

May 11, 2015

VIA ELECTRONIC MAIL

Joint Committee on Ways and Means
Subcommittee on Capital Construction
Co-Chair Representative Tobias Read
Co-Chair Senator Fred Girod
Member House Democratic Leader Val Hoyle
Member Representative John Huffman
Member Speaker Tina Kotex
Member Representative Greg Smith
Member President Peter Courtney
Member Senator Richard Devlin
Oregon State Capitol
900 Court Street NE
Salem, OR 97301
Attn: Eric Sorenson, Committee Administrator

Re: HB 3526A/Proposed Main Street Revitalization Grant Program and HB 5005 /
Relating to Lottery Bond Funding/ In Support

Co-Chairs Read and Girod 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, May 15. As you consider HB 5005, I urge your support for the \$5 million of Lottery Bond funding request in HB 3526A, the proposed Main Street Revitalization Grant Program sponsored by Speaker Tina Kotek (collectively the "Bills").

I represent the Masonry Building Owners of Oregon ("MBOO"). MBOO currently represents 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.

The \$5 million requested in HB 3526A will help spur the rehabilitation of older buildings in designated Main Street areas, which remain important cultural and economic resources in communities across Oregon, and but for this funding that rehabilitation would not be possible. As amended, HB 3526A sets aside 50% of the funds for projects in rural areas and prioritizes projects located in underserved communities.

Without viable financial tools property owners across Oregon face daunting financial hurdles:

1. 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 that 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.
2. 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.
3. 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.

HB 3526, as funded with \$5 million through HB 5005, will help provide critical resources 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.

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.

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Thank you for your consideration. Please allocate \$5 million of funding to the Main Street Grant Program and pass HB 5005 and 3526 out of committee.

Very truly yours,

LANE POWELL PC

A handwritten signature in cursive script that reads "Walter W. McMonies".

Walter W. McMonies
On behalf of MBOO

WWM:am