ATTACHMENT A

Old LCC Building
Project Summary

The Old LCC Building is at 1059 Willamette Street, across from the Lane Transit District Bus Station. It is owned by Lane Community College; the College vacated the building in 2013 when it opened its new Downtown Campus at 10th Avenue and Olive Street. The Old LCC Building comprises 66,000 square feet and has three floors with a full basement. It is currently vacant and would require extensive repairs to make it suitable for use. The building originally housed a department store.

LCC is currently assessing interest in the building, to identify potential redevelopment opportunities. There is an emerging concept that would transform the building into a multi-tenant hub that would support the technology and arts communities. Redevelopment ideas are currently targeting activities that would contribute to and support the entrepreneurial ecosystem anchored by RAIN Eugene, the regional accelerator and innovation network.

Old LCC Building in its current state

The structure is large enough to house an 'innovation hub' with maker space, wet labs, and other equipment that could be an art/tech incubator. Redeveloping the building into an incubator space will benefit the downtown and community.

- Investing in the physical appearance of the building will enhance the vitality of the downtown. For example, adding windows and other architectural enhancements will enhance the physical appearance of the block.
- Providing affordable incubator space for early-stage creative industries will create new economic opportunities for residents of the community.
- By creating a dynamic public space, it will stimulate additional public and private investment in the surrounding area.

An incubator space would advance multiple goals of the Regional Prosperity Economic Development Plan:

- Grow local opportunities
- Energize a creative economy
- Invest in tomorrow's talent

LCC is collaborating with the City, RAIN, Lane County, and others to create a concept that will benefit the community in the long term. A key goal is to transform a large, vacant building into an active use, contributing to downtown vitality and economic prosperity.

An example of co-working incubator space

<u>CITY ACTION</u>
Help LCC redevelop and activate the vacant facility, which could include building improvements that are currently estimated between $2 million to $6 million. Improvements could include tenant improvements, seismic upgrade, updating building systems, façade improvements, and technology.

The following packages assume a City/Agency contribution of one-half of the total project costs: A = $1M, B = $2M, C = $3M. These amounts were used in both the urban renewal funding strategy and the alternative to urban renewal funding strategy presented on March 14.

<u>NEXT STEP</u>
Work with LCC and other parties on redevelopment plan for the building.

ATTACHMENT B

Summary of Old LCC Building Funding Options

Funding Type	Description	Summary of Advantages/Disadvantages
City of Eugene		
General Fund	The General Fund is the largest fund used to account for discretionary expenditures and revenues. Public safety represents 55% of total General Fund spending, followed by culture and leisure, central business functions, and infrastructure and planning.	Fund is flexible and relies upon stable revenue sources, primarily property taxes. Use of General Funds is at the discretion of City Council. While the fund has stabilized post-recession, there are still insufficient resources to sustainably fund existing services.
General Obligation Bond	A debt instrument that allows the City to raise additional revenues for specific purposes by getting voter approval to raise property taxes to repay debt.	This would require voter approval of a new tax levy. There are significant federal and state law restrictions on using bond funds for a public-private partnership.
Local Option Property Tax Levy	Time-limited new revenue source. Can be used for capital projects with a maximum levy life of 10 years.	This is another familiar funding mechanism. Requires voter approval. Falls under the Measure 5 tax rate cap.
Full Faith & Credit (FF&C) Bonds	FF&C bonds are not a way to pay for a project; rather, they are one of several ways that can be employed to ensure that funds to be used to pay for a project are available when needed to pay for project expenses. FF&C are bonds that are backed by the City's promise to repay the debt from any available sources. Typically, this is done for revenue streams that do not have a strong history or that have a high level of uncertainty around the ability to repay the debt over time. In order for the lender to feel comfortable with the likelihood of getting repaid, the City's General Fund has to provide backing for the bonds.	By themselves, FF&C bonds are not a way to pay for a project. They are a way to take a dedicated stream of dollars and turn that stream into an upfront payment for a larger project. The key to a successful FF&C bond is to identify a reliable payment stream. FF&C bonds do not require a public vote.
High-Speed Fiber	City could provide high-speed fiber to the building.	Building is within the downtown fiber plan area. Funding for the implementation of the plan has not yet been finalized.
Brownfields Assessment Grant	City has applied to extend a grant from Environmental Protection Agency (EPA) for brownfield assessments. If the EPA awards the grant, it could fund an assessment of hazardous materials.	The grant is competitive. Total assessment costs would likely be less than $20,000.
SDC Financing	Systems Development Charges (SDCs) are impact fees that are generally collected when expansion, new development, or an intensification of use occurs on property served by City infrastructure. SDCs may be paid in installments over a period not to exceed ten years. The interest rate, per annum, on the unpaid SDC fees is the prime rate plus 2%. The property owner(s) incurs the SDCs and the City will secure a lien on the property to be developed for any unpaid balance of the SDCs and interest thereon. Other security in lieu of lien may be acceptable.	Private lenders funding the project may not allow standard lien docket filing for the SDC financing, which would necessitate alternative collateral. Alternative collateral could include subordinated position on the real estate. Depending on end use, SDCs may not be a significant cost.

Funding Type	Description	Summary of Advantages/Disadvantages
HUD Section 108 Loan Guarantee	Federal program where City can borrow up to five times the CDBG allocation for CDBG eligible project. Future CDBG allocation used as secondary repayment source. Each activity assisted with Section 108 loan guarantees must meet one of the CDBG Program's three National Objectives: 1) Benefit low and moderate income persons; 2) Prevent or eliminate slums or blight; or 3) Address imminent threats and urgent community needs.	By itself, a HUD Section 108 Loan Guarantee is not a way to pay for a project. It is a way to take a dedicated stream of dollars and turn that stream into an upfront payment for a larger project. Section 108 related expenses can be higher than other types of borrowing that the City could utilize that would also have fewer restrictions/reporting requirements. When the City used Section 108 in the past, it was in combination with a BEDI grant of $2 million that offset the added expenses.
Business Development Fund	The BDF provides assistance to new and existing businesses, via the federal Community Development Block Grant program, to create jobs and stimulate private sector investment.	Loan amount limited based on number of jobs that will be created and program funds available. Best used for working capital and equipment purchases. Utilizing funds for acquisition/construction, would require long lead time and significant additional federal requirements.
City Tenancy	To help meet the bank's percent preleasing requirement for important development projects, the City has occupied and guaranteed square footage of office space (example: Woolworth Building).	City tenancy would depend on having available City functions in currently leased space that could move into the new space. If the cost of tenancy is more than the existing lease cost, a funding source would need to be identified to pay those higher costs. For the Woolworth Building, that funding source was the General Fund.
Parking	The City works with downtown businesses to provide parking options, including validated parking and bulk permit purchases. The primary parking options are in six large City public parking structures that account for over 2,500 parking spaces in the downtown core.	Providing onsite parking is not required by code in the downtown parking exempt zone. However, parking can be a key aspect for project success in securing financing and attracting tenants and customers.
Urban Renewal Agency		
Extend Existing Downtown Urban Renewal Plan and District	The Downtown Urban Renewal District currently receives a portion of property taxes collected by various taxing jurisdictions. The only remaining capital project currently authorized in the Plan is for improvements to the Park Blocks for the Farmers' Market. Existing tax increment funding is expected to end in winter of 2016.	The District receives approximately $2 million annually. An urban renewal project must be located in the boundary of the district and be included as a project in the plan. The Old LCC Building is within the boundary of the Downtown Urban Renewal District. The current Downtown Urban Renewal plan would need to be amended by council to extend this funding source. A plan amendment requires significant public process and a lengthy timeline. There is risk that the plan amendment ordinance would not be supported by overlapping taxing districts or would be referred by voters. For larger funding efforts, this could provide significant funding without raising taxes.
Terminate Existing Urban Renewal Plan and District	Termination of the Downtown District would result in tax increment dollars being returned to overlapping taxing districts, including the City's General Fund. There could be both a one-time deposit of existing funds remaining in the Downtown District accounts, as well as ongoing tax revenues at termination.	Current estimates of the amount to be returned to the City of Eugene annually would be approximately $1 million. This would be consistent with the council's intent in 2010 to terminate the district at the end of the projects identified at that time. This would reduce the funds available to the City for downtown projects by approximately $1 million per year (half).

Funding Type	Description	Summary of Advantages/Disadvantages
Downtown Revitalization Loan Program	The DRLP is a flexible financing program designed to i) encourage investments within the Downtown Urban Renewal District that contribute to the economic vibrancy and density goals for downtown and ii) be responsive to unique redevelopment opportunities, downtown redevelopment challenges, and individual project financing needs.	Amount of funds available is limited based on program activity. Requires repayment source and collateral.
State or Federal Sources		
State or Federal Grants	Possible source for improvements, depending on the project.	Grants can be uncertain in terms of timing and amount. No specific grant has been identified for this project at this time.
Tax-Exempt Financing *(if the ultimate property owner is a non-profit)*	The Oregon Facilities Authority helps non-profits of all sizes secure low-cost financing to remodel, expand, construct, or purchase new facilities, through the use of tax-exempt conduit revenue bonds. (If LCC retains ownership, tax-exempt bonds would be an option.)	Project must meet stringent federal and state requirements, as well as go through OFA application process. Oregon does not guarantee repayment. The bonds must be repaid by the loan payments made by the nonprofit.
Other Funds		
New Market Tax Credits	The program allows investors to receive credits against federal income taxes for making qualified equity investments. The funds are used to support business by offering loans with favorable terms and conditions.	Investments must meet specific criteria to qualify. Eligibility of the Old LCC Building for the program will depend on the final redevelopment plan and ownership strategy. The program is administratively complex and is best used for large development projects.
Tenant-Paid Tenant Improvements	Depending on end use, the tenants of the building would pay for a portion of tenant improvements.	This would reduce the overall cost, but it may limit ability of the project to accommodate non-traditional tenants (startups or in emerging fields, such as art startups) that are not eligible for conventional lending to contribute to tenant improvements.
Property Owner	Require building owner to contribute funds.	A private developer would typically contribute some portion of the project dollars. This could be in the form of cash or in-kind contribution.
Private Donations	Community members contribute to a capital campaign to fund particular features in the project.	Could build community enthusiasm for the project, if there was a notable public feature included. Would take significant effort to develop the campaign; uncertainty about ability to raise the funds could delay project.

ATTACHMENT C

Downtown Redevelopment Tools

Below is a short description of downtown redevelopments tools that were used for past projects and that were considered along with new tools before arriving at the "possible funding options" for each of the four downtown improvement projects. (See Attachment B for the potential Old LCC Building funding sources.) Some of these are tools that the City used to fund a City share of the project; some of them are tools that the City or other entities would offer to a private developer. The first three categories are City of Eugene, Downtown Urban Renewal, and Riverfront Urban Renewal. The tools that were utilized in the past and are not available are listed at the end.

City of Eugene

- General Fund
  The General Fund is the largest fund used to account for discretionary expenditures and revenues. Public safety represents 55% of total General Fund spending, followed by culture and leisure, central business functions, and infrastructure and planning.

- Borrowed Funds
  - General Obligation Bond Financing
    Voter approved General Obligation bonds could be used for public capital improvements that meet constitutional and statutory requirements. A property tax levy would be used to repay the bonds. (Examples: City Hall, Fire Station #1, Hult Center)
  - HUD Section 108 Loan Guarantee Program
    By itself, a HUD Section 108 Loan Guarantee is not a way to pay for a project. It is a way to take a dedicated stream of dollars and turn that stream into an upfront payment for a larger project. Federal program where City can borrow up to five times the Community Development Block Grant (CDBG) allocation for CDBG eligible project. Future CDBG allocation used as secondary repayment source. Each activity assisted with Section 108 loan guarantees must meet one of the CDBG Program's three National Objectives: 1) Benefit low and moderate income persons; 2) Prevent or eliminate slums or blight; or 3) Address imminent threats and urgent community needs. This was used for the Broadway Commerce Center project in combination with a BEDI grant of $2 million, which covered the Section 108 related expenses. BEDI is not currently available. (Example: Broadway Commerce Center construction financing.)
  - Full Faith & Credit or Revenue Bonds
    Bonds are not a way to pay for a project; rather, they are one of several ways that can be employed to ensure that funds to be used to pay for a project are available when needed to pay for project expenses. Revenue bonds are backed by a strong, proven stream of revenues from a revenue-producing project, without other guarantees. FF&C are bonds that are backed by the City's promise to repay the debt from any available sources. Typically, this is done for revenue streams that do not have a strong history or that have a high level of uncertainty around the ability to repay the debt over time. In order for the lender to feel comfortable with the likelihood of getting repaid, the City's General Fund has to provide backing for the bonds. (Examples: FF&C bonds used for Atrium Building, Downtown Library, Broadway Garages.)

- Parking
  Providing onsite parking is not required by code in the downtown parking exempt zone. However, parking can be a key aspect for project success in securing financing and attracting tenants and customers. The City works with downtown businesses to provide parking options, including validated parking and bulk permit purchases. The primary parking options are in six large City public parking structures that account for over 2,500 parking spaces in the downtown core. To support desired retail activity, the City has provided favorable lease terms for retail spaces within the parking garages. (Examples: public private partnership for development of Broadway Place and the garages, Fertilab's occupancy of retail space in the Parcade.)

- SDC Financing
  Systems Development Charges (SDCs) are impact fees that are generally collected when expansion, new development, or an intensification of use occurs on property served by City infrastructure. SDCs may be paid in installments over a period not to exceed ten years. The interest rate on the unpaid SDC fees is the prime rate plus 2%. The property owner(s) incurs the SDCs and the City will secure a lien on the property to be developed for any unpaid balance of the SDCs and interest. Other security in lieu of lien may be acceptable. (Examples: First on Broadway, Park Place Apartments.)

- Telecom Registration / Licensing Fund
  The Telecom Fund accounts for revenues and expenditures associated with the City's 2% business privilege tax imposed on providers of telecommunications services in Eugene. (Example: Broadband Pilot Project that connected high-speed fiber to the Broadway Commerce Center and Woolworth Building.)

- Downtown Service District
  Fees paid by downtown property owners to provide special services within the district, primarily public safety services via the Downtown Guides.

- Code Amendments
  As part of Envision Eugene, City Council has initiated code amendments to facilitate desired mixed use development for downtown and along transit corridors. The purpose of these amendments is to make changes and clarifications to the land use code (Eugene Code Chapter 9) that will help increase desired density and mixed uses and implement strategies identified through Envision Eugene as well as the Eugene Downtown Plan. (Examples: code amendments were necessary to support the development of the Inn at the 5th and the Northwest Community Credit Union.)

- Alley Vacation
  The alley vacation process is a formal land use process used to facilitate land assembly and redevelopment. (Examples: the site for Lane Community College Downtown Campus on 10th Avenue and the Whole Foods Market on Broadway.)

- City Loans to Developers
  - Business Development Fund
    The BDF provides loans to new and existing businesses, via the federal CDBG program, to create jobs and stimulate private sector investment. (Examples: Broadway Metro formerly Bijou Metro, Noisette Pastry Kitchen, Avant Assessment.)

  - Housing Rehabilitation Fund
    The HRF is a revolving loan fund created with CDBG funds. The HRF generates $400,000 per year in program income, which is made available for low-interest loans for rehabilitation of rental and homeownership units for low-income persons. This is a critical resource to maintain the existing housing units available to low-income persons. (Example: 1057 Charnelton Street.)

- Affordable Housing Development Tools
  Housing Development programs includes funding for acquisitions, new development construction, rehabilitation, and project-related soft costs incurred by the jurisdictions. Eugene awards funds in this category through an annual Housing RFP. Subsidies for development include land, HOME Investment Partnership Program funds, system development charge waivers, and property tax exemptions. Regulatory incentives include density bonuses and reduction of parking requirements. Projects receiving funds include small developments for special need populations as well as medium sized affordable housing development. Projects may also utilize State provided Low-Income Housing Tax Credits. (Example: West Town on 8th and Aurora.)

- Environmental Protection Agency / Brownfields Assessment Grant
  City has access to grant funds from EPA for brownfield assessments. (Example: 942 Olive.)

- City Tenancy
  To help meet the bank's percent preleasing requirement for important redevelopment projects, the City has occupied and guarantee square footage of office space. (Example: Woolworth Building.)

- Property Tax Exemptions

  Tax exemptions support desired outcomes like job creation and housing development. However, tax exemptions do not provide a source of funds for desired projects. For example, the Multiple-Unit Property Tax Exemption (MUPTE) or the Vertical Housing Tax Exemption both support housing downtown, although neither provides a source for paying expenses like SDCs/permits or site preparation.

  - Multi-Unit Property Tax Exemption

    MUPTE is an incentive program to encourage high quality, multi-unit downtown housing. The ten-year exemption is enabled by state law; each project must be approved by the Eugene City Council. Both rental housing and multi-unit housing for home ownership are eligible; student housing is ineligible. The commercial portion of a project is eligible for an exemption if deemed a public benefit by City Council. Projects must be within an area generally bounded by Charnelton Street, 11th Avenue, Hilyard Street, the Willamette River, and Shelton McMurphy Boulevard. (Examples: Tate, Broadway Place, First on Broadway.)

  - Low-income Rental Housing Property Tax Exemption (LIRPTE) & Low-Income Housing Property Tax Exemption (LITE)

    Both LITE and the 20 year LIRPTE are enabled by state statute. A LITE provides an annual exemption for properties that are used for the purposes of a nonprofit corporation. This housing is not required to be rental housing. For more information, refer to Eugene City Code 2.910-2.922.The LIRPTE provides a 20-year exemption for properties constructed after February 12, 1990 and is offered for rent or held for the purpose of developing low-income rental housing. An applicant requesting a 20-year exemption is not required to be a nonprofit in certain instances. For more information, refer to Eugene City Code 2.937-2.940. Since 1990, LIRPTE has benefited 1,168 affordable housing units. (Examples: West Town on 8th, Aurora.)

- Private funds

  Funds from property owners, businesses, investors, community members, conventional lenders to fund particular aspects of project. (Example: Reopening Broadway to vehicle traffic.)

Downtown Urban Renewal Agency

- Downtown Urban Renewal Funds

  The Downtown Urban Renewal District currently receives a portion of property taxes collected by various taxing jurisdictions. Eligible uses of funds are described in the Downtown Urban Renewal Plan. Prior uses have included land assembly (e.g. for the Hult Center and RAIN at 942 Olive) and public facilities (e.g. library and LCC). The only remaining capital project currently authorized in the Plan is for $500,000 of improvements to the Park Blocks for the Farmers' Market. (Examples: $25M library, $8M LCC downtown campus plus contributed land valued at $1.6M.)

- Downtown Revitalization Loan Program

  The DRLP is a flexible financing program designed to i) encourage investments within the Downtown Urban Renewal District that contribute to the economic vibrancy and density goals for downtown and ii) be responsive to unique redevelopment opportunities, downtown redevelopment challenges, and individual project financing needs. (Examples: the McDonald Theatre, the Jazz Station, Oregon Contemporary Theater, Davis Restaurant, Shoe-A-Holic, Harlequin Beads, the Barn Light, Sizzle Pie, First National Tap House, First on Broadway, Red Wagon Creamery, Party Downtown, Broadway Commerce Center, Off the Waffle, Woolworth Building, Cowfish, and Brenner's Furniture.)

Riverfront Urban Renewal Agency

- Riverfront Urban Renewal Funds

  The Riverfront Urban Renewal District currently receives a portion of property taxes collected by various taxing jurisdictions. Eligible uses of funds are described in the Riverfront Urban Renewal Plan. (Examples: Wayne Morse Federal Courthouse land assembly, Northwest Community Credit Union, and road improvements.)

- Riverfront Renewal Loan Program

  River Loans is a revolving loan program designed to encourage capital investment within the Riverfront Urban Renewal District. The primary goal of River Loans is to provide funding assistance to projects that meet the goals and objectives of the following planning documents: Riverfront Urban Renewal District Plan, EWEB Riverfront Master Plan, and the Eugene Downtown Plan. River Loans are designed to be flexible and responsive to unique redevelopment opportunities, specific redevelopment challenges, and specific individual project financing needs of the Riverfront area. River Loans are designed to encourage the following types of development: private, non-profit, mixed-use, and public/private partnerships. River Loans are funded through Urban Renewal District program revenue (i.e., non-tax increment dollars).

Redevelopment Tools Used In the Past and Not Available

- BEDI Grant
  The Brownfields Economic Development Initiative federal grant was awarded to the City in 2005, one of 11 cities chosen that year. Used in conjunction with the HUD Section 108 Loan Guarantee Program, the BEDI funds minimize the potential loss of future CDBG allocations. (See above for description of Section 108.) Each activity assisted with Section 108 loan guarantees and BEDI funds must meet one of the CDBG Program's three National Objectives: 1) Benefit low and moderate income persons; 2) Prevent or eliminate slums or blight; or 3) Address imminent threats and urgent community needs. The City used the Section 108 and BEDI funds for the Broadway Commerce Center. No BEDI funds were appropriated in 2015 by the Federal government; no awards have been made since 2010.

- Recovery Zone Bonds
  The American Recovery and Reinvestment Act of 2009 (ARRA) created several new types of tax-exempt bonds and qualified tax credit bonds under the Internal Revenue Code. The City received an allocation from the Federal government of *Recovery Zone Facility Bonds* of $11,083,000. The bonds may be used by private companies to access tax-exempt financing. Up to $8 million of Recovery Zone Facility Bonds were utilized for the Woolworth Building on Willamette Street between Broadway and 10th Avenue. The remainder of the bonds were waived due to the limited duration and reallocated by the state. The City received a *Recovery Zone Economic Development Bonds* allocation of $7,389,000 from the Federal government. These bonds would provide a lower interest rate on borrowing for certain projects by public entities used by the end of calendar year 2010. As the City did not have any projects that would benefit from them, Lane Community College LCC used them in financing for the student housing portion of the Downtown Campus project.

- EECBG
  Through the 2009 American Recovery and Reinvestment Act (Recovery Act), the U.S. Department of Energy's (DOE's) Energy Efficiency and Conservation Block Grant (EECBG) Program provided funds in block grants to cities, communities, states, U.S. territories, and Indian tribes to develop, promote, implement, and manage energy efficiency and conservation projects that ultimately created jobs. The City received EECBG funds in 2009 for business retro-fits and utilized them in the Broadway Commerce Center financing package for energy efficiency in the newly rehabilitated building.