



April 16, 2015

VIA ELECTRONIC MAIL

House Committee on Transportation and
Economic Development

Chair Representative Caddy McKeown
Vice Chair Representative John Davis
Vice Chair Representative Chris Gorsek
Member Representative Cliff Bentz
Member Representative Jodi Hack
Member Representative John Lively
Member Representative Susan McLain

Oregon State Capitol
900 Court Street NE
Salem, OR 97301
Attn: Patrick Brennan

Re: HB 3526/Proposed Main Street Revitalization Grant Program/In Support

Chair McKeown, Vice Chairs Davis and Gorsek and Members:

My name is Walt McMonies and my business address is c/o Lane Powell PC, 601 S.W. Second Avenue, Suite 2100, Portland, Oregon 97204. I am writing in lieu of testifying before your committee this Friday April 17, in support of HB 3526, the proposed Main Street Revitalization Grant Program sponsored by Rep. Tina Kotek (the "Bill").

I represent the Masonry Building Owners of Oregon ("MBOO"). MBOO consists of some 25 families who own approximately 125 unreinforced masonry ("URM") apartment and commercial/office buildings in Portland, Salem and Eugene. (I don't know if any of our buildings are in a designated Main Street area.)

Masonry buildings are important to Oregon because (i) their apartments typically provide affordable workforce housing (often renting for a dollar a month less per square foot than new construction), (ii) the commercial buildings provide reasonably priced Class B and C retail and startup/incubator office space on Main Streets throughout the state and (iii) most masonry buildings are contributors to the historic and architectural fabric of the cities and towns where they are located.

Unfortunately, many URM buildings are in need of major upgrading to comply with provisions of the Fire Code, Plumbing Code, Electrical Code, and Building Code provisions covering the ADA (access), energy conservation and most recently seismic requirements.

HB 3526 will help spur the rehabilitation of older buildings in designated Main Street areas, which remain important cultural and economic resources in communities across Oregon.

Our members understand the value of upgrading their buildings; however, without viable financial tools they face daunting financial hurdles as follows:

1. Rehabilitation of older buildings is expensive: seismic upgrading work alone to bring a URM building to “life safety” or “bolts plus” standards might cost anywhere from \$20 to \$40 a gross square foot;
2. Older buildings (URMs typically date from about 1910 to 1935) have much higher operating expenses (45% of gross revenue versus 30 to 35% for a new building) so there is less net cash flow to fund improvements or service debt incurred to fund improvements. In small towns these buildings’ operating expenses are approximately the same, but the income is much less.
3. The typical older building has an existing first mortgage loan from an institutional lender and the holders of such loans generally will not allow the property owner to encumber the property with additional (even subordinate) debt, hence borrowing the construction cost of a major renovation, including seismic rehabilitation, is often not feasible.

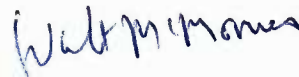
HB 3526 will help provide resources (increased owner equity) to Main Street renovation projects to overcome those financial barriers, especially for those buildings which contribute to the cultural fabric of a community, but which may not be designated as historic or as historically contributing properties.

In combination with two other pending bills SB 565 (Restore Oregon’s Main Street historic tax credit) and SB 85 (local authority to facilitate seismic upgrade financing), HB 3526 will help restore many older buildings in Main Street areas that would otherwise remain partially or wholly empty shells subject to vandalism, fire, weather, earthquake damage and eventual demolition.

Thank you for your consideration. Please pass HB 3526 out of committee.

Very truly yours,

LANE POWELL PC



Walter W. McMonies
On behalf of MBOO