

**NOTICE OF PUBLIC MEETING**  
**ALBANY REVITALIZATION AGENCY**  
City Hall Council Chambers  
Wednesday, November 12, 2014  
Immediately following the Albany City Council meeting

**AGENDA**

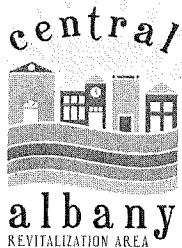
1. CALL TO ORDER (Chair Floyd Collins)
2. ROLL CALL
3. APPROVAL OF MINUTES:  
    > October 15, 2014. [Page 2]  
    Action: \_\_\_\_\_
4. SCHEDULED BUSINESS
  - a. Business from the Public
  - b. Adoption of Resolution
    - 1) Novak's Hungarian Restaurant Forgivable Loan (\$200,000). [Pages 3-4]  
    Action: \_\_\_\_\_ ARA RES. NO. \_\_\_\_\_
  - c. Novak's Standby Creditor's Agreement via SBA. [Pages 5-9] (Porsche)  
    Action: \_\_\_\_\_
5. BUSINESS FROM THE AGENCY
6. NEXT MEETING DATE: *December 17, 2014*
7. ADJOURNMENT

City of Albany Web site: [www.cityofalbany.net](http://www.cityofalbany.net)

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*The location of the meeting/hearing is accessible to the disabled. If you have a disability that requires accommodation, advance notice is requested by notifying the City Manager's Office at 541-917-7508, 541-704-2307, or 541-917-7519.*

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CITY OF ALBANY  
Albany Revitalization Agency  
City Hall Council Chambers, 333 Broadalbin Street SW  
Wednesday, October 15, 2014

MINUTES

Advisory Board Members present: Floyd Collins, Bessie Johnson, Rick Kellum, Sharon Konopa, Ray Kopczynski

Advisory Board Members absent: Bill Coburn (excused), Dick Olsen (unexcused)

CALL TO ORDER

Chair Floyd Collins called the meeting to order at 6:47 p.m.

APPROVAL OF MINUTES

September 18, 2014

MOTION: Ray Kopczynski moved to approve the September 18 minutes. Bessie Johnson seconded. The motion passed 4-0-1, with Rich Kellum abstaining.

SCHEDULED BUSINESS

Business from the Public

There was no business from the public.

Staff Updates and Issues

There were no staff updates or issues.

November and December Meeting Schedule

It was agreed to cancel the November regular meeting. The next meeting is scheduled for December 17.

BUSINESS FROM THE AGENCY

There was no additional business from the Agency.

NEXT MEETING DATE

Wednesday, December 17, 2014

ADJOURNMENT

Hearing no further business, Chair Collins adjourned the meeting at 6:50 p.m.

Submitted by,

Reviewed by,

Teresa Nix  
Administrative Assistant

Kate Porsche  
Economic Development & Urban Renewal Director

ARA RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE ALBANY REVITALIZATION AGENCY ESTABLISHING A FINAL ACTION ON THE NOVAK'S HUNGARIAN RESTAURANT'S REQUEST FOR FORGIVABLE LOAN FUNDS FOR THE PROPERTY KNOWN AS 208 SECOND AVENUE SOUTHWEST AND REPEALING ARA RESOLUTION 2013-04

WHEREAS, the CARA Advisory Board had previously approved a \$126,000 loan and the loan was formally approved by the ARA through resolution 2013-04 on December 4, 2013; and

WHEREAS, the aforementioned applicants have requested that their funding be increased to \$200,000 and changed to a Forgivable Loan from CARA funding; and

WHEREAS, the CARA Advisory Board has made its recommendation for approval of this request and revision to the structure and amount of the Forgivable Loan; and

WHEREAS, the ARA resolved that it would have the final action to approve or deny a developer partnership, grant, or loan application.

NOW, THEREFORE, BE IT RESOLVED that the Albany Revitalization Agency finds:

1. Overview: Novak's Hungarian Restaurant has requested a \$200,000 forgivable loan from the ARA to complete \$795,000 in project work at the property known as 208 Second Avenue SW. This amount increased from their original estimate of \$627,000.
2. Return of Public Funds: The return of some of the public funds will be seen through an anticipated tax-increment increase. Novak's plans to restore 208 Second Avenue SW at a cost of over \$795,000. The building is not on the historic property-tax freeze, and work on the building will likely generate an increase in the assessed amount.
3. Financial Condition of the Agency: As of the November 12, 2014, meeting the CARA Fund has the ability to borrow funds to complete various projects, with cash-on-hand to pay the annual debt service but still leave room for future borrowing. This project would use \$200,000 funds set aside for CARA Partnerships.
4. Economic Development: This is a business retention project—the relocation into a smaller restaurant space will allow their business to continue on in Albany.
5. Historic Preservation: This project will see the historic Broder's Meat Market building, constructed circa 1898, rehabilitated. The building is a historic contributing resource in the Downtown Historic District. Historic preservation work will include the storefront and remodeling of the interior.
6. Public Good: As the only Hungarian restaurant in the state and one of only three on the west coast, this restaurant has a strong following and great customer base. They will be open for lunch, dinner, and Sunday brunch providing a draw to downtown on all days, in the evenings, and on the weekends.
7. Location: The project is located in the heart of downtown, on Second Avenue SW, a street where there is an opportunity for more vitality, which this project will provide.
8. Process Compliance: Applicants have complied with all steps in the process.
9. Special Benefits/Concerns: Applicants have identified a commitment to sustainable building along with a commitment to use local labor, equipment, and materials.

BE IT FURTHER RESOLVED, that the Albany Revitalization Agency concludes that the renovation of this historic building on Second Avenue SW and the foreseen increase in assessed value meets many of the primary CARA goals; and

BE IT FURTHER RESOLVED, that the Albany Revitalization Agency's approval of this forgivable loan is subject to staff direction concerning the appropriate means to secure applicants' compliance with applications and contracts and further that this forgivable loan is subject to appropriate land use approval; and

BE IT FURTHER RESOLVED that the Albany Revitalization Agency hereby revokes the commitment for \$126,000 loan; and

BE IT FURTHER RESOLVED that the Albany Revitalization Agency hereby repeals ARA Resolution 2013-04; and

BE IT FURTHER RESOLVED that the Albany Revitalization Agency approves this revised request for forgivable loan funds of \$200,000.

DATED AND EFFECTIVE THIS 12TH DAY OF NOVEMBER 2014.

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ARA Chair

ATTEST:

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City Clerk



TO: Albany Revitalization Agency

FROM: Kate Porsche, Economic Development & Urban Renewal Director  
Jim Delapoer, City Attorney

DATE: November 5, 2014, for November 12, 2014, ARA Meeting

SUBJECT: Staff Report – Standby Creditors Agreement (SBA) for Novak’s

### Background

At the April 16, 2014, meeting you approved a Forgivable loan for Novak’s Hungarian restaurant. The structure of that request saw CARA contributing \$200,000 in the form of a forgivable loan toward estimated total project costs of \$795,000. It has always been understood that our loan would be secondary to a primary construction lender and the “Standby Creditor’s Agreement” (Creditor’s Agreement) see Attachment A, which is the subject of this memo and an example of typical financing instruments which will undercut the value of our inferior lien.

Since the April 16 meeting, I have been working with the Novak’s and their lender Karen Schulz at OSU Federal Credit Union. Karen has been working to get the Novak’s qualified through a SBA loan. She recently contacted me regarding the Creditor’s Agreement.

As Karen explains in her note (Attachment B), this agreement is a requirement for the SBA loan. They are all-systems go for a closing next week but need the form completed. City Attorney Jim Delapoer and I met on November 5 to review and discuss the document; and, while the ARA does typically agree to subordinate its loans or forgivable loans, we both agreed that this item should come before you.

Finally, please find as Attachment C to this memo a letter from the Novak’s.

### Request

Review the attached Creditor’s Agreement and come prepared to discuss or ask questions of City Attorney Jim Delapoer. The Novak’s and OSU Federal Credit Union request that you approve the execution of this document.

### Staff Analysis

The language in this agreement, like most subordination agreements, renders our secondary lien of little value unless we are prepared to pay off the construction lender. This agreement starkly illustrates this point, and Jim felt that the Agency should review it before we proceeded further.

On the other hand, ARA’s participation in this transaction is in the form of a Forgivable Loan, wherein the loan will be forgiven should the applicants complete the project in a timely manner. You may have greater tolerance for a lesser position because of this structure (as compared to a straight loan that they would be paying back over a number of years). The risk for the Agency extends through the completion of the project, but no further.

The City Attorney and I support the execution of the agreement but want the Agency to be in full knowledge of the lessened security position ARA would have. It would also be useful to get guidance from the Agency concerning whether you want to see subordination agreements if you understand that our secondary security will almost always be of little value unless we are prepared to satisfy the prior encumbrance. Do you want us to continue to bring such agreements to you for consideration, or do you wish to authorize staff to execute agreements on your behalf? We will both be on hand to discuss and answer any questions you may have at the meeting.

KCP:ldh

Attachments 3

*G:\Economic Development\ARA\ARA Agency\2014\Staff Reports\11.12.14 Novak's SBA Subordination.docx*

U.S. Small Business Administration



U.S. Small Business Administration

## STANDBY CREDITOR'S AGREEMENT

SBA Loan #	71231150-02
SBA Loan Name	Novak's Hungarian Restaurant, Inc., dba Novak's Hungarian Restaurant
Standby Creditor	Albany Revitalization Agency
Standby Borrower	Novak's Hungarian Restaurant, Inc.
Lender	OSU Federal Credit Union

\_\_\_\_\_ Novak's Hungarian Restaurant, Inc. (Standby Borrower)  
 owes \$ 200,000.00 \_\_\_\_\_ principal and \$ 0.00 \_\_\_\_\_ interest to  
 \_\_\_\_\_ Albany Revitalization Agency (Standby Creditor)  
 as of the date of this Agreement (Standby Loan) (Copy of Standby Note attached). To induce  
 \_\_\_\_\_ OSU Federal Credit Union (Lender) to make an  
 SBA guaranteed loan to Standby Borrower or guaranteed by Standby Borrower, Loan Number 71231150-02  
 in the amount of \$ 375,000.00 \_\_\_\_\_ (Lender's Loan).

Standby Creditor agrees: *(Check only one box)*

- To accept no further payments on the Standby Loan until Lender's Loan is satisfied  
 To accept interest only payments at a rate of \_\_\_\_\_% per annum (no principal payments) on Standby Loan until Lender's Loan is satisfied or until notified by Lender to stop accepting payments,  
 To accept payments of principal and interest at the rate of \_\_\_\_\_% per annum on the Standby Loan unless notified by Lender to stop accepting payments.  
 To accept payments of principal and interest at the rate of \_\_\_\_\_% per annum beginning on \_\_\_\_\_.
- To turn over to Lender payments received by Standby Creditor from Standby Borrower in violation of this Agreement within 15 days of receipt.

3. To take no action to enforce claims against Standby Borrower on the Standby Loan until Lender's Loan is satisfied.
4. To take no action against Standby Borrower's collateral, without written consent from the Lender, until Lender's Loan is satisfied.
5. To sign appropriate documentation required by Lender to subordinate to Lender's Loan secured interests in collateral that secures the Standby Loan.
6. Lender, in its sole discretion, may take any action without affecting this Agreement, including but not limited to the following:
  - a. Modify the terms of Lender's Loan.
  - b. Grant an extension or renewal of Lender's Loan.
  - c. Defer payments or enter into a workout agreement on Lender's Loan.
  - d. Release or substitute collateral securing Lender's Loan.
  - e. Forbear from collecting on existing collateral or requiring additional collateral.
  - f. Declare a default on Lender's Loan and notify Standby Creditor to stop accepting payments.
  - g. Agree to release, compromise, or settlement of Lender's Loan.
7. This Agreement applies to any successor to the Standby Creditor or assignee of this Agreement or of Standby Creditor's Loan, including any bankruptcy trustee or receiver or guarantors or sureties of Standby Creditor Loan.
8. Additional Loans made by Standby Creditor will be subject to the terms of this Agreement, unless Lender agrees otherwise in writing.

Dated: \_\_\_\_\_

Standby Creditor: \_\_\_\_\_ Albany Revitalization Agency

By: (signature) \_\_\_\_\_

(name) \_\_\_\_\_



OSU Federal  
*Your Community Credit Union*

November 5, 2014

Central Albany Revitalization Area  
PO Box 490  
Albany, Oregon 97321

Attn: Kate Porsche, Urban Renewal & Economic Development Director

RE: Novak's Hungarian Restaurant Inc., Standby Letter of Credit

Kate,

First, let me thank you for your commitment to the Albany downtown area. Due largely to funding from CARA, the Novak's, will be rehabilitating the historic building located at 208 2<sup>nd</sup> Ave SW, in downtown Albany.

OSU Federal Credit Union is involved with the project as the lender for Novak's Hungarian Restaurant, Inc., providing funding through a Small Business Administration (SBA) guaranteed loan. The SBA has issued an authorization for the loan, and OSU Federal must satisfy all of the conditions in the authorization.

The authorization requires a Standby Creditor's Agreement from the "Central Albany Revitalization Area". This is a standard form when there are creditors involved other than the SBA lender. The standby creditor agrees that the SBA guaranteed loan will remain in a first lien position, will not accept payments until the lender's SBA guaranteed loan is satisfied.

The Novak's have been diligently working on satisfying all of the lending conditions, but only a representative from CARA can sign the attached form 155, SBA Standby Creditor's Agreement. Please review the document and recommend approval to sign so that the loan closing may move forward.

Again, thank you for funding this wonderful project to help preserve the Historic District!

Karen D. Schulz  
Business Services Loan Officer  
OSU Federal Credit Union  
PO Box 306  
Corvallis, OR. 97339  
FAX: 541-714-4164  
Phone: 541-714-4160  
Email: [kschulz@osufederal.com](mailto:kschulz@osufederal.com)

November 5, 2014

CARA Board,

We are writing to let you know how much we appreciate your assistance in our move down town to 2<sup>nd</sup> street.

Your help was a key factor allowing this great opportunity to continue and develop.

We are working with a great partner in OSU Federal Credit Union. Our loan officer, Karen Schulz, grew up in a family restaurant and it has been great working with her as she has a great understanding of independent restaurants and the local community.

We ask for your continued support to help us complete our dream.

Again we thank you for your belief in our business and family,

The Novaks

Papa, Mama, Karen and Kaymarie