

ADAPTIVE REUSE BUILDING REHABILITATION PROGRAM 2.0

APPLICATION PROCESS AND REQUIREMENTS

I. DEFINITION

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

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

II. PROGRAM GOALS AND OBJECTIVES

Overall, the Adaptive Reuse Building Rehabilitation Program is designed to encourage significant rehabilitation of existing older buildings that result in improving their value. The program will accomplish the following goals:

- encourage the reuse and/or rehabilitation of the existing older buildings within the urban renewal district,
- contribute to the economic vibrancy and pedestrian activism of the area,
- 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 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 seeking to rehab existing buildings within the legal boundaries of the Urban Renewal District. If the proposed building rehab project has been completed and has been approved for occupancy, the loan will be converted into a grant.

The initial funding instruments will be set up as a collateralized loan. If the project is not completed within the time frame negotiated or the project cannot be completed, or the project has changed contrary to the development agreement, the initial funding instruments and funding will remain in place as a loan. Amortized loan repayments will commence 60 days after it has been determined that the project is not in compliance with 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. Reassignment or flipping of a project is permissible as long as the completed project adheres to the terms of the existing covenants of the development agreement; the proposed new owner of the project has demonstrated financial stability; and the City Commission has approved the proposed new project reassignment.

The City Manager or his/her designee, in consultation with the City Commission will determine the project's funding status (remaining as a loan or converting to a grant).

An extension for project completion may be granted by the City Manager or his/her designee provided it has been determined that the causes that made the request necessary were beyond the control of the project developer.

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 the Urban Renewal District. 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 at least four goals of the program. There is a preference for commercial mixed-use real estate projects, but single use projects will also be considered if they meet at least four of the five program goals. Commercial mixed-use projects include real estate that are a combination of retail, housing, office, restaurant and/or entertainment venue.

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

V. ELIGIBLE EXPENSES

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

- expenses relating to 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),
- system development charges (SDCs),
- other Oregon City permit fees,
- engineering and architectural fees,
- interior demolition,
- exterior renovation, 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:

- Property appraisal costs.
- Projects that house repair/maintenance and wholesale distribution businesses would not be eligible to receive financial support under the 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.
- Projects receiving funding through this program within the last 12 months are not eligible to apply in the following fiscal year.
- Applicants that are delinquent in their local, county, state, and/or federal taxes, city utility fees, and permit fee obligations 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.
- 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

Funding is provided to eligible recipients as a loan up to 50% of eligible rehab costs or a maximum of up to \$125,000 max. A program-related loan review committee will examine each funding request with the mission to evaluate and mitigate the degree of risk to the funding organization.

The Adaptive Reuse Building Rehab Loan Review Committee may accept a subordinate position, except in the instance when SDC financing takes a first collateral position. Ultimately, the decision to take a subordinate position will be predicated on whether there is sufficient collateral remaining to protect the funding organization's investment.

Eligible recipients may obtain partial funding up to 50% of the approved loan amount with the remaining 50% to be disbursed upon an approved certificate of occupancy. If the project does not come to fruition as per the project agreement, the dispersed funding will remain a loan, subject to the following terms and conditions:

1. Up to \$125,000 max
2. Loan term up to 4 years
3. Simple interest rate of 20% annually
4. Loan collateralized at 80% Loan-to-Value Ratio
5. Loan may be subordinated to other funding sources, except SDC Financing
6. No penalty for early repayment

VIII. APPLICATION CHECKLIST

1. Complete PROGRAM ELIGIBILITY 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. Financial Review of Project Itself
 - i. 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.)
 - ii. Financial pro-forma of the project documenting the net operating income, return on investment and if relevant, cap rate
 - b. Financial Review of Business or Corporate Entity as the Project Developer
 - i. Past two years profit and loss statement of project developer (if applicable)
 - ii. Current profit and loss statement of project developer
 - iii. Projected profit and loss statement by month for 24 months
 - iv. Balance sheets for past and current year of operation
 - v. Other such financial information that may be necessary
 - c. Financial Review of Individual as Project Developer
 - i. Personal Financial Statement
 - ii. Two years Federal Income Tax Filing (current and previous year)
 - iii. Financial pro forma of the project
 - iv. Other such other financial information that may be necessary

IX. APPLICATION 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 expresses an interest in seeing the project move forward through the City’s permit 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 PROCESS

1. Planning Review/Approval Meeting
 - a. Contact the Planning Division at ocplanning@orcify.org or (503) 722-3789 for details.
 - b. Smaller projects may be eligible for planning approval through the Planning Division's expedited Type I Site Plan and Design Review process. Project types that can be reviewed as a Type I permit are listed in Oregon City Municipal Code [17.62.035.A](#).
 - c. If Type II Plan Review (Community Development Director renders the City’s decision)
 - i. Pre-application meeting with City Planning Division. Information needed for the meeting, go to link: <https://www.orcity.org/775/Pre-Application-Conference>
 - ii. Go to link: <https://www.orcity.org/DocumentCenter/View/3596/Type-II-Process-PDF?bidId=>
 - iii. Submittal of a Land Use Application:
<https://www.orcity.org/DocumentCenter/View/2571/Land-Use-Application-Form-Fillable-PDF>
 - d. If Type III Plan Review (The Planning Commission or Historic Review Board shall render City’s decision)
 - i. Pre-application meeting with City Planning Division. Information needed for the meeting, go to link: <https://www.orcity.org/775/Pre-Application-Conference> .
 - ii. Go to link: <https://www.orcity.org/DocumentCenter/View/3597/Type-III-Process-PDF?bidId=>
 - iii. Submittal of a Land Use Application:
<https://www.orcity.org/DocumentCenter/View/2571/Land-Use-Application-Form-Fillable-PDF>
 - e. 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. Pre-application meeting with City Planning Division. Information needed for the meeting, go to link: <https://www.orcity.org/775/Pre-Application-Conference> .
 - ii. Go to Link: <https://www.orcity.org/DocumentCenter/View/3598/Type-IV-Process-PDF?bidId=>
 - iii. Submittal of a Land Use Application:
<https://www.orcity.org/DocumentCenter/View/2571/Land-Use-Application-Form-Fillable-PDF>
2. Building Division 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 Development Services/Engineering 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 forward 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/Will take a 2nd position (if necessary)
 - f. Co-signor not required but will enhance credit request
 - g. No prior bankruptcies for individuals or business
- 2. Loan Committee reviews the financial support request application
The mission of this committee is to evaluate and mitigate the degree of risk associated with each funding request to the funding organization
 - a. Financial Support Application
 - b. Conducts financial review of project and applicant
 - c. Approves loan underwriting requirements
 - d. Approves the loan/grant

XIV. FUNDS DISBURSEMENT

- 1. Applicant receives 50% of loan/grant funds after financial review committee approval.
 - 2. Terms of the loan will commence if it 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, (noncompliant).
 - 3. If the project is noncompliant, the portion disbursed will remain a loan and payments will commence 60 days after noncompliance declaration.
 - 4. If the project is realized is in compliance with the development agreement and a certificate of occupancy is issued, the investor receives 100% of grant funding. Loan is forgiven.
-