

July 19, 2016

Eric Underwood
City of Oregon City
625 Center Street
P. O. Box 3040
Oregon City, Oregon 97045

Re: Adaptive Reuse/Building Rehabilitation Grant Program

Dear Mr. Underwood,

Thank you for your consideration of the building located at 503 Main Street for the Adaptive Reuse/Building Rehabilitation Program. This building sits at the corner of the most highly trafficked intersection on Main Street. It is one of the few Main Street façades one sees when traveling on Hwy 99E, and is directly across from the proposed development at the former Blue Heron Paper Mill. This building will be both the first and last impression one will have as they reminisce about The Mill.

Currently this end of Main Street lacks much in the way of vibrancy during the day. The surrounding businesses contribute to the economy, but not to the vitality of the street scape. This end of Main Street lacks a business or a draw that invites users to come participate or stay in the urban landscape. The proposed business has an operational storefront in the Singer Hill Cafe which it will leave open. They currently have a positive synergy between the coffee/café and gift shop and want to create a similar experience for patrons in this specific part of downtown. The business currently has 1.5 FTE employees. They have calculated that they will need to open with 5 FTE and move to 7 in December. After the New Year, they will need to reassess staffing based on historical data.

Though this business does not anticipate heavy staffing they do spur on the local economy in other ways. They currently purchase products from over 100 vendors, predominantly local artists and small businesses, located in the Pacific Northwest. Their coffee business would function similarly, for example, milk will be purchased locally from Lady-Lane Farm in Mulino. The Owner is deeply invested in the community and consistently pursues creative ways to contribute to the local economy and its people. For instance, they are

currently pursuing a relationship with Parrot Creek Child and Family Services that will provide young men who have been referred by the Oregon Youth Authority and statewide Juvenile Departments to rejoin the community, the opportunity to attend a series of barista trainings that would provide job training and experience on a resume upon leaving residential treatment.

In addition to 1,670 square feet of retail and coffee shop, there will be approximately 555 square feet of office on the second floor. This office will initially be Owner occupied; however, the building is designed so that it may be divided to accommodate approximately 800 square feet of office space utilized by separate tenant(s) while the coffee and retail remain open. This would be an additional job creation of approximately 4 FTE.

The building renovation will open the interior of the building to the street. The newly proposed windows are not an addition to the exterior, but rather a function of creating habitable interior space. Tables and chairs are pushed to the building edge to bring life to the building. Merchandise on display is pushed to the visceral edges, islands and interior walls. The center of the building remains flexible. Tables for dining can be moved to accommodate rows of seats for monthly book clubs or lectures. This business provides something that is not present on this end of Main Street, a reason to be there before 4:00pm.

Where can one with children go to visit with friends on a rainy day? Oregon City has surprisingly few businesses with indoor options. In addition to light refreshments, coffee, books and gifts they will have a play area for children. This area, located near a community table, will serve as a venue for social and public interaction. The proposed alterations for the building are simple, but dramatic.

Years of deferred maintenance has left the building tired and ready for improvements. All interior finishes as well as mechanical, electrical and plumbing systems must be replaced. The building will be stripped down to its concrete structure and some existing wood framing. The remainder of the structure has also surpassed its usable life span. Moisture is entering through leaks in the roof and failure in the stucco façade on the building's south side. The entirety of the building will undergo a significant renovation to make it habitable once again.

The mural painted on the south wall is iconic in its own right, but it is seeing serious failures. Due to improper sealing, the mural is delaminating from the concrete and plywood canvas it was painted on. Large portions of the center of the mural have buckled and spalled. To preserve the building, the design team is suggesting removal of the stucco and EFIS exterior finish, so that the cracking in the concrete can be patched and the building's façade can be sealed from moisture intrusion.

These renovations will also include restrooms, a trash enclosure, and improvements to the mechanical/electrical room, main dining room and bar locations. This shall include restoration of the double height interior building volume. Two layers of false ceilings shall be removed to expose the original wood structure. Nearly all the glazing in the building has been removed. Excluding one storefront window, the building currently faces inward and disregards its prominent location. The windows will be reopened to make this a viable retail location.

This building currently sits vacant, and has done so for nearly two years. Deferred maintenance has taken its toll on this structure. Improvements are required to reinvigorate and bring economic viability to the building. These improvements are expected to bring significant value. Retail lease rates in the area approach \$24 NNN, but this is too aggressive an assumption for this location. The target rent will be \$18/NNN (\$3,200 monthly income). Based on 2,125 leasable square feet in the building and a market cap rate of 6.5%, the value would increase to \$580,000. This is a significant rise from its current assessed/ market value of \$91,454. A 6.5% cap rate is low for a speculative office building but reasonable for an owner occupied building.

This business can serve as a convenient starting point for those venturing on to tour The Mill, or in a few years, creating a draw for those who have experienced the new Mill development, enticing them to cross over to the north side of Hwy 99E. Despite the new store's relatively close proximity to the original location, the Owner believes this new location will draw a disparate crowd, including the surrounding business owners, teens for the book club they plan to start and families looking for an inviting place to enjoy a dreary Oregon afternoon.

The middle and north ends of Main Street have seen great success from renovations that have benefitted from grant programs such as this. The south end of downtown has yet to be revitalized, and its time has come. This building is the bridge to Main Street for the future Mill development, an essential component to success for the entire urban renewal district.

We hope you will partner with us in the renewing of this Oregon City landmark and in paving the way to a cohesive future for the Mill development and our currently thriving Main Street.

Sincerely,



Derek Metson, AIA, NCARB

Principal

Project Name: The White Rabbit
Property Address: 1973 Shadow Wood Dr, West Linn OR
Project Number: 4020-16
Amt. Disbursed: \$ -
Builder (if not borrower): TBD
Completion % (by \$): 0
Draws Completed:

Appraised Value:	TBD
Construction Cost:	\$337,609.65
Building cost:	\$270,000.00
Loan Amount:	\$280,586.33
Total Project:	\$607,609.65
Loan to Value:	46.18%
Owners Equity:	\$175,000.00
Max. Matching Grant:	\$152,023.33
	\$150,000 max

TOTALS			
Contingency Costs	\$16,077	\$ 16,076.65	\$ -
Interest Reserve		\$ -	\$ -
Loan Fee	\$3,500	\$ 3,500.00	\$ -
Title Costs	\$1,753	\$ 1,753.00	\$ -
Other Costs	\$3,000	\$ 3,000.00	\$ -
Appraisal (POC)	\$500	\$ 500.00	\$ -
Sub-Total Loan Costs	\$8,253	\$ 8,753.00	\$ -
Insurance	\$700	\$ 700.00	\$ -
Architect	\$15,500	\$ 15,500.00	\$ -
Permits	\$7,400	\$ 7,400.00	\$ -
Bonds	\$0	\$ -	\$ -
Survey	\$0	\$ -	\$ -
Sub-Total Soft Costs	\$23,600	\$ 23,600.00	\$ -
Excavation/Fill/Grading	\$0	\$ -	\$ -
Utility Hook-ups	\$60	\$ 60.00	\$ -
Utility Costs	\$150	\$ 150.00	\$ -
Sub-Total Site Prep	\$210	\$ 210.00	\$ -
Foundation	\$0	\$ -	\$ -
Concrete Slab	\$0	\$ -	\$ -
Trusses	\$0	\$ -	\$ -
Demolition	\$32,740	\$ 32,740.00	\$ -
Rough Framing, ins. & drywall	\$20,872	\$ 20,872.00	\$ -
Rough Plumbing	\$17,232	\$ 17,232.00	\$ -
Rough Electrical	\$25,000	\$ 25,000.00	\$ -
HVAC	\$0	\$ -	\$ -
Siding	\$56,341	\$ 56,341.00	\$ -
Roofing	\$21,000	\$ 21,000.00	\$ -
Sub-Total Rough-In	\$173,185	\$ 173,185.00	\$ -
Windows	\$9,200	\$ 9,200.00	\$ -
Insulation	\$0	\$ -	\$ -
Custom Bar	\$8,200	\$ 8,200.00	\$ -
Doors/Trim	\$3,200	\$ 3,200.00	\$ -
Cabinetry	\$23,800	\$ 23,800.00	\$ -
Asbestos Removal	\$25,700	\$ 25,700.00	\$ -
Tub/Showers	\$200	\$ 200.00	\$ -
low voltage	\$400	\$ 400.00	\$ -
Kitchen Finishes	\$0	\$ -	\$ -
Bathroom Finishes	\$600	\$ 600.00	\$ -
Carpet	\$0	\$ -	\$ -
Hardwood	\$0	\$ -	\$ -
Other Flooring	\$15,975	\$ 15,975.00	\$ -
Appliances	\$8,200	\$ 8,200.00	\$ -
Interior Paint	\$14,000	\$ 14,000.00	\$ -
skylight	\$2,000	\$ 2,000.00	\$ -
Other Fixtures	\$0	\$ -	\$ -
Bathroom Fixtures	\$500	\$ 500.00	\$ -
Fire Suppression	\$0	\$ -	\$ -
Sub-Total Finishing	\$111,975	\$ 111,975.00	\$ -
Exterior Paint	\$3,700	\$ 3,700.00	\$ -
Awning	\$10	\$ 10.00	\$ -
Deck	\$0	\$ -	\$ -
Landscaping	\$0	\$ -	\$ -
Dump/Clean/Finish	\$0	\$ -	\$ -
Construction Labor	\$0	\$ -	\$ -
Portable Toilet	\$600	\$ 600.00	\$ -
Sub-Total Ext/Jobsite	\$4,310	\$ 4,310.00	\$ -
Builder Profit	\$0		
Totals Const Costs	\$337,610		
Building Costs	\$270,000		
Total Project Costs	\$607,610		
Matching Grant			
Applicable Construction Costs	\$304,047		
Maximum Matching Grant	\$152,023		

