

503-226-1311
www.djcOregon.com

One Dollar
Vol. 240, No. 53

DJC

*****CR LOT0081D**C003
0623316 0000344 000006*000012
JULIE GARVER
INNOVATIVE HOUSING INC
219 NW 2ND AVE
PORTLAND OR 97209-3905

Monday Insider

Renovation Roundup focuses on a project to convert a Beaverton building into a second location for a restaurant and brewpub based in McMinnville. **Page 4**

Summing It Up

William Rutherford says the European financial crisis could significantly impact Americans' investments. **Page 5**

21 new construction bidding opportunities listed today. **PAGE 6**

9 property transfers listed today. **PAGE 9**

16 new public notices and calls for bids published today. **PAGES 10-24**

'Expensive lesson' in asbestos removal

Salem church pastor regrets not hiring a professional contractor

BY LINDSEY O'BRIEN
lindsey.obrien@djcOregon.com

A minor, do-it-yourself church renovation begun in Salem last summer recently turned into an expensive debacle that left the pastor wishing he had hired professionals.

After visiting a church in Texas, Pastor Alex Mendoza and his wife, Lisa, were inspired to remodel the floors of the church they founded, New Beginnings Christian Center. They started tearing up the carpet and tile with the help of a few church members, but when their son took the first load of tile scraps to the local dump, the Mendozas realized they had a problem.

"The lady there told him we should probably get everything tested because it might have asbestos in it," Alex Mendoza said. "We're not contractors or anything like that. I didn't have a clue as to what we should've done first."

There is no known safe level of exposure to asbestos, which is deemed a danger to public health and a hazardous air contaminant. Asbestos fibers are a respiratory hazard proven to cause lung cancer, mesothelioma and asbestosis.

"There was a potential for fiber release and exposure," said Dottie Boyd, an asbestos inspector for the Oregon Department of Environmental Quality. "The people that helped with the removal were the most at risk."

The DEQ issued nearly \$30,000 in penalties because of the unlicensed asbestos removal at the New Beginnings Christian Center's facility, but most of the fine was levied against the building's owners.

New Beginnings leases a section of the building from Charles and Wilma Wyant of Salem, who have owned the 84,000-square-foot property since 1976. Charles Wyant owns several Salem properties, including the former Chalet restaurant on Market St., which was the site of an illegal asbestos removal in 2006. For that violation, Wyant paid a \$10,532 penalty plus interest.

Because Wyant was a repeat offender, he was levied a higher penalty - \$21,836 - in the recent case.

See LESSON, Page 2



Courtesy of ORANGEWALLstudios
A \$10.6 million affordable housing complex proposed for one of Albany's poorest neighborhoods would include 64 units, structured with flats under townhouse-like apartments.

Portland-based nonprofit targeting Albany 'eyesore'

BY ANGELA WEBBER
angela.webber@djcOregon.com

State tax credits, city urban renewal money needed to push ahead low-income housing project on depressed site

For years, Albany residents have wanted to do something with the "eyesore" on Southeast Salem Avenue.

When Albany created its 986-acre urban renewal area in 2001, the lines were extended specifically to include the Woodland Square mobile home park. Later, when the city asked the Southeast Salem Avenue

neighborhood group for its priorities for revitalization, the trailer park was at the top of its list. But until this year, no one had been able to work out a deal for redevelopment.

Now, Innovative Housing Inc. has a contract with the property owner that will allow the nonprofit affordable housing developer to redevelop the property if it receives the money it needs from state and city sources. This week, a meeting of the

See ALBANY, Page 3

PROJECT POSITIONING



Amber McCoy, a journeyman carpenter with Bremik Construction and a member of Local 156, works on a shear wall at the site of the Northeast Sixth and Couch apartment development in Northeast Portland. Bremik, the general contractor for the project, is building the mixed-use structure, which was designed by Vallaster Corl Architects. The building will feature 70 rental units with ground-floor retail, for owner-developer Central Eastside Investors. Work on the site began in September and is expected to require a year to finish. - Sam Tenney

REAL ESTATE

Oregon tax liability worries Facebook

Internet giant, which built a data center in Prineville, is seeking 'further clarification' from state officials

By JONATHAN J. COOPER
The Associated Press

SALEM — The promise of lucrative tax breaks helped persuade Facebook to build a data center in one of Oregon's most economically depressed counties. Now the state and the company are in a dispute over how much Facebook may owe in property taxes, and the social networking giant fears it could be taxed on intangible assets like the value of its powerful brand.

Facebook has said the state's action has the potential to rewrite an economic development deal it cut with Crook County, but not even state tax officials seem to know for sure whether the company is overreacting or truly facing a tax surprise.

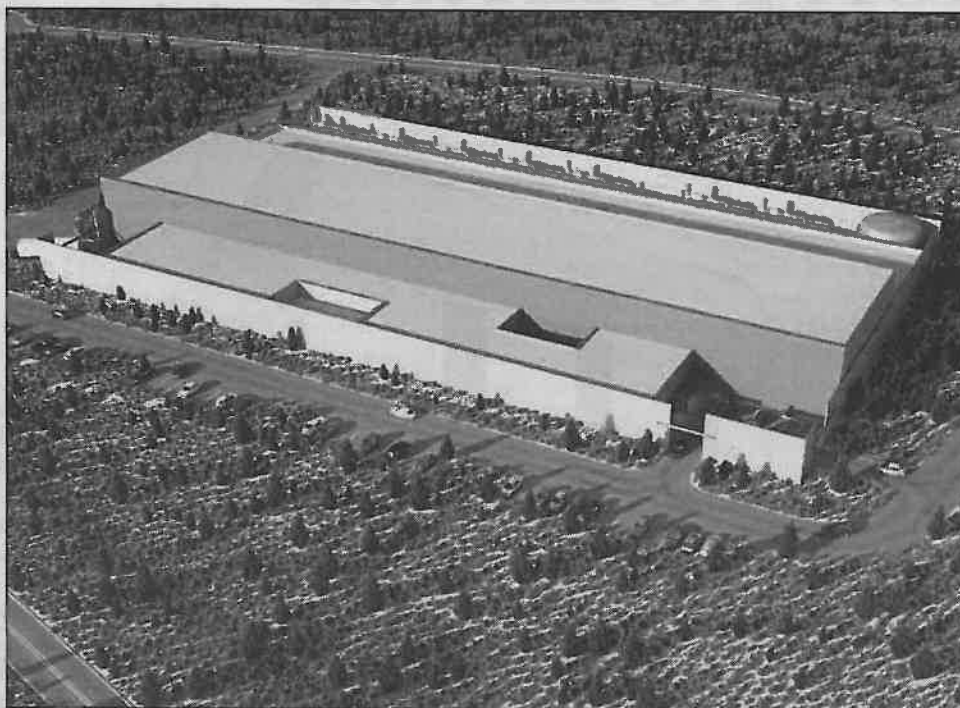
Facebook chose Prineville as the site of its first company-owned data center, where servers store and transmit photos, links and status updates for many of the social networking service's 800 million users. The facility employs 55 people, and expansion plans are already in the works.

Such "server farms" are popping up around the world to facilitate a voracious appetite for high-bandwidth applications like streaming video and cloud-based computing.

Facebook chose Prineville in part because of tax breaks, but also because of the cool and dry high-desert climate that helps reduce the amount of energy needed to cool rows of humming computers.

Officials in Crook County, where unemployment reached a high of 18.7 percent in June 2009 and still sits above 15 percent, hoped Facebook's decision to build in Prineville would help incubate a new industry for a region decimated economically by the decline of Oregon's timber industry.

Under its agreement with local officials, Facebook built its data center in a rural enterprise zone, allowing the Palo Alto, Calif., company to pay property taxes only



Courtesy of Sheehan Partners Ltd.

Facebook chose to build its first company-owned data center, designed by Sheehan Partners Ltd., in Prineville because of the climate and tax incentives. Now Facebook officials are afraid the company could be taxed on intangible assets, such as computer files and patents.

on its land and not on its buildings and other assets, for 15 years.

Confusion arose when the state Department of Revenue asserted that Facebook is a utility company because it's involved in the communications business, and its taxes should therefore be assessed by the state under a different section of the tax code.

Oregon lumps Facebook with 75 other corporations classified as cable and Internet companies. Many of them are television and Internet access providers, but the list includes technology companies including Google, Microsoft, Yahoo Inc. and AOL Inc.

State officials say their decision doesn't change Facebook's tax bill — about \$26,000 this year — and the money still goes to local

governments in Crook County. But Facebook is concerned that the state will someday try to tax the company based on the value of its intangible assets, perhaps including computer files, patents, its labor force and goodwill.

The company says state tax officials sent a letter in August saying, in part, that Oregon law requires the Department of Revenue "to assess any property, real and personal, tangible or intangible."

Investments this year have pegged Facebook's total value at as much as \$50 billion. Tax officials say the company's Oregon property taxes are calculated based only on the share of its business that is tied to the state.

Last month, tax authorities told The Bulletin newspaper in Bend that Facebook

"Companies want some type of certainty to be able to proceed in whatever they're doing. This provides a great deal of uncertainty and ambiguity."

— ROGER LEE

Director of economic development for Central Oregon

would be taxed on \$25 million in assets, leading to an annual property tax bill of \$390,000. The next day, authorities said they made a mistake and backtracked, pegging Facebook's taxes at \$26,000 on \$1 million in assets.

After a public kerfuffle, Facebook and state officials have tightened their lips. They say they're researching the complicated tax laws involved and won't have more to say until they wade through them.

"We are looking forward to receiving further clarification as to the Department of Revenue's policies, so that the data center industry in Central Oregon can move forward," Facebook said in a statement.

The dispute has concerned Roger Lee, director of economic development for Central Oregon, who said murkiness surrounding taxation makes companies nervous.

"Companies want some type of certainty to be able to proceed in whatever they're doing," Lee said. "This provides a great deal of uncertainty and ambiguity."

People involved say it's unclear what a final agreement might look like, but it could involve new legislation next year, a definitive legal opinion from the state Department of Justice, or litigation in tax court. The dispute has risen to the governor's office, where aides have tried to intervene.

"We are researching the issues to be able to provide clarity to all parties," said Tim Raphael, a spokesman for Gov. John Kitzhaber.

Albany: Urban renewal money sought for many projects

Continued from Page 1

city's urban renewal board could determine whether IHI will be able to replace the trailer park with 64 units of workforce housing.

"It's been a sore subject in the neighborhood for some time," Albany resident Larry Nelson said. He lives near Woodland Square, at 1415 S.E. Salem Ave., and said he and his neighbors watched as the site deteriorated.

When they saw drug abuse occur, they started a neighborhood watch organization, which is co-captained by Nelson and his wife. The group helped crack down on the drug abuse, but the site is still an "eyesore," Nelson said.

"The landlord has been a slumlord," he said. "He never put any money into it at all."

Greg Byrne, community development director for the city, said that people have expressed interest in redeveloping the site, but no serious proposals were presented.

"It's a property that no one prior to this has been able to get control of for redevelopment," Byrne said.

Then Portland-based IHI entered the picture. The nonprofit first had eyes on redeveloping a historic hotel building in Albany, according to Housing Development Director Julie Garver, but when that proposal fell through, it turned to Southeast Salem Avenue.

IHI's proposed development

"It's a property that no one prior to this has been able to get control of for redevelopment."

— GREG BYRNE

Albany community development director

calls for housing units with one to four bedrooms. The two-acre site would hold five buildings, each with accessible "flats" on the ground floor and townhouse-like apartments above. Several "big, old trees" on the site would be preserved, Garver said, and a nearby creek would be restored.

One of the project team members is Portland-based architecture firm ORANGEWALLstudios, including Albany-based partner Bill Ryals. He is working on a design that calls for brick facades and a "rowhouse" feel that he hopes will tie in with the city's historic downtown.

The project will displace the entire mobile home park, so IHI will be partly responsible for helping residents relocate. Their responses to the development plan were surprisingly positive, Ryals said.

"We expected them to be upset," he said. "But their main question was: 'When can we move?'"

The team also is hoping that creation of attractive frontage on



The Woodland Square mobile home park has a number of trailers and stick-built structures that would not meet current code, according to city officials. A planned affordable housing development could improve the area's attractiveness.



Courtesy of Innovative Housing Inc.

Salem Avenue will brighten the area, which many visitors pass through en route to downtown.

"It's an area that needs a lot of improvements, and it's a high-traffic area," said Greenberry Construction President Greg Goracke, whose firm is building the project.

The project is planned as workforce housing for people with incomes ranging from \$20,000 for a single person to \$40,000 for a six-person household.

"Some IHI projects house homeless folks or people with disabilities," Garver said. "In Albany, we want to do workforce housing, because there are a lot of jobs in this income range."

Nelson said that he was initially

concerned about the neighborhood gaining a low-income housing development, but he is encouraged by the philosophy of helping working families.

The total development cost will be around \$10.6 million, Garver estimated. IHI expects to pay for a large chunk, \$7.6 million, with state low-income housing tax credits. The group is asking for \$1.45 million in urban renewal money from the city.

"If Albany chooses to fund the project, that will be a strong element for the application for state funds," Garver said. That leverage is so important, in fact, that she believes the project won't go forward without it.

IHI also will apply for grants, Garver said.

The Albany urban renewal board will meet Wednesday evening to select the URA projects that will receive tax-increment financing.

Albany Urban Renewal Manager Kate Porsche said that city staffers support the project. The board will hear requests from representatives of eight private projects and one public infrastructure project, and lacks sufficient money to assist all of them.

"They'll have to weigh (IHI's proposal) against the other ones," Porsche said. "But it meets a number of the goals of the urban renewal district, which makes it a pretty darn attractive project."