

Applicant Narrative Statement

The purpose of this BEDI application, and companion Section 108 loan guarantee application, is to assist with economic and community development activities within the Downtown Urban Renewal District and Riverfront Urban Renewal District in Eugene, Oregon. Section 108/BEDI proceeds will be used to establish a loan pool targeting brownfield redevelopment projects that have positive economic and community development benefits within this targeted area. The area includes vacant and underutilized brownfield properties that have substantially slowed economic growth within the area. **(For additional information, see www.ci.eugene.or.us/downtown/bedi).** Additionally, the target area is a significant area of need, experiencing high rates of poverty, unemployment, commercial vacancy, and deteriorating rental housing. The remediation and reuse of these downtown brownfield sites is expected to yield substantial environmental, social, and economic benefits, including:

- *improving environmental quality, removing threats to public health,*
- *slowing the consumption of greenfields and open space, and improving opportunities for mass transit use,*
- *creating new jobs,*
- *elevating personal income,*
- *increasing property values,*
- *decreasing vacancy rates,*
- *halting neighborhood deterioration, and*
- *lowering crime rates.*

Private redevelopment in downtown Eugene has been slowed by the existence of high retail/commercial vacancy rates, and market conditions (e.g. low lease rates and high construction costs) that have not attracted private investment downtown. These factors have coupled with the real and perceived risk associated with environmental contamination to create significant redevelopment barriers within the target area, and demonstrable project financing gaps. The proposed Section 108/BEDI loan pool will be utilized as a vital tool in closing the financing gaps associated with downtown brownfield redevelopment projects.

Over \$130 million in *public investment* has occurred, or is underway, within the target area over the past few years; including a new public library, new federal courthouse, new bus transit station, new parking garage, and major street, open space, and infrastructure improvements. These investments have helped elevate private interest in redeveloping brownfield sites adjacent to these major public projects. Private brownfield investment opportunities within the targeted area include Whole Foods, a national grocery retailer; Oregon Research Institute, a major local employer; McKenzie-Willamette Medical Center, a regional hospital relocating and expanding in Eugene; and a multi-block mixed-use (retail, housing, office) development (see Rating Factor 3). All of these projects are major private investments which include brownfield sites. The combined projected private investment associated with these projects is \$296 million . These projects are expected to require some level of City participation, including financing, infrastructure, land assembly, or public facilities such as parking.

The City's two downtown urban renewal districts have limited financial capacity to provide the support necessary to realize these private investments. This limited capacity is primarily the result of large public urban renewal investments made in support of the new downtown library and acquisition of property for the new federal courthouse. The combined BEDI/Section 108 will expand the City's capacity to support these private development opportunities.

Request for Loan Guarantee Assistance and Use of BEDI/Section 108 Funds

The City of Eugene will be submitting a subsequent Section 108 loan guarantee application within 60 days of written BEDI notice. The Section 108 request will be in the amount of \$7,895,000, within the limitation of five times the latest approved CDBG entitlement amount (\$1,579,152). A BEDI grant in the amount of \$2,000,000 is requested in this application.

Section 108 proceeds will be used to establish a brownfield redevelopment loan pool focused on economic development projects, and public facilities and infrastructure projects within the two downtown urban renewal districts. Loans will be made to private parties for redevelopment projects meeting the brownfield definition, and consistent with Eugene's Downtown Plan and two Urban Renewal Plans adopted in 2004. The primary source of repayment for these projects is expected to be project cash flow. Public facility and infrastructure projects would likely be structured as loans to the Eugene Urban Renewal Agency, with repayment from tax increment proceeds generated in the urban renewal districts. Although the Urban Renewal Agency is a separate legal entity, the Eugene City Council acts as the Renewal Agency Board of Directors.

The companion BEDI grant will be used to enhance the security for the Section 108 loan guarantee. This will be accomplished through a combination of strategies, including (1) the establishment of debt service reserves, and (2) pledge of the combined BEDI/Section 108 loan portfolio to the repayment of the Section 108 loan. The City is proposing establishment of debt service reserves in the amount of one year's debt service for each project funded. The remaining BEDI proceeds would be combined with the Section 108 proceeds to finance eligible brownfield projects within the target area.

In addition to the combined \$9,895,000 provided by the BEDI/Section 108, the Downtown Urban Renewal District has a \$2,100,000 revolving loan fund (Downtown Revitalization Loan Fund) that will be used to fund additional redevelopment projects within the target area. The urban renewal districts will also be providing funding (projected at \$250,000) for the administration costs associated with the BEDI/Section 108 lending activity that occurs in the proposed loan pool.