Main Street Revitalization

Meeting with Downtown Merchants

13 March 2017

CITY OF JOHN DAY

Overview

- John Day is an Affiliate Member of the Oregon Main Street Network
- City is eligible to apply for **Main Street Revitalization Grant**
- Awards up to $100,000 for purchase, construction or rehabilitation
- Grant funds dispersed on a reimbursable basis
- Application **due on March 17**
- Notification on May 5
- Fund must be expended by 2020

Establishing priorities

Timeline:

- Notified by merchants interested in applying in late February
- Initial meeting held Thursday, March 2nd
- Second meeting held Monday, March 6th

Options discussed:

- Improved parking (not in scope, but we'll do it separately)
- Façade improvements
- Structural improvements
- Building renovation

Renovation of building @ 131 W Main Street

- Built 1895
- 4 Commercial Leased Spaces
- 1 Occupied apartment
- 11,294 square feet
  - Main floor = 5,627
  - Second floor = 5,667
- Lot size = 12,632 square feet
- List price $299,000
- Days on market = 840

Business case analysis

Real Market Value (RMV) today

Land = $58,530 (tax lots 2401 and 2600)

Improvements = $187,220

Current RMV = $247,750

Restored RMV

4 Apartments @ 1,250 sq. ft. (2 bdr, 2 bath) = $118,600 each

4 Commercial Spaces @ 1,250 sq. ft. = $75,000 each

Future RMV = $774,200

Initial capital outlay by City

Purchase price $247,750

<u>Less Revitalization Grant $100,000</u>

Net purchase price = $147,750

Working capital

Future RMV $774,200

<u>Less Acquisition Cost $147,750</u>

Restoration budget = $626,450

Additional funding needed = $2.08M

Cost to fully restore: $240 sq. ft.
Cost to build new: $300-350 sq. ft.

Full-scale restoration (non-prioritized improvements)

- Structural integrity assessment
- Code compliance
- Architectural design / structural engineering services
- Foundation, framing, floor and roof replacement / repair as needed
- Infill and separating walls between tenants
- Façade improvements
- Improve business signage
- Redesign interior apartments
- Build-to-suit commercial space
- Improved rear parking / expansion
- Redesign building access
- Relocate utility meters/sub-metering
- HVAC / Electric / Water improvements
- Relocate current tenants during renovation
- Legal fees and associated costs of redevelopment

Interior photos (1 of 4)

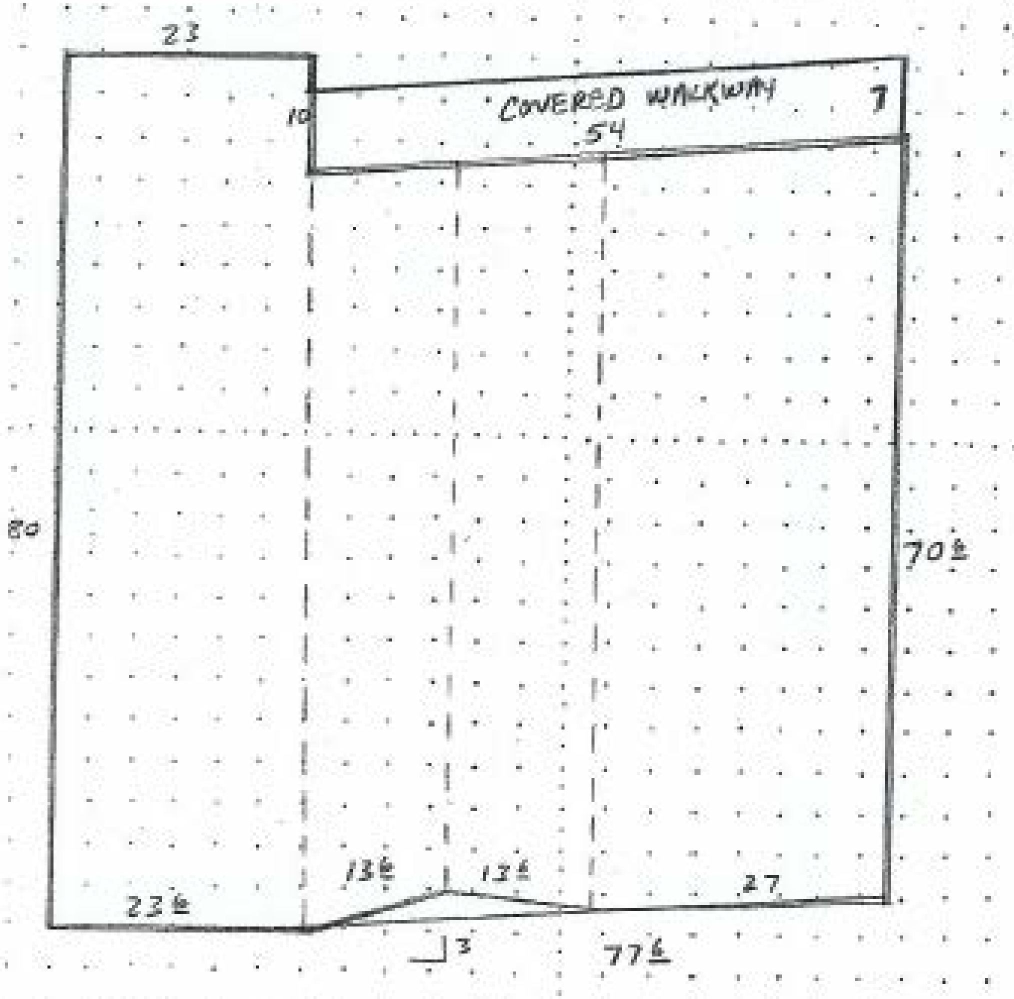
Interior photos (2 of 4)

Interior photos (3 of 4)

Interior photos (4 of 4)

BUILDING DIAGRAM

Account No. 15S3166BA -6401 " 1161



MAIN FLOOR - 5627
2ND FLOOR - 5667

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Proposed design features

Main floor

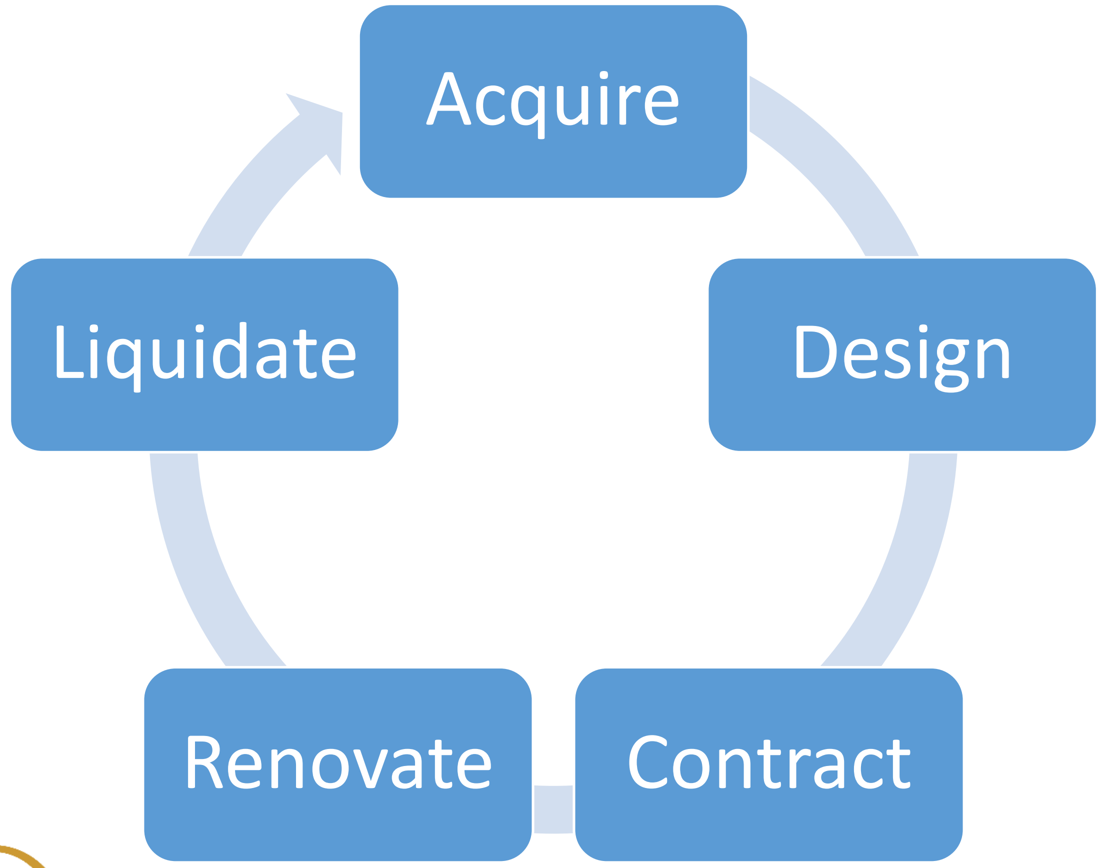
- 4x Commercial spaces apx. 1,200 square feet each
- Improved storage / restrooms / utility rooms
- Improve windows / energy efficiency / lighting
- Standard dimensions
- Relocate 2nd floor access to rear
- Straighten storefronts
- New look (mountain chic)

Second floor

- Condos built for families / roommates (2 to 2.5 bath)
- Open floor plans
- Central hallway for all tenants
- Improved lighting
- Energy efficient appliances / windows
- Stylish design
- Affordable price point for renters and landlords

Perpetual reinvestment business model

- City arranges for financing using multiple funding sources (Federal, State and Local) and acquires property
- Architect and Engineer plan and design the renovation
- Solicits construction services under Public Contracting Code – buying local when possible
- Relocates commercial tenants with 2-year lease agreement; option to buy
- Sells residential properties at market rates; commercial within 2-years of completion



Future acquisitions / other community development options

- Expansion and Renovation of other Downtown Merchants
- 741 W Main (8,000 sq. ft. Mixed Use)
- 250 E Main (5363 sq. ft. Motel)
- 521 West Main (3600 sq. ft. Mixed Use)
- Residential housing / land development (off main street)

Internal Rate of Return

$$NPV = \sum_{t=1}^{T} \frac{C_t}{(1+r)^t} - C_o$$

C_t = net cash inflow during the period t
C_o= total initial investment costs
r = discount rate, and
t = number of time periods

- IRR is a metric used in capital budgeting measuring the profitability of potential investments
- IRR is a discount rate that makes the net present value (NPV) of all cash flows from a particular project equal to zero
- Assuming a 5-year net cash flow at current rental rates ($500/mo./commercial tenant and $750/mo./residential) and a cost of capital of 5%)

5-year revenue projected = $260,000

IRR = -46% = run away!

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Why should the City consider this?

Reasons to invest

- City has access to **outside capital**
- **Profitability gap** makes private sector investment unlikely (high risk in declining market)
- City benefits from **property tax** and **population increase**
- **Stimulates investment** in Main Street businesses
- **Boosts economy** through local contracts, materials

Reasons to run away

- There are **no risk free investments**
- **Structural repairs** may exceed project budget
- **Lack of support** from the community and business owners would be counter-productive
- **City becomes landlord** if units don’t sell
- Resources become **overextended**
- **Lack of political will** to undertake large scale re-development

Next steps

- Consensus from local business owners to proceed (March 13th)
- Present to City Council (March 14th)
- Submit application (March 17th)
- Conduct feasibility assessment (April)
- Notice of award (May 5)
- Decision to accept award
- Establish project timeline for relocating current tenants
- Begin design (Fall 2017)
- Construction (2018)