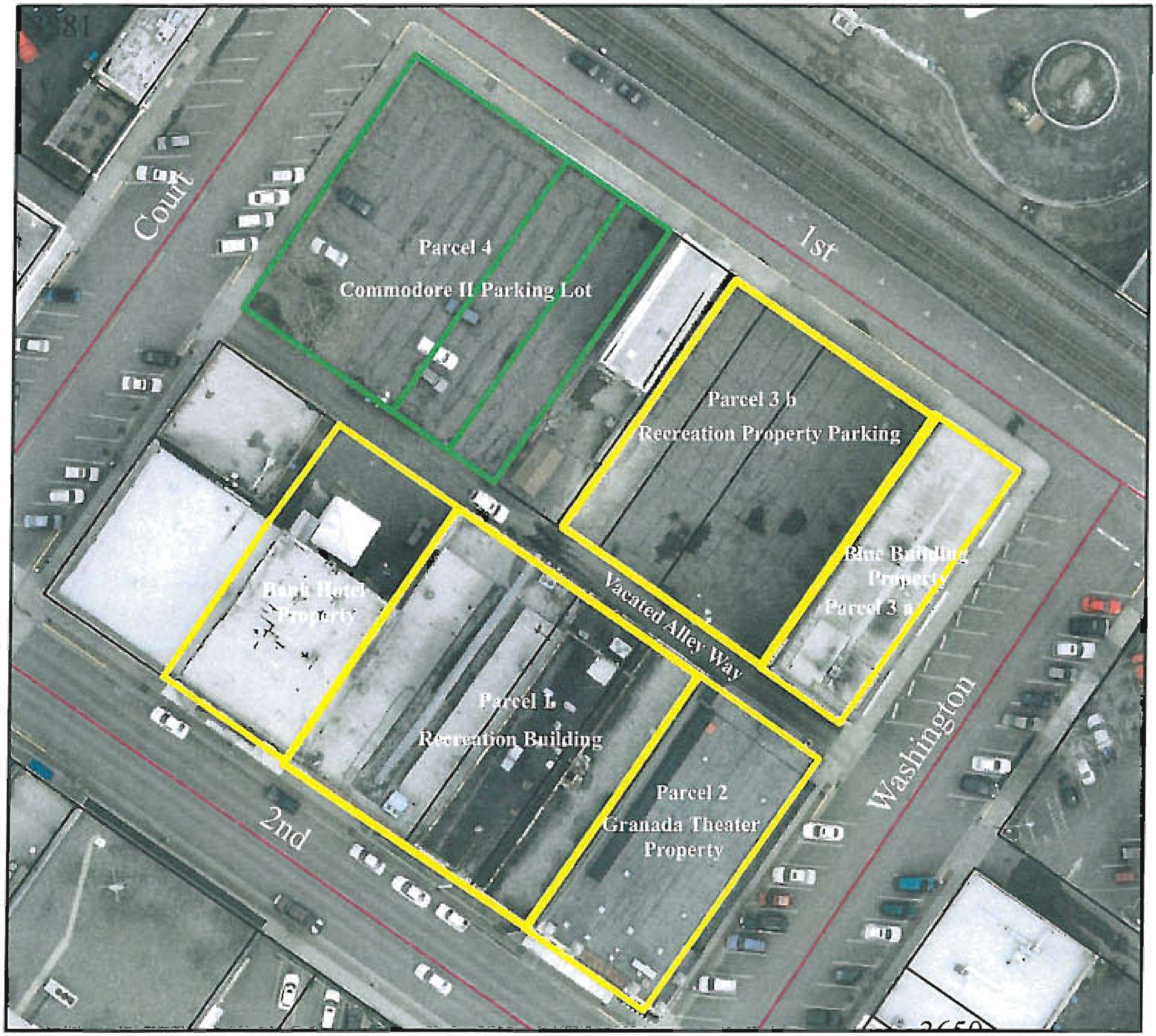
Chris Zukin, Chairman

EXHIBIT A-1
SKETCH OF PROJECT SITE



LEGEND

- Redevelopment Properties - Phase I
- Revelopment Properties - Phase II
- Tax Lots

0 15 30 60 90 120 Feet

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IMPROVING OUR COMMUNITY

COLUMBIA GATEWAY URBAN RENEWAL AGENCY

CITY OF THE DALLES

AGENDA STAFF REPORT

Columbia Gateway Urban Renewal
Agency Advisory Committee

MEETING DATE	AGENDA LOCATION	AGENDA REPORT #
May 21, 2013		

TO: Urban Renewal Advisory Committee

THRU: Nolan K. Young, City Manager NY

FROM: Garrett Chrostek, Administrative Fellow

DATE: May 13, 2013

ISSUE: Proposed Interest Buy Down Program Changes

PREVIOUS AGENDA REPORT NUMBERS: None.

BACKGROUND: One of the opportunities available within the Agency's Property Rehabilitation Grant and Loan Program is a loan interest buy down. Under existing program rules, the Urban Renewal Agency has discretion to subsidize up to twelve (12) percentage points worth of interest on property rehabilitation projects, with an emphasis on exterior work, within the Urban Renewal District. In practice, the Agency pays some or the entire interest portion of the applicant's monthly payment for a number of years determined by the Agency. Currently, there is no minimum or maximum loan principal amount to be eligible for the program and there is no cap on the total value of the buy-down. To date, five (5) loan interest buy-downs have been approved by the Agency:

Table I: Summary of Interest Buy Downs to Date

Recipient	Loan Principal	Interest Rate	FY 12/13 Monthly Value of Subsidy	FY 12/13 Annual Value of Subsidy	End Date	Total Value of Subsidy[1]	Total Value as % of Loan Principal
• Columbia Bank– MJG (2001)	$2,050,000	3.25% + 5 year T-bill	$ 3,655	$ 43,855	2015	$ 570,000	27.80%
• Sigman's (2002)	$ 106,000	9.5%	$ 858	$ 10,300	2012	$ 72,000	67.92%
• Canton Wok (2011)	$ 55,000	6.0%	$ 275	$ 3,300	2019	$ 18,000	32.73%
• Dong Xi (2010)	$ 104,000	7.0%	$ 620	$ 7,440	2019	$ 59,000	56.73%
• Gayer Building (2011)	$ 315,000	6.0%	$ 1,615	$ 19,380	2026	$ 163,000	51.75%
Total	$2,630,000	-	$ 7,023	$ 84,275	-	$ 882,000	-

Demand for this program is growing, and because the Agency has committed significant current and future monies to other projects in the Urban Renewal Plan, the available funding for this program in the future has limited ability for growth. In addition to the funds already committed to existing loan subsidies,[2] the FY 13/14 proposed budget only calls for fifty-six thousand eight hundred and eighty-five dollars ($56,885) for *new* projects for the entire Property Rehabilitation Grant and Loan Program, which includes Historic Design and Restoration Grants, Civic Improvement Grants, and Blighted Property Demolition Loans/Grants.

Given increased demand for Property Rehabilitation resources and budget limitations, Staff took a comprehensive review of the interest buy down program including investigating loan subsidy programs in other communities and consulting with commercial lending professionals. Specifically, Staff sought out technical changes to the existing program preserve incentives for property owners to invest in their properties while promoting fairness in the loan subsidies offered to applicants. Based on that review, Staff proposes the following changes to serve as guidelines for the Agency (or Staff if the loan is small enough to be approved administratively) in administering the interest subsidy program in the future:

1. Maximum interest rate eligibility
2. Mandatory interest rate shopping
3. A cap on the maximum total value of the loan subsidy
4. Provide the Agency the option of "buying points" on the loan
5. Obligatory refinancing
6. A limit on the life of the loan of ten (10) years, or the life of the agency, whichever is shorter
7. Lowering the threshold for Agency approval

1. **<u>Maximum Interest Rate Eligibility</u>:** The program's rules do not establish any minimum financial eligibility requirements. To filter out excessively risky loans, Staff proposes using

[1] Unadjusted for inflation or time-value
[2] A table showing Agency loan interest buy down commitments and forecasted resources is attached to this Agenda Staff Report.

the lesser of the Wall Street Journal ("WSJ") prime rate[3] plus 6 percentage points or 12% as the maximum interest rate eligible for a loan subsidy.

__Alternatives:__ **1. Recommend to the Agency Board that the maximum eligible interest rate for the program be the lower of WSJ Prime rate plus 6 points or 12% (Staff Recommendation).**

2. Recommend to the Agency Board to set the maximum eligible interest rate for the program at some other threshold.

3. Recommend to the Agency Board that there should continue to be no set maximum eligible interest rate for the program.

2. **Mandatory Interest Rate Shopping:** Applicants to the program are not required to demonstrate to the Agency that they shopped around for their loan. Staff proposes that the applicant obtain quotes from a minimum of three lending institutions prior to receiving final subsidy approval.

__Alternatives:__ **1. Recommend to the Agency Board that applicants be required to obtain quotes from a minimum of three lending institutions prior to receiving final subsidy approval (Staff Recommendation).**

2. Recommend to the Agency Board that applicants be required to obtain a different number of quotes prior to receiving final subsidy approval.

3. Recommend to the Agency Board that there should continue to be no requirement to obtain quotes from multiple lending institutions prior to receiving final subsidy approval.

3. **Cap on Maximum Value of Loan Subsidy:** Currently, there is no cap on the maximum value of the subsidy. A cap on the total value of the subsidy will establish expectations for applicants, ensure that Agency Resources are not consumed by one or two loans, and provide some assurance to the public that the agency is not playing favorites. The following are three potential methods for accomplishing this objective.

a. Percentage of Loan Principal—Regressive Structure

A goal of the Urban Renewal Agency has been to maximize the number of benefiting parties/properties. Accordingly, a regressive structure will keep the focus of the program and the majority of the benefit on small to mid-sized loans. Accordingly, an initial concept is setting the maximum total value of the loan subsidy as a percentage of the loan principal with the percentage declining as the amount of the loan principal increases. The following table depicts this structure along with the maximum nominal value of the subsidy, the effective APR, the interest rate that would produce an effective rate of 0% with the maximum nominal subsidy, and the average monthly savings for the upper limit of the intervals (i.e. $50,000, $100,000, $200,000, etc. in principal) for a 10-year loan on a standard payment plan. The absolute cap for the maximum nominal value of the buy-down would be three hundred thousand dollars ($300,000). Under this structure, the

[3] The WSJ prime rate, currently at 3.25%, is an index of the commercial loan rates of the 30 largest U.S. lending institutions.

Agency will have the capacity to award a loan interest subsidy that will enable the average commercial applicant to obtain a loan of fifty thousand dollars ($50,000) or less at an effective rate of zero percent (0%), given present market rates of between four (4%) and six percent (6%).

Table II: Cap on Maximum Value—Regressive Structure

Amount of Loan Principal	Max Value[4]	Nominal Max Value at Intervals[5]	Applicant's Average Monthly Savings[6]	Effective APR on a 7% Loan[7]	Rate for Effective Rate of 0%
1. <$50,000	35%	$17,500	$146	0.83%	6.30%
2. $50,001 to <$100,000	32%	$32,000	$267	1.41%	5.80%
3. $100,001 to <$200,000	29%	$58,000	$483	1.99%	5.29%
4. $200,001 to <$500,000	25%	$125,000	$1,042	2.72%	4.61%
5. $500,001 to <$1,000,000	19%	$190,000	$1,583	3.79%	3.56%
6. $1,000,001 to $1,750,000	13.5%	$236,250	$1,969	4.75%	2.57%
7. $1,750,001 to $3,000,000	8.75%	$262,500	$2,188	5.56%	1.69%
8. >$3,000,001	6%	Capped at $300,000	$2,500	6.02%[8]	1.19%[9]

b. Percentage of Estimated Future Property Taxes

The objective of Urban Renewal is to use public investment to produce a net increase in property tax revenue. Accordingly, a second method of capping the maximum value of the loan subsidy is on a net return on real property tax basis. More specifically, the maximum value of the loan could be capped as a percentage of the estimated future increase in real property taxes that will result from property rehabilitation through increased assessed real property values—thus yielding return on Agency investment.

To that end, Staff calculated estimated future tax revenues (inclusive of real property taxes dedicated to school districts, but not inclusive of special levies) for various levels of loan principal invested in rehabilitation. These calculations assume that the amount of principal invested in rehabilitating individual properties will result in a one-for-one dollar ($1:$1) increase in real market value. It also assumes that the assessed value will be seventy-seven percent (77%) of real market value (the current average ratio within the Urban Renewal District), and that assessed values will increase by two and one-half percent (2.5%) per year. Additionally, the figures in the following table assume that the life of the improvements will be twenty (20) years—prior redevelopment agreements have required

[4] Measured by the value of total interest payments as a percentage of loan principal
[5] Not accounting for inflation or time-value
[6] Savings based on a 10-year loan on a standard repayment plan with 0% down as compared to not receiving any subsidy.
[7] 10-year loan on standard repayment plan with 0% down
[8] Calculation based on $5,000,000 in loan principal
[9] Calculation based on $5,000,000 in loan principal

that any improvements made with URA funds have a usable life of twenty (20) years. Finally, the nominal max value was set at 88%[10] of estimated future real property taxes as a contingency and to yield return.

The results of these calculations determined that, when measured purely in terms of net return on real property taxes on an individual property, maximum values at or below 25.96% of the loan principal will allow the Agency to recoup its investment in future real property taxes. It should be noted that the Agency can exceed its expected return indirectly through increased assessed values on adjoining properties and increased investment in personal property and directly if the applicant also uses equity as part of the financing to complete the improvements.

Table III: Cap on Maximum Value—Property Tax Structure

Amount of Loan Principal	Max Value	Nominal Max Value at Intervals[11]	Applicant's Average Monthly Savings	Effective APR on a 7% Loan[12]	Rate for Effective Rate of 0%
1. <$50,000	25.96%	$12,982	$108	2.55%	4.77%
2. $50,001 to <$100,000	25.96%	$25,964	$216	2.55%	4.77%
3. $100,001 to <$200,000	25.96%	$51,927	$433	2.55%	4.77%
4. $200,001 to <$500,000	25.96%	$129,818	$1,082	2.55%	4.77%
5. $500,001 to <$1,000,000	25.96%	$259,636	$2,164	2.55%	4.77%
6. $1,000,001 to $1,750,000	25.96%	$454,363	$3,786	2.55%	4.77%
7. $1,750,001 to $3,000,000	25.96%	$778,908	$6,491	2.55%	4.77%
8. >$3,000,001	25.96%	$1,298,179[13]	$10,818	2.55%	4.77%

c. Hybrid

As a third option, the Agency could take a hybrid approach. Namely, the Agency could pursue a structure where the max value never exceeds the estimated future property taxes and decreases as the size on the loan principal increases. This hybrid structure could also include an absolute cap on the total value of any loan. The following is a table depicting this hybrid approach, which Staff prefers. Although the max value exceeds 25.96% for loans of less than $200,000, loans below 28% in max value still provide a net return on real property taxes if the 12% contingency is removed. Increasing the max value above 25.96% would also provide additional room for the Agency to incentivize smaller loans.

Table IV: Cap on Maximum Value—Hybrid Structure

[10] This methodology produces a very low annualized return (<0.5% per year for most loans). However, the Agency can exceed this return on real property taxes under four non-mutually exclusive scenarios: 1) offering the applicant less than the max value, 2) where the increase in property values exceeds the costs of improvements, 3) if annual property tax increases exceed 2.5% per year, and 4) if the improvements last for more than twenty years. The agency controls source 1, carefully selected projects should satisfy sources 2 and 3, and property tax increases are capped at three percent per year.

[11] Not accounting for inflation or time-value

[12] 10-year loan on standard repayment plan with 0% down

[13] Calculation based on $5,000,000 in loan principal

Amount of Loan Principal	Max Value[14]	Nominal Max Value at Intervals[15]	Applicant's Average Monthly Savings	Effective APR on a 7% Loan[16]	Rate for Effective Rate of 0%
1. <$50,000	28%	$14,000	$117	2.15%	5.14%
2. $50,001 to <$100,000	27%	$27,000	$225	2.35%	4.95%
3. $100,001 to <$200,000	26%	$52,000	$433	2.55%	4.77%
4. $200,001 to <$500,000	25%	$125,000	$1,042	2.72%	4.61%
5. $500,001 to <$1,000,000	23%	$230,000	$1,917	3.08%	4.26%
6. $1,000,001 to $1,750,000	20%	$350,000	$2,917	3.62%	3.74%
7. $1,750,001 to $3,000,000	19%	Capped at $400,000	$3,333	4.78%	2.54%
8. >$3,000,001	18%	Capped at $400,000	$3,333	5.68%[17]	1.55%[18]

<u>Alternatives:</u> **1. Recommend to the Agency Board that the maximum value of future loan interest buy downs be capped according to the hybrid formula depicted in Table IV (Staff Recommendation).**

2. Recommend to the Agency Board that the maximum value of future loan interest buy downs be capped according to some other formula.

3. Recommend to the Agency Board that there should continue to be no cap on the maximum value of loan interest buy downs.

4. **<u>Provide Agency the Option of "Buying Points"</u>:** Under the existing program, the Agency makes some or all of the applicant's monthly interest payment each month. This process avoids a major upfront expenditure by the Agency and allows the Agency to cut its losses if the applicant defaults. However, the current procedures add administrative expense to the Agency in tracking and processing monthly payments. Additionally, the Agency currently forgoes potential savings in "purchasing points" off the loan. Purchasing points refers to pre-paying interest upfront in exchange for a lower interest rate. This arrangement can result in net savings to the borrower when the loan is held for long enough that the savings in lower monthly payments exceeds the amount of the interest pre-payment. Purchasing points thus has the potential to more efficiently utilize Agency resources and to save the Agency administrative expense as buying points is a one-time transaction.

   The major risk in buying points is that the Agency's money is sunk early in the process, which reduces the Agency's leverage in ensuring the applicant applies the loan consistent with the terms of the rehabilitation program. If the applicant defaults, the Agency could lose its investment to the extent that the applicant's improvements, to date, do not cover future increases in property taxes. Accordingly, the Agency might wait until after the rehabilitation is complete before executing an option to buy points if it would be beneficial to the Agency.

[14] Measured by the value of total interest subsidy as a percentage of loan principal
[15] Not accounting for inflation or time-value
[16] 10-year loan on standard repayment plan with 0% down
[17] Calculation based on $5,000,000 in loan principal
[18] Calculation based on $5,000,000 in loan principal

Under Staff's proposal, if the Agency elects to purchase points, the Agency would spend the amount necessary to produce a savings equivalent to the value of the subsidy awarded by the Agency under the terms of the loan. In other words, if an applicant is awarded a $50,000 loan subsidy, the Agency would not purchase $50,000 in points, but would instead spend an amount on points that would result in $50,000 in savings to the applicant over the life of the loan.

<u>Alternatives:</u> **1. Recommend to the Agency Board that future loan interest buy down agreements include an option for the Agency to buy points on the loan (Staff Recommendation).**

2. Recommend to the Agency Board that the Agency not require an option to buy points on the loan.

5. **<u>Obligatory Refinancing</u>:** When the Agency is covering all of the applicant's interest payments, there is no incentive for the applicant to refinance. This can result in unnecessary expense to the Agency where sufficiently lower interest rates are available. As a condition of the loan subsidy, the Agency could obligate the applicant to refinance, at the Agency's expense, where it would produce adequate benefit to the Agency.

<u>Alternatives:</u> **1. Recommend to the Agency Board that applicants be subject to obligatory refinancing (Staff Recommendation).**

2. Recommend to the Agency Board that applicants not be subject to obligatory refinancing.

6. **<u>Cap on Time Limit for Interest Subsidy</u>:** The existing program rules do not establish a limit on the period of time that the interest subsidy may run. Rather, that is left to the discretion of the applicant and bank with ultimate approval by the Agency. While the cap on the maximum amount of value removes the advantage of stretching out the duration of the loan to capitalize on below-market interest rates, there is still some value in setting a time limit on the loan subsidy. Specifically, setting a shorter time limit reduces the amount of administrative time spent on any individual loan. Staff proposes the lesser of ten (10) years or the end of the life of the Urban Renewal Agency, which is currently projected at FY 2025/2026. If the Agency elects to buy points on a loan, a time limit cap would not be applicable.

<u>Alternatives:</u> **1. Recommend to the Agency Board that the time limit for the loan interest buy down be the lesser of 10 years or the end of the life of Urban Renewal Agency (Staff Recommendation).**

2. Recommend to the Agency Board that the time limit for the loan interest buy down be set at some other time limit.

3. Recommend to the Agency Board that there should continue to be no cap on the time limit of the loan interest buy down.

7. **<u>Adjusting Threshold for Agency Review</u>:** The current trigger for Advisory Committee and Agency Board review of a loan interest subsidy is fifteen thousand dollars ($15,000) in *annual value*. If the Board adopts the total value guidelines proposed above, the threshold for Advisory Committee and Board review might be adjusted to reflect those parameters. Specifically, Staff proposes that the Advisory Committee and Board review and approve any loan subsidies of more than $75,000 in *total value* over the course of the loan.

Alternatives: **1. Recommend to the Agency Board that all loan interest subsidies of $75,000 or more in total value be subject to review and approval by the Advisory Committee and Agency Board (Staff Recommendation).**

2. Recommend to the Agency Board that all loan interest subsidies of some other threshold be subject to review and approval by the Advisory Committee and Agency Board (Staff Recommendation).

3. Recommend to the Agency Board that threshold for review and approval by the Advisory Committee and Agency Board remain at $15,000 in annual value.

8. Loan Programs in Other Communities: Staff is unaware of any other Oregon communities that have an interest subsidy program of the type employed by the Agency. However, other Oregon communities do engage in direct subsidized (below-market rate) lending to businesses and properties within their respective Urban Renewal Districts. The following is a sample of those Oregon programs.

Lincoln City Property Rehabilitation Loan Program

The Program

- Loan Program for commercial properties in the Urban Renewal District
- Loan funds are subject to availability of annual funding
- Property owners must have 30% equity

Property Owners

- $75,000 maximum secured loan to property owners per property
- 0% interest rate
- Loan Processing and closing costs paid by borrower
- Ten -Year payback, fully amortized through monthly payments
- Up to 20 hours free design consultation (maximum $1200)

Business Owners

- $5,000 maximum personally guaranteed loan to business owners
- 0% interest rate and
- Loan Processing and closing costs paid by borrower
- Five-Year payback, fully amortized through monthly payments
- Up to 10 hours free design consultation (maximum $600)
- Funds can be used for structural and static building improvements, but must include facade improvements.

Redmond Restoration Loan Program

The Urban Renewal Board will provide a one-time loan of up to $50,000 for restoration, meeting architectural and historically compatible requirements in compliance with the 2006 Downtown Action Plan Architectural Design Standards. The loans are intended to assist the property owners to apply for a staggered interest loan on a 10 year incentive payback period with a potential accompanied small grant. It is expected that additional design work and detailed specifications will be required and included as part of the project that is funded by the loan and other funds.

The Urban Renewal Board will stagger interest rates on loans to pay for the restoration work according to the approved designs and the incentive payback period. In most cases, the effective rate for the borrower will be 0% for the first 2 years; 2% for years 3 to 5; and 4% for 6 to 10 years.

North Gateway (Salem) Loan Program

Loan Terms:

- Maximum Loan Amount $100,000
- Interest Rate: 3% fixed rate
- Term: 10 years fixed*
- Loan Fee: $500.00

*Length of term may be extended to 20 years in order to coincide with terms of primary lender where Urban Renewal Agency is in a second lien position.