

The Challenges of a Public/Private Partnership



Clackamas County Cities Dinner
Canby, Oregon October 26, 2017



The Vision Starts With Policy Makers

Policy makers (and staff) must be willing to take a longer view of the benefits and costs of a proposed project.



The Opportunity

The city built and moved in to its new Civic Building in October 2016.

This move left 5 buildings and 3/4th of the strategic city block downtown vacant and ripe for redevelopment.

The City Council wanted to maximize the property value, development potential and job creation at these locations.

The City owns the property and can be flexible and patient.

The Urban Renewal District has the mission, staff and resources to address redevelopment.

City of Canby Properties Available For Sale, Lease or Redevelopment



- ❶ Library: 292 N Holly St. 10,975 sf building on 0.26 acre lot
- ❷ Police Station: 122 N Holly St. 6,000 sf building on 0.14 acre lot
- ❸ Transit/Finance: 133 NW 2nd Ave. 1,950 sf building on 0.17 acre lot
- ❹ Development Services: 111 NW 2nd Ave 5,450 sf building on 0.13 acre lot
- ❺ City Hall / Council Chambers 170 NW 1st/182 N Holly on .23 acre lot

Whole Block Redevelopment Opportunity

The Civic Block Project

The Dahlia:

A \$12.5 million investment, 10,500 Square foot, four story building. 69 market rate apartment units, 8,036 SF retail space, 42 parking spaces and a courtyard. Offers luxury finishes, elevator access to all floors, an exercise room, and a lobby with a coffee bar and complimentary Wi-Fi.

Former City Hall:

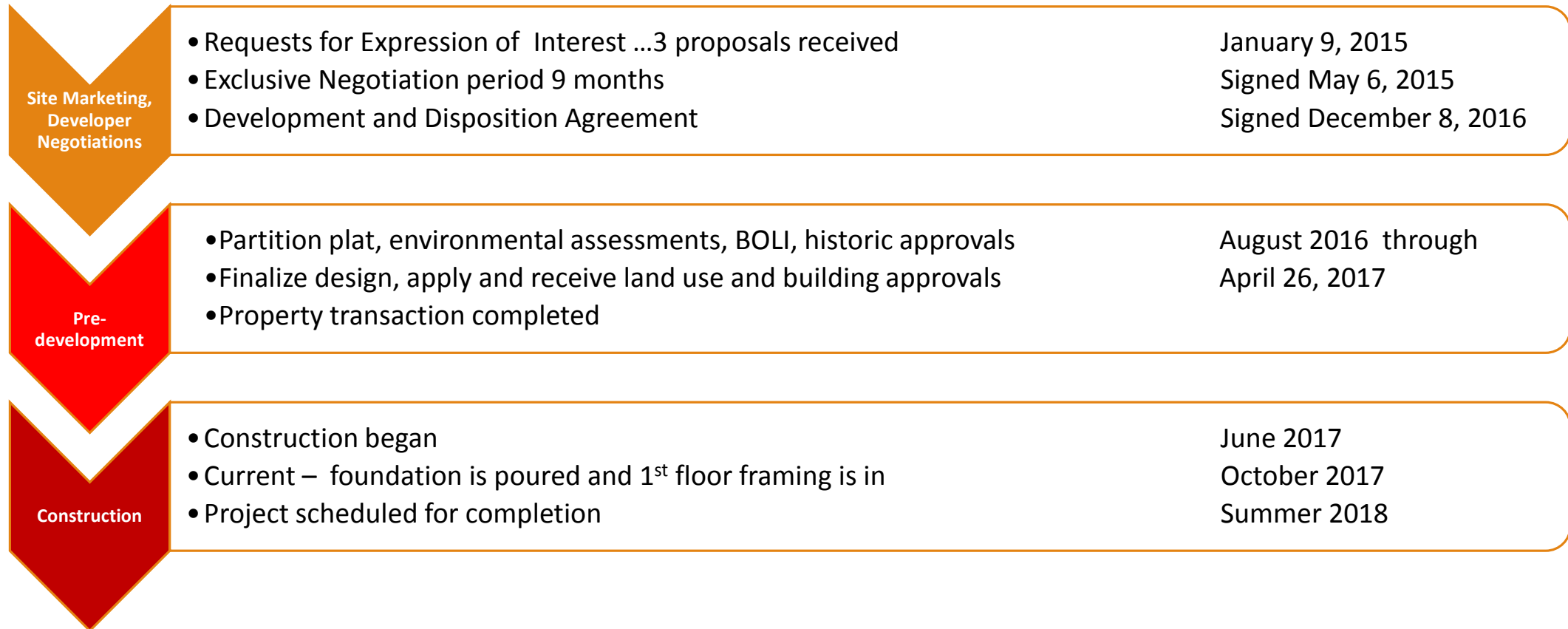
This landmark building is ready for complete renovation to historic standards for the right retail business. Constructed in 1937 as part of the President Roosevelt's Public Works Administration, Canby's red brick city hall building was designated a local historic landmark in 2016. The historic city hall building has outstanding potential to become a restaurant, retail space, or tasting room.

Former Police Department:

A 6,000 square foot single story building at a visible strategic corner will be renovated to meet needs of future tenants. Ideal for office or restaurant uses.



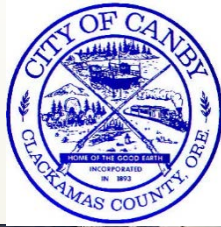
Project Timeline – a 3.5 year process



Development should Tie to a Larger Community Priority

- Vision must be strong enough to address negative perception of growth including:
 - Parking Requirements
 - Traffic Congestion
 - Increased Demand for Services





CANBY COMMUNITY VISIONING 2013



PRIORITY GAP: Integrate mixed use office and/or residential over retail and within Downtown zone.

ACTION STEPS

Encourage higher density residential development in and near the downtown core so more residents can walk to shops, restaurants, services and access bus service.

Encourage high quality development through flexibility and inducements in the zoning and development code

Launch proactive outreach efforts to quality developers and evaluate the potential of appropriate incentives to attract them.

Notes: Mixed use development is allowed in the adopted downtown plan and zoning ordinance. Many of the current downtown buildings are one story but new development can be encouraged to provide second stories and mixed use. Financing mixed use projects can be challenging for lenders. The Canby Revolving Loan program funds new construction and expansion, code related upgrades, internal retrofits, etc.

Meets Multiple Tests – **Community** / Economic / Political

- How does the community benefit?
 - Increased retail, professional & restaurant services.
 - Increase in taxable value of improved property.
 - More downtown housing.
 - Revitalize downtown.
 - Improve walkability.



Meets Multiple Tests – Community / **Economic** / Political

- If the City/Urban Renewal Agency is going to invest in the project, how do we define the economic benefit?
 - Increased property taxes to repay public investment.
(This ties back to willingness to take a longer view).
 - Urban Renewal Agency was needed to leverage property tax cash flow
 - Agency priority to do project without issuing new debt.
 - 11 year return on Agency investment
 - Demonstrate long term benefit to other taxing jurisdictions.
 - Difference between \$2.1 million in value as is and \$12.5 million in value with this new development.

Property Values and Tax Revenue Generated



Estimated Property Value if sold individually

2014 Appraised value of City Property (Excludes Estimated RMV of CUB property)	\$ 2,097,000
Total current est. RMV of tax exempt properties held for sale in proposed project	\$ 2,097,000
Est URA tax increment rev over 10 years assuming 3% growth in assessed value	\$ 348,457
Estimated annual general fund tax revenue in 2028:	\$ 8,357
Estimated annual tax revenue in 2028 for other taxing districts:	\$ 32,493

Estimated Property Value With Proposed Project Improvements

Estimated Property Value With Proposed Project Improvements		Difference
Estimated Project Private Investment	\$ 11,500,000	
Estimated City Contribution*	\$ 3,408,000	
Total Estimated RMV of proposed development **	\$ 12,500,000	\$ 10,403,000
Estimated URA tax increment revenue over 10 years***	\$ 1,142,415	\$ 793,958
Estimated annual general fund tax revenue in 2028:	\$ 49,814	\$ 41,457
Estimated annual tax revenue in 2028 for other taxing	\$ 183,947	\$ 151,454

* property (\$2,097,000) - SDC (\$611,000) - Contrib Capital (\$700,000)

** Used \$12.5 million as most conservative estimate for RMV - Actual Range is \$12.5 - 15 Million

*** Assumes 3% Annual Growth

Meets Multiple Tests – Community / Economic / Political

- How do we address political aspects of the proposed project?
 - Parking impacts
 - Traffic congestion
 - Retail competition
 - Other impacts
- How do we share information about the project?
 - Public presentations
 - Media updates



Parking Summary

Total Parking Spaces available:
140

Onsite:
43

Adjacent to block
43

1st Avenue parking lot:
17

Across Street From Development
37

Working with the Developer Limited Partner – or Adversary?

- Requires an atmosphere of trust between public and private partners
- Recognition that partners will have common and competing priorities

Developers Perspective and Role



- Must demonstrate that the project can be profitable and meets market demand to investors and to the public agency.
- Assembles a professional team to finance, design and construct the project.
- Funds early stage development costs out of pocket.
- Values flexibility and responsiveness from public partners.
- Wants a smooth land use / building approval process.
- Prefers that the city take the lead in public relations.

City Perspective and Role



- Must define a public benefit equal to or greater than the initial public investment and long term impacts of the development.
- Wants a catalytic mixed use development to support Canby's Downtown.
- Goal is to return public lands to the tax rolls, creates jobs and brings new investment.
- Strategic housing placement to improve downtown walkability.
- Increased space to support retail/commercial/ restaurant businesses.
- Demonstrate feasibility of mixed use and downtown housing in an untested Canby market.
- Raise the bar on design and new construction

City Contributions

Staff identified ways to leverage common goals/priorities so that competing priorities won't lead to adversarial outcomes.

- Contributed land and underwrote Systems Development Charges.
- Pursued BOLI determination letter to help reduce construction labor costs.
- Vertical Housing Tax Credit – 10 year property tax abatement for 60% of the project.
- Applied for State Historic Preservation Demolition clearance
- Applied for \$60,000 grant to funding environmental assessment and removal.
- Led communications about the project – website, press releases, groundbreaking ceremony, community meetings, etc.
- Are pursuing a quiet zone for Canby's downtown.

In Summary

- Identify Agency Requirements
- Identify Developer Requirements
- Partner in areas of mutual benefit
- Problem solve in areas of conflict
- Develop a path forward
- Celebrate successes
- Work collaboratively to address challenges

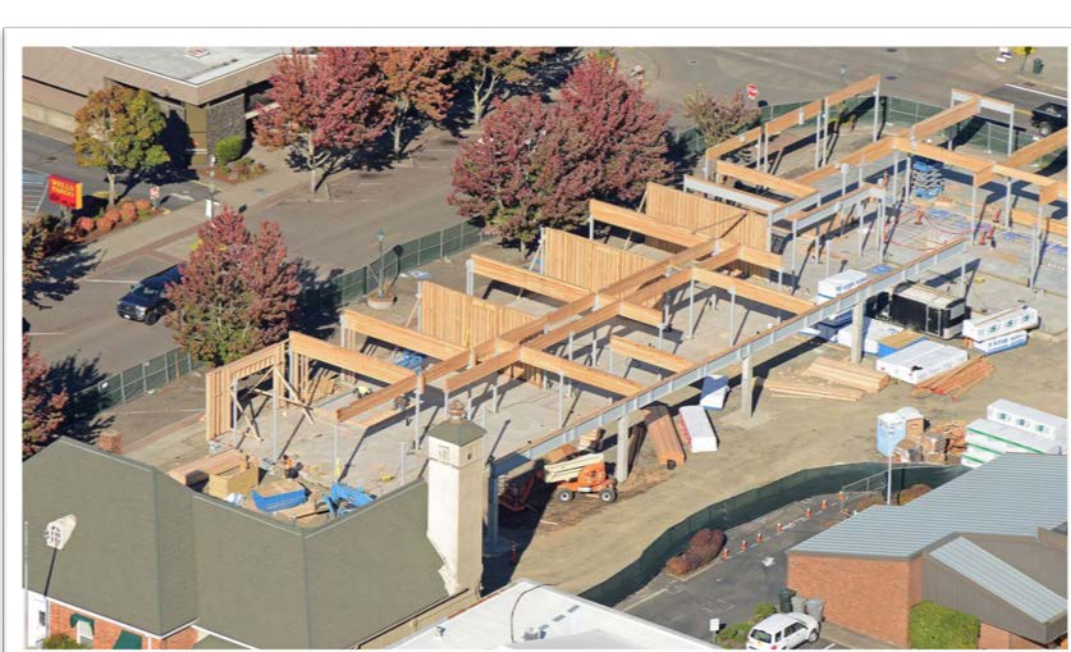
Canby Civic Block Before



Canby Civic Block Groundbreaking



Canby Civic Block Today



Canby Civic Block – Future Dahlia Development



Questions?