



AGENDA

ASTORIA DEVELOPMENT COMMISSION

June 15, 2015

**Immediately Follows City Council Meeting
2nd Floor Council Chambers
1095 Duane Street · Astoria OR 97103**

- 1. CALL TO ORDER**
- 2. ROLL CALL**
- 3. REPORTS OF COMMISSIONERS**
- 4. CHANGES TO AGENDA**
- 5. CONSENT CALENDAR**
The items on the Consent Calendar are considered routine and will be adopted by one motion unless a member of the Astoria Development Commission requests to have any item considered separately. Members of the Community may have an item removed if they contact the City Manager by 5:00 p.m. the day of the meeting.
- 6. REGULAR AGENDA ITEMS**
 - (a) Astor East Urban Renewal District – Loan for Astor Hotel Exterior Improvements

THIS MEETING IS ACCESSIBLE TO THE DISABLED. AN INTERPRETER FOR THE HEARING IMPAIRED MAY BE REQUESTED UNDER THE TERMS OF ORS 192.630 BY CONTACTING JULIE YUILL, CITY MANAGER'S OFFICE, 503-325-5824.



**CITY OF ASTORIA
COMMUNITY DEVELOPMENT
DEPARTMENT**

June 11, 2015

M E M O R A N D U M

TO: ASTORIA DEVELOPMENT COMMISSION
FROM: BRETT ESTES, CITY MANAGER
SUBJECT: ASTOR EAST URBAN RENEWAL DISTRICT – LOAN FOR ASTOR HOTEL EXTERIOR IMPROVEMENTS

DISCUSSION/ANALYSIS

Paul Caruana and Brian Faherty purchased the Astor Hotel located at the southeast corner of Commercial and 14th Streets in downtown Astoria in 2009. Subsequently, Mr. Caruana, Mr. Faherty and staff discussed their planned building rehabilitation and the costs associated with the scope of such a project. The owners felt that in order for this building to contribute to the ongoing renaissance of eastern downtown, ground floor windows and building entrances would need to be restored and the building repainted. Because of its visibility and size, these improvements would significantly improve the east end of downtown. At their October 5, 2009 and November 16, 2009 meetings, the Astoria Development Commission (ADC) approved redevelopment assistance for the Hotel. These funds came from the Astor East Urban Renewal District (AEURD). As the ADC staff are not financiers, the ADC partnered with Craft3 to conduct the financial analysis on the proposed loan and Craft3 manages the approved loan on behalf of the ADC.

Assistance came primarily in the form of a low interest loan with a smaller amount as a grant. The loan was for exterior building improvements in the amount of \$346,000. The grant, in the amount of \$45,000, was for parking lot and pedestrian improvements. Since issuance of the loan, all but \$60,000 of the possible loan proceeds have been drawn. Work completed included opening up / rebuilding boarded up store fronts and repainting the lower levels of the building. The remainder of the loan proceeds are to be used for painting the upper floors of the Hotel. That work has not been completed as there are issues such as masonry cracks, window rot, deteriorated doors, and deteriorated railings that need to be addressed prior to paint application. These items were not originally in the scope of work for the loan.

City staff has recently been meeting with Paul Caruana regarding the possibility of additional AEURD funds to assist with expenses associated with the repair work needed before painting. Mr. Caruana is in the process of purchasing the Astor Hotel outright and would be the sole owner of the building. Painting the upper floors of the Astor Hotel would positively contribute to the continued renaissance of east downtown; however,

applying paint to deteriorated building elements would not address long term maintenance concerns. Attached to this memorandum is a letter provided by Mr. Caruana which outlines a work plan he would complete upon purchase of the Hotel. Also included are notes from a presentation made by Mr. Caruana at a recent Lower Columbia Preservation Society meeting.

The total cost for the work plan is \$281,000. There is \$60,000 remaining on the existing loan for the Astor Hotel. Mr. Caruana has requested an additional \$150,000 of loan monies to complete the project. As stated in the letter, the balance which would be covered by him to complete the project is \$71,000, with future plans to replace the roof and install a new elevator.

Staff coordinated with Craft3 to develop draft terms for an additional loan for ADC consideration. Also attached to this memorandum are the terms and conditions for the proposed Astor Hotel loan amendment and refinance of the existing loan. As identified on the term sheet, the total loan amount would be approximately \$456,013. This includes the refinance portion of the existing loan plus an additional \$150,000 and fees. The loan would have a seven year maturity date. Interest rate for the refinanced portion of the loan would be variable, reset quarterly, with a floor of 1.50%. This would remain unchanged from the current loan agreement. The interest rate for the additional \$150,000 would also be variable with a 3.25% floor. Also included in the loan terms are conditions which would be applied to the loan:

- Owner to keep Hotel Astor as affordable housing during life of the loan;
- Loan would not be transferrable to another party;
- All draws on the refinanced and new funds shall be made by July 1, 2016.

Should the ADC accept the terms of the loan, Craft3 staff would conduct a final credit analysis to be submitted for review by the City Manager prior to signature by the Chair and City Manager.

The Astor East Urban Renewal Plan includes Development and Redevelopment Assistance as approved urban renewal projects. Section 650.P.2 of the Plan states:

“P. Development and Redevelopment Assistance.

In order to carry out the objectives of this Plan, the Astoria Development Commission may participate, through loans, grants, or both, in assisting development of new public and private buildings in the project area, and in maintaining and improving exterior and interior conditions of existing buildings in the renewal area. The Astoria Development Commission may make this assistance available, as it deems necessary to achieve the objectives of this Plan.

2. Preservation, Rehabilitation, and Conservation.

The purpose of this activity is to conserve and rehabilitate existing public or private buildings for uses that further Plan goals. Rehabilitation and conservation may be achieved by owner and/or

tenant activity, with or without financial assistance by the Astoria Development Commission. To encourage rehabilitation and conservation, the Agency is authorized to establish loan and grant programs and provide below market interest rate and market rate loans and provide such other forms of financial assistance as it may deem appropriate to the owners of buildings, or those intending to acquire buildings, which are in need of rehabilitation and for which rehabilitation and reuse is economically feasible.

If the Development Commission intends to assist a public owner in the rehabilitation or conservation of a public building, it will first adopt a minor amendment to this Section of the Plan, identifying the public building and the Development Commission's specific assistance, and adding an explanation of how the public building serves and benefits the Urban Renewal Area."

The Astor-East Urban Renewal Plan contains the following objectives that are relevant to this request:

"D. Objectives of the Urban Renewal Plan:

2. The primary objectives of the plan are to improve the physical conditions, functional relationships and visual quality of the area and to eliminate blight in order to create a climate more conducive for private development, redevelopment and rehabilitation of property. More specifically, the objectives of this Astor-East Urban Renewal Plan are to:
 - d. Rehabilitate and conserve properties compatible with this Plan;
 - e. Act as a catalyst in bringing together developers and redevelopers with public and private owners of lands which are under used, or vacant, to achieve new uses and economically sound enterprises which are consistent with the City's Comprehensive Plan, which provide a service to the community, and which establish a diversion of needed, year-round employment opportunities;
 - h. Improve the appearance and economic vitality of Astoria's downtown core;"

RECOMMENDATION

It is recommended that the Astoria Development Commission accept the terms and conditions of a refinance loan and \$150,000 of additional funds to provide a loan in the amount of approximately \$456,013 to Paul Caruana for exterior improvements at the Astor Hotel and authorize the Chair and City Manager sign the loan documents.

Brett,

Hope all is well. Attached is the bid for the exterior masonry, fire escape, and painting. Below is a summary of what I am planning to do after the purchase is complete:

1. The top 6 floors of the building will receive extensive masonry repairs. Filling cracks and voids, and replacing areas that have fallen away.
2. A primer coat will be applied to the top six floors and two coats of elastomeric paint.
3. The 12 balconies will have the metal pans covering their floors removed, and the doors cut down to make room for new water-proof thresholds.
4. The 12 balconies floors will be filled and coated with a new waterproof coating in place of the old metal pans. This surface will provide traction for walking on them as well provide a water-proof surface.
5. The fire escape will be cleaned and made free of rust and also be painted using the same method as the top six floors.
6. Several windows will be restored. Other windows will be made to operate better, and the casements will receive a safety wire to protect against a falling window.
7. The bottom two floors are being refreshed with new paint as needed, as well as replacing rotten moldings around some of the storefronts.
8. The 7th and 8th floor interior hallways will get new carpet, paint, and a mural. These two halls will hopefully serve as a model for the other four floors when they need to be updated.

The portion of the work being handled by D&R Masonry is 221k and the balance of the work described will cost an estimated 60k and will be paid for by me. With 60k left to draw on the existing loan and the 150k I am requested, the balance to complete the project will be approximately 71k but this will no means be the end of the project. Future plans will include replacing the upper level roof (the lower roof was done about 3 years ago) and a new elevator.

Work has continued here since our purchase of the building over seven years ago. Our commitment to preserving this building (and others) has been made obvious by our past efforts and our plans going forward. Some historic properties are particularly challenging as the outdated mechanical systems and deferred maintenance issues can consume all of the building's income and more. With a little help through low interest loans and committed property owners the challenges can be met.



D&R MASONRY RESTORATION, INC.

CCB#99196 (WA) DRMASRI006BS

Phone (503)353-1650
Fax (503)654-1291

www.drmasonry.com

8890 SE McLoughlin Blvd.
Milwaukie, Oregon 97222

January 4, 2015

Attention: Paul
Regarding: Astor Apts. Restoration and Coating

Paul,

The following is my proposal for the work that we discussed on site today.

Scope of Work (Patching/Coating Entire Structure Excluding Bottom of South, West and North)

- Provide sidewalk protection to perform the work that is detailed below. This will be at the sidewalk level and will be under the swingstages when over the sidewalk. We will extend this 10' past each end of the swingstage and will be roped off to ensure that all pedestrians walk under the protection.
- Provide access to perform the work that is detailed below. This will be achieved using swingstages on all elevations but may use a lift on the East elevation. The swingstages will range from 30' to 40'.
- Remove the loose concrete on the entire structure as needed and saw cut the perimeter as required by the patching material. We will remove enough material to expose the corroded steel that is causing the concrete to spall.
- Prep the steel for the rust inhibitor application and apply the zinc rich primer to all the steel that is exposed and prepped
- Form the patches as needed to properly patch. Some of the patches will not need any forms and will be installed freehand
- Place the patching material. Finish the patches to match the existing finish. Some of the patches on this structure are smooth and some have a raked look. We will match as close as possible.
- Prep any cracks in the concrete as per the manufacture's specifications. This will be done by routing out the cracks that are larger than 1/16" and fill flush out with sealant. This sealant will be compatible with the coating
- Clean the building entire to remove any soils and bio-growth and to prep for the coating. At this time we will scrape any loose paint on the structure and perform any other prepped that is needed to achieve proper adhesion of the coating
- Install any sealant at the perimeter of the windows that is needed to ensure that these are watertight perimeters
- Apply two coats of elastomeric coating to all of the prepped concrete excluding the lower part of the building on the West, South and North elevations. All other surfaces will receive the coating. D&R only applies our coating with a 1" nap roller and brush. We DON'T apply coating with a sprayer at all. This ensures thickness and ensures that the crew is close to the wall spotting any cracks that may need treated. The finish coating will be 17-20 mills dry.
- Clean all messes and remove the access from site

(Continue on Next Page)

Scope of Work (Stair Tower East Elevation)

- Scrape all loose paint to prep for the new paint
- Grind the rust spots to prep for the primer application
- Apply primer to all bare spots
- Paint entire stair tower with one coat of paint as per the manufacture's specifications
- Clean all messes

Scope of Work (Deck Waterproofing @ 12 Locations)

- Prep the surface to receive new coating after the metal, doors and threshold by others. D&R is assuming that the metal and doors will be removed by others.
- Detail the perimeter as per the manufacture's specifications
- Apply a three coat system to the entire deck that was prepped. We will extend into the door opening and under the threshold
- Prep and paint the metal rails
- Clean all messes

To perform all the work that is detailed above comes to \$221,000.00. This is taking responsibility for the concrete repair, deck coating, stair painting and the coating of the concrete on the structure at all elevations except where noted above. I am assuming a one color paint scheme but as I said on site, I will paint the stripe at the top if it is decided that this is desired.

If you have any questions pertaining to this proposal please feel free to contact me at any time on my cell at 503-577-9901.

Sincerely,

Dan Elkins



Astoria Hotel

Inception

In the later months of 1921 a movement was initiated among the local businessmen, to build a new hotel due to the limited accommodations that were available. The lumber and fishing industries were in full bloom and the local businessmen recognized the need to develop the tourist industry.

The Board of Directors of the Chamber of Commerce met in December of 1921, and appointed a committee to devise ways to accomplish the feat.

In less than two months the Columbia Hotel Corporation was formed. Its president would be W.P. O'Brien who was at that time the head of the committee and the vice president of the Chamber.

The plans were drawn by the Portland firm of Tourtellotte and Hummel, who were later responsible for the Lithia Springs Hotel (1925) in Ashland, the Redwoods Hotel (1926) in Grants Pass.

Capitol investors, assisted by public subscription and bond issue, financed the Astoria Hotel project.

Work on the foundation was started in 1922 and was well under way to erect a five-story building. Then came the disastrous fire in December of 1922, which laid waste to the entire business area of Astoria,

After the fire the specifications were overhauled to create an enlarged "fireproof" building eight stories in height.

During the sale of the bonds, and while construction was well underway it became necessary on a number of occasions for the Directors to personally make short-term loans of \$25,000 or more. In addition, the disastrous after-effects of the fire left a number of the original subscribers unable to fulfill their commitments to the project. In December of 1922, the bondholders sold their interests to Austin Osborn and the hotel was then leased to Bert R. Westbrook, a well-known Oregon hotel man.

The Astoria Hotel was held to be forward-looking in its day, a reinforced concrete skyscraper, the tallest building on the Oregon coast.

On January 1, 1924 the hotel was opened on a limited basis, the formal dedication was set for February 24, 1924

Out-of-town guests were transported to the opening by a special fleet of automobiles shuttling between hotel and railroad station.

In addition to the many local citizens in attendance, there were also many recognizable "Old Portland and Old Oregon" names.

The opening was a grandiose affair, starting with a luncheon in the grand ballroom, followed with dancing in the afternoon, and concluding with the formal banquet and ball in the evening. That a first-class modern hotel should rear its head eight stories above the ruins of the fire-gutted city was a memorable event in the history of Astoria. The citizens were full of excitement and hope. It stood higher than any other building in Oregon outside of Portland.

The lobby was brightened with palms, great floral pieces, heavy leather upholstered furnishings, oriental carpets and all the trappings of the fashionable hostelrys of the period.

The lobby was illuminated by warmly colored light filtered from skylights through stained glass ceilings, and was encircled by a wide brass-railed mezzanine lined with bridge tables covered with formal cloths.

The hotel was the meeting place of all the community groups, Chamber of Commerce, Rotary, Kiwanis, Lions and others, and it was also the transfer station for those who traveled by train or boat to Astoria and embarked from there by train or carriage to the coastal resort areas of Gearhart and Seaside to the south, and it was host to many conventions from business and trade unions. The basement was bustling with salesmen who used the rooms to display their samples and wares.

There were 150 rooms for guests, and the building included 10 residential apartments on the top floor.

The Demise

However, the hotel began to struggle financially within just a few years.

From the 1930s on, ownership of the hotel changed hands several times.

The completion of the Sunset Highway in 1949 contributed to the decline in business, as it gave Portlanders a second route to the Oregon Coast, one **not** passing through Astoria.

In late 1951, the Hotel Astoria was renamed The John Jacob Astor Hotel and was repainted pink. However, a postwar decline in business continued, and other

problems persisted.

In 1961, the Astoria Fire Department found 51 code violations, six of them major, but all of the violations remained uncorrected 7 years later.

The Internal Revenue Service closed the restaurant and Fur Trader Lounge in early 1968 for failure to pay taxes.

Later in 1968, city officials **condemned** the building, declaring it "a public nuisance and a fire hazard" and ordered it...**vacated**.

The Clatsop County government took ownership in July of 1978 through tax foreclosure, and on two occasions placed a special tax measure on the ballot to raise 100k to destroy the building.

***During 1979, a group of **local historians** hoping to prevent further threat of demolition succeeded in an effort to get the landmark listed on the National Register of Historic Places.

The city then sold the building at auction January of 1979.

The highest bidder was given until January 31st to produce the amount of his bid... 86k. The bidder failed to show up and the bids were re-opened. And on February 1st 1979 the building sold for 40k.

Still wearing a faded version of the pink paint that it was given in the 1950s, the decaying building that still dominated the downtown skyline had come to be known as "**The Pink Elephant**" by local residents.

In 1983, a feature article about Astoria in *The Sunday Oregonian* referred to the Astor Hotel: "*Formerly the pride of Astoria...*"

At the end of an eight-year period as Astoria's mayor, Bob Chopping had given up hope of saving the hotel, telling a reporter in early 1983 that, "*Citizens must have realized after all these years, chances of renovation is nil*"

Conversion

In late 1984, a plan was approved in which private investors would convert the former hotel into 66 apartments for low-income residents on the six upper floors and commercial space on the first two floors, and be renamed The Astor Apartments.

A complete restoration was planned for the first two floors at that time, including the lobby:

There was to be a square mezzanine opening cut into the floor in order to open the basement area for retail.

The entire mezzanine including the ballroom will be restored to original.

A rooftop garden may, if feasible, be developed on the roof.

These, among several other items, would never be restored. In fact many of these very items would continue to deteriorate beneath the leaking roof over the lobby.... damaging much of the plaster and supporting structure beyond repair.

Our Purchase

After preparation of numerous financial statements and personal letters of recommendation Brian and I were successful in our pursuit, and became the newest owners of the famed property.

Some of our first orders of business were to:

Install a new rooftop make-up air unit

Trash chute

Convert to non-smoking

Sealing windows

Repair and rebuild boarded over storefronts

Roof repairs to prevent further destruction of the lobby

Parking lot and landscaping

Recreate the missing awnings

Add classic styled blade signs over retail spaces

Recent Issues

About 2 years into ownership of this iconic building:

There was a fire in one of the apartments.... more of a smoldering sofa than an actual fire...which set off the sprinklers and did over half a million dollars in

damage.

Insurance covered all but about 125k

Our new insurance rate tripled.

Less than a year later there was a plumbing overflow, which led to the destruction of our low voltage alarm system.... no parts could be located for the repair.

We installed a new alarm system at a cost of 80k, out of pocket.

But There's a Bright Future

I am in the process of buying Brian's share of the property, as he is busy with other valid interests.

The building is full.

Plans to do a complete exterior restoration this year.

Masonry repairs

Paint

Balconies

Fire escape

Keep the lobby available for occasional short-term venues and uses such as this one here today.

Terms and Conditions for Proposed Astor Hotel Loan

Loan Amount: \$ 456,013 consisting of the following:

Exterior repairs (new funds)	\$150,000	
Exterior repairs (undisbursed-existing)	\$60,000	
Refinance #AEUR-0001	\$237,763	
Reserve Account	\$3,000	(+ \$7K in already = ~4 mos. reserve)
Craft3 loan fee (1.5%)	\$2,250	(on new funds only)
Est. closing costs	\$3,000	(Escrow, Title Ins. & doc fees)
	\$456,013	

Borrowing Entity: Astor Apartments LLC

Guarantor: Paul Caruana (100% interest)

Maturity: 7 year term, with a 20 year amortization. Estimated balloon payment due at maturity (June 2022) = \$317,720.

Prepayment Penalty: None.

Collateral: Second Deed of Trust and Title Insurance for \$456,013 on the subject property. Appraisal has been completed by Columbia Bank (for their First Deed of Trust). Collateral appears to be sufficient based upon the appraisal.

Monthly Payment: This yields an estimated monthly payment, based on the starting (blended) interest rates below, of approximately \$2,330, or about \$27,962 per year.

Interest Rate: Floating rate, to be indexed to published Wall Street Journal (WSJ) Prime rate minus 1.75% (for existing loan #AEURD-0001 + \$60,000 left to disburse on that loan). WSJ Prime is presently 3.25%, for a start rate of 1.50% at the current rate. Rate to be reset quarterly. New funds (\$150K) to be at WSJ Prime rate, currently 3.25%, adjustable quarterly. Ceiling of 5.0% and floor of 1.50% on all funds.

This rate includes the service fee paid to Craft3.

Servicing fee: Craft3 to receive .50% per annum of the outstanding balance as a servicing fee to be collected from monthly payments. This will be approximately \$190 per month (\$2,280/yr.) when loan is fully disbursed.

Reserve Account: A separate reserve account to be maintained by borrowers, having an amount equal to approximately four (4) months of loan payments as a reserve, to be funded from loan proceeds. This reserve account will be \$10,000. Note: \$7,000 is already in the account, so an additional \$3,000 will be added.

Covenants: To be acceptable by the ADC. Proposed: Owner to keep Hotel Astor as affordable housing during life of the loan; Loan would not be transferrable to another party; All draws on the refinanced and new funds shall be made by July 1, 2016.

Prohibition of Further Debt: Loan agreement to stipulate no further debt without the ADC's written approval. Consent of existing lender, if such prohibition now existing.

Construction Monitoring (if needed): City Manager will represent the ADC in monitoring and approving construction draw requests. Inspections to be made prior to draw approvals.

Guarantors: Personal guarantees in the amount of the loan from Paul Caruana, as an individual.

Reporting requirements: Borrower to provide financial statements upon request.

Additional Condition: Approval of final credit analysis and recommendation to be submitted to the City Manager by Craft3. This credit analysis will evaluate the equity, cash flow and loan to value (LTV) of the project, identifying any risks and their mitigation, in a formal credit memo, to provide the ADC with confidence in the due diligence performed by Craft3 on the ADC's behalf.