

DRAFT

NORTH BETHANY DEVELOPER INTERVIEWS

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WASHINGTON COUNTY 

prepared by:
LELAND CONSULTING GROUP 

WESTERN FINANCIAL GROUP 



**NORTH BETHANY CONCEPT PLAN
CONSULTING TEAM:**

Otak

CH2M-Hill

DKS Associates

Greenworks

Jeanne Lawson Associates

Leland Consulting Group

Laurence Qamar, AIA

William Haack

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INTRODUCTION: THE PROCESS

As part of the North Bethany Concept Planning process, Leland Consulting Group and Mark Gardiner, representing EcoNorthwest, met with the developers and select other stakeholders for the North Bethany study area. Using an intensive and candid interview approach, approximately 15 stakeholders attended a series of 90-minute individual and small group discussion sessions on September 22, 25 and 26, 2006. Participants included representatives from:

- West Hills Development / Arbor Homes
- Integrity Development Group / JLS Homes
- Matrix Development / Legend Homes
- IrVan Consultants
- Tualatin Hills Park and Recreation
- Central Bethany Development
- The Crandall Group / K&R Holdings
- Ramis / Crew / Corrigan

The interviews were specifically designed to inform the consulting team, County officials, concept planning process, stakeholder work group, developers, and others who are ultimately responsible for making North Bethany a successful place. Discussions were structured around a set of questions regarding development plans in the area, costs, the feasibility, location, and program for a commercial or mixed-use center, thoughts on the County's vision and infrastructure analysis, and solutions that will enable the planning process and get to an acceptable resolution for all. Stakeholders were asked to express their concerns, ideas, hopes, needs, and expectations for the successful implementation of development in the North Bethany study area. As is the case in any group of people, the interviewees expressed a wide range of opinions and ideas. This summary captures the patterns from those discussions.

The summary below comes from shared concerns about what it will take to see this area through to successful built projects while creating a sustainable healthy community in the process. The developers are collectively excited and anxious to begin their projects in the area. They all recognize the challenge of funding the infrastructure improvements to the study area. They agreed this process of using an outside consultant team to help solve the problem is a positive step forward. As developers, they are anxious to see the planning process go as quickly as possible. Comments have been summarized into eight broad categories:

- Development Plans
- Urgency
- Ownership – Developers
- Confusion on Density Requirements
- Staggered Starts
- Mixed-Use Center
- Washington County: Perceptions
- Suggested Solutions



DEVELOPMENT PLANS



“You have to allow traditional product to go forward first, as the market allows, then test the high density product.”

The developers acquiring land in the North Bethany project site are predominantly production builders, meaning they want to buy, build, sell, and conclude their investment as quickly as possible. This influences the type of housing product that they sell.

PRODUCT TYPE

The developers relayed that their plan is to design and build product similar to what exists in the adjacent neighborhoods, build during the 1990s: single family residential (SFR), on small lots of 3,500 square feet to 5,000 square feet. Townhomes and condominiums are also a product-type option, but on a smaller scale. It was noted that some of the developers like to build two products for diversity and thus reach a larger share of the market; it also enables projects to hit the density zoning requirements in places.

The large developers (and primary landholders) are production builders. They have a formula that works and they stick to it. Thus, the product type planned for the area will currently have little diversity.

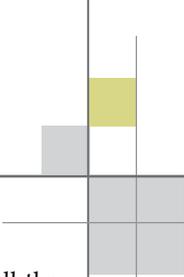
A few developers are open to more product diversity, but they would likely partner or sell those parcels to a company that has experience doing something else, such as multifamily or mixed-use development.

It was expressed by several that, although they don't want to build it, they understand and support the idea of a diversity of housing, ranging from SFR to multifamily, and even senior and/or special needs housing.

One developer expressed a willingness to look at mixed-use or a town center on their property. Another mentioned an interest in mixed-use or higher density development ideas, as long as the market could support it. However, both said they likely wouldn't do it themselves. On the other end, some developers don't want lot requirements to get any smaller than they already are.

PRICE POINT

The price point for this area was consistently discussed at less than \$500,000, even as low as \$200,000. This is a first or second-home buyer market. When asked about providing more diversity by doing a PUD



with larger executive housing and multi-housing product, almost all the developers responded that it wouldn't work in the area. They need to get the maximum yield out of the land.

Everyone is fine with a ten units per acre designation and in fact, one developer would like it to have a higher density requirement, if certain codes and regulations could be solved to make it easier for site planning, such as off-street parking requirements.

We heard from one group that it will be very difficult to provide affordable housing in the area. This means all you can do is make the units smaller, so the question is, what is the breaking point? Living outside the central city (i.e., downtown Portland) has certain assumptions with it, and one is larger lots and larger unit size. Some developers are experimenting with this and pushing the envelope, such as Gerding/Edlen, but none who currently have a land interest in North Bethany.

NEIGHBORHOOD

Developers commented that neighborhood association representatives are willing to work with the developers to get to the best plan possible for everyone. They also perceive that the Stakeholders Working Group (SWG) participants will work well together, and that will enable problem solving to go smoothly and quickly.

“There is interest from the Beaverton School District to locate a high school out here and they would love to have their school site be near PCC.”





SENSE OF URGENCY

“The players and participants have been around this long enough that there is a danger in prolonging the public process, if we can do this in three meetings instead of eight, we should. Timing will be crucial....”

MASTER PLANNING: TOO LATE

There is a belief that the master planning is coming too late for North Bethany. This work should have been done prior to bringing the land inside the UGB. According to some stakeholders, it was agreed that the area had to be planned within two years, and it has now been six years. The timeline for this process of developing a concept plan and doing the financial analysis is of great concern to the developers. Particularly for the production builders, who expressed they are losing money every day that they cannot start construction and wish for more certainty regarding schedule.

This lack of certainty about infrastructure is stalling planning from the developer side. Will the north side of the project area be pumped or have a big line installed for sewer? What is the plan for sewage and water phasing? Will other zoning districts be created once the master planning is complete? These questions, and others like them regarding infrastructure and utilities, are not yet answered and affect pro formas.

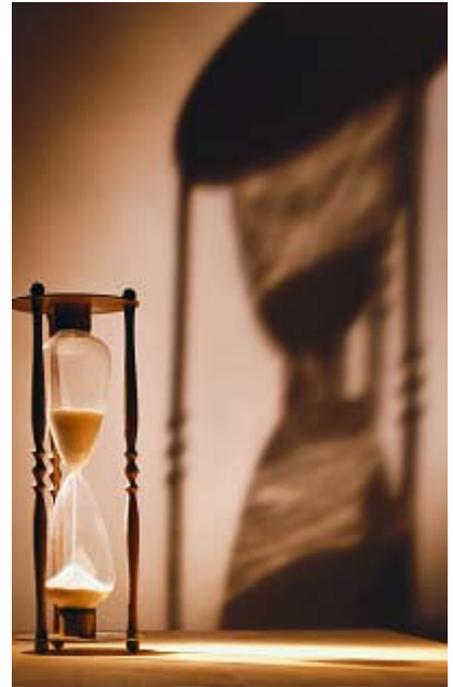
DEVELOPER TIMING

There is a consistent sense of urgency on the part of all the stakeholders interviewed. Concerns about time and the timing of things came up in almost every conversation. Time is money for developers, particularly as many are under options on properties in the area. If the options expire, the developers will likely have to renegotiate, and the price of land will likely increase, creating a gap in financial feasibility for many projects.

The production builders in particular are anxious to start and finish their developments quickly. They would like to see a much shorter planning and entitlement process, with responsiveness to what the actual needs are in the project area. Some developers shared that they have been in the area for eight years or more trying to make a project happen here.

COUNTY IS NOT IN A HURRY

Some shared a perception that the County is not in a hurry to finish the concept planning. They stated that the County has said this process could take up to 42 months (current contract is scheduled for completion in 23 months). For the reasons stated above, the developers are concerned about the timing of the planning process. Some believe it should take no more than 14 months. They also perceived that the existing neighborhood is also anxious to be done with the process and have certainty about their future.



“You have to find a formula that creates as much building activity as early as possible or funding mechanisms fail.”

“If the developer interests are not protected, the North Bethany project will certainly be stalled, and may fail.”

OWNERSHIP: DEVELOPERS

LIMITED OWNERSHIP



From talking to developers and property owner representatives, it is apparent that almost all the land in the North Bethany project area is either purchased or under contract with a developer. It is estimated that 90 percent or more of the land is tied up.

There is a limited number of developers in the North Bethany project area. It appears that no more than five will develop here. An additional point is that although most of the land is tied up through purchase or options, there is still much of it in flux. In other words, there will be negotiations among developers to consolidate land or swap for other reasons.

It seems that up to this point, there has been a lack of communication and teamwork between the developer interests. (This is not unusual; the development business is competitive by nature, with many companies vying for the same parcels in a given area.) However, in discussions, it was stated that many would be open to forming an alliance to aid communication, teamwork, and assist in decision-making faster and from an agreed-upon viewpoint. This internal cooperation would be beneficial to helping the County process and make decisions as well.

DENSITY REQUIREMENTS: CONFUSION

It appears from the interviews that there is confusion on what the density requirements are for the North Bethany project site. It is clear that any land brought into the UGB to accommodate residential growth must be a minimum of 10 dwelling units per acre. The confusion appears to be whether that number is calculated on the gross or net acreage.¹

Developers perceive that the County and Metro may have different policies in this area. They believe the County bases its calculation as 10 density units per gross acre, with Metro using 10 density units per net acre. This is an important distinction to clarify early in the planning process, as it could dramatically affect how dense the area may become. Additionally, it is unclear at this point just how much buildable acreage exists on the total site, another important point needing clarification.

It is the belief of the developers that the density expectations are considerably different between those proposed by Metro and those proposed by Washington County. The County has reportedly stated a target of 6,500 units for the North Bethany planning area, whereas Metro reportedly has indicated 3,500 units. The difference is significant, as are the implications on density.

Most developers operating in the North Bethany area reported a limited number of product lines. This raises potential conflicts with the diversity objectives expressed by the County in creating a “community of distinction.” Although most developers are comfortable in providing 8 to 11 units per acre, there is not a demonstrated in-depth experience in apartments, high density condominiums, senior housing, special needs housing, affordable housing, and other products that could exceed the average of 10 units per acre.

It was suggested that some of the housing product diversity may be addressed in areas of concentration, such as mixed-use elements of the North Bethany plan (see page 13).



¹ Note - Metro's requirement is for a minimum of 10 dwelling units per net residential acre. "Net" acres do not include street, utilities, environmentally constrained land and nonresidential uses.

STAGGERED STARTS



METRO
PEOPLE PLACES
OPEN SPACES

There are seven major agencies and institutions that will have projects or interests within North Bethany: Metro, Washington County, Portland Community College (PCC), Tualatin Hills Park and Recreation District (THPRD), the Beaverton School District, Clean Water Services, and the Tualatin Valley Water District. Developers perceive a lack of coordination between agencies for planning in this area.

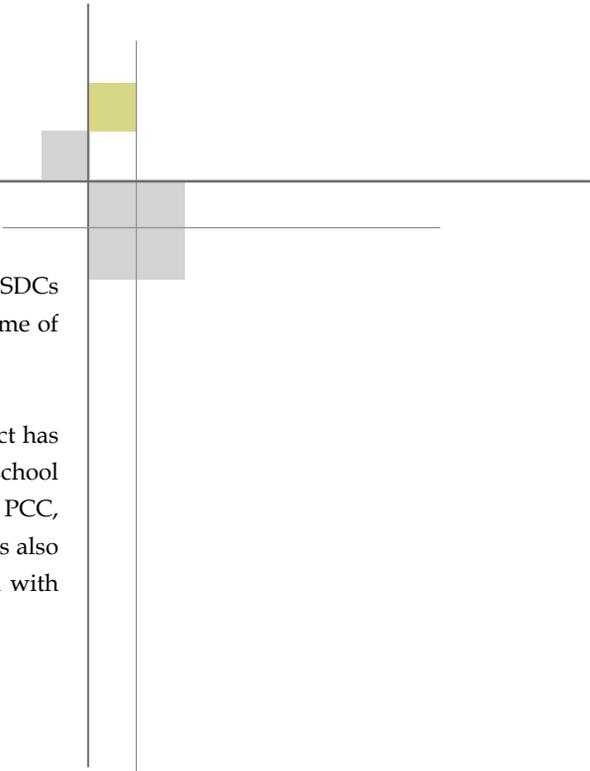
The County and Metro have been actively involved in the site for many years now, but it was stated that there has not been good communication with the other public entities that will have a necessary presence in the area.

Thus, these other entities, primarily PCC, THPRD, and the Beaverton School District, are all off to staggered starts in planning for a new community in this area. PCC has land it can use for expansion and is partnering with THPRD to provide park and athletic facilities on 30 acres of PCC's existing land.

However, this new facility is serving an existing deficiency, it will not supply any future capacity for the projected growth in North Bethany – it is being built to help mitigate existing shortfalls in the area. Additionally, it will help with community park goals, but core and neighborhood parks are still deficient in existing neighborhoods, let alone North Bethany. THPRD has not acquired any land in the North Bethany project area for trail corridors, core or neighborhood parks. There are no existing regional trails going through this area. Park goals and requirements are based on population and proximity. In looking at the area and population projections provided by the County, THPRD said they will need a minimum of four neighborhood parks for the North Bethany project area.

Goals of THPRD include providing parks, trail corridors, and linking community elements such as schools and community centers. A town center with public open space would meet some of their goals for parks space and proximity standards.

THPRD expressed that they are coming into the area late, hopefully not too late to accomplish their goals and help implement the parks initiative in the County's vision statement. Their funding source is primarily SDCs, but it is insufficient for their budgetary needs. Currently, they only fund 65 percent, including acquisition costs. THPRD is looking at redoing their



master plan and update the SDC charges to help fill this funding gap. SDCs in this area are below industry standard for the region, but at the time of the interviews, it was unclear what the gap was.

The interviewees' understanding is that the Beaverton School District has been independently proactive in the area and has acquired three school sites. They also have an interest to locate a high school adjacent to PCC, although it is unclear from these interviews who owns the land. It is also unclear whether the school district chose their sites in cooperation with County planning or completely independently.



MIXED-USE CENTER

The developers, being primarily home builders, had concerns regarding a mixed-use or commercial center for the North Bethany site. It is not the product these developers build. Some are more open to the idea of it than others. A possible location was mentioned at the corner of Brugger Road and Kaiser Road.

Most are uncomfortable with the idea that their land may get “stuck” with the town or neighborhood center requirement, unfairly loading their land with a program that either doesn’t meet market demand or cannot be built for some time due to lack of market demand. Additionally, as mentioned above, these developers are home builders, not commercial or mixed-use developers, so it is something they would not do themselves.

When presented with the idea of putting the commercial or town center element on public land in reserve until the market was ready for build-out, most found it an interesting option. Obviously, it is in the developers’ favor as it takes the burden of holding land privately out of the equation. There is valid concern that any commercial activity on the North Bethany site will only serve to weaken existing retail centers in the nearby area, such as Bethany Village or Albertson’s Center. The consensus is that a commercial component should not go into North Bethany until the market can support it. Vacant storefronts are worse for an area than no commercial space at all.

Another suggestion was to put neighborhood retail every five blocks or so, similar to the center in the Forest Heights neighborhood. This would be a very small retail element, less than 20,000 square feet in each location. Neighborhood retail might be anchored by a coffee shop or popular café, rather than the typical 40,000 square foot grocery store. Again, the market would have to be able to bear that influx of retail, and the plan would have to be very carefully designed and implemented to assure success.

Bethany Village has expansion plans in the near future, which will also impact the viability and timing of retail in the project area.



WASHINGTON COUNTY: PERCEPTIONS

COUNTY VISION

Washington County has a vision for the North Bethany Development. It is as follows:

“The County vision for the new North Bethany urban area is that the North Bethany area be integrated into the existing, larger Bethany community. It is also envisioned that North Bethany be a community of distinction, with a higher (than elsewhere in the unincorporated County) level of service for parks and open spaces, and a comprehensive design approach that integrates neighborhoods with open space, provides a variety of housing choices for a range of affordability levels, highlights community focal points, (i.e., civic space, mixed-use nodes, schools, etc.) and connects them to one another, to adjacent points of interest, and to neighborhoods via multimodal access routes. Transportation improvements will be planned to anticipate possible future expansion of the Urban Growth Boundary in the North Bethany vicinity.”²

For the most part, reaction was neutral with response to the County’s vision. There was discussion that the vision may not necessarily take into account market reality in North Bethany. Others responded that it will be difficult to provide a community of distinction if introducing (unexpected) costs onto the development that will hinder implementation of that vision.

PROCESS AND INFRASTRUCTURE COSTS

The approach the County took in starting this site and the transportation initiative has been received less than positively. Many felt the process was backwards and that appropriate analysis and planning should have been done prior to assessing costs for infrastructure in North Bethany.

The developers had a strong reaction to the infrastructure costs and plan they received from the County in February 2006. The price of approximately \$400 million in improvements for the off-sites was definitely sticker shock. Many said that worked out to \$30,000 to \$40,000 per unit additional costs³—

² Taken from Part III - Project Specifications II. Background/Nature of Project of the RFP: Consultant Services for Planning Urban Growth Boundary Expansion Area in North Bethany by Washington County, dated May 2006.

³ January 2006 rough cost estimates released by Washington County on transportation, sewer trunk lines, and a civic space and structure was estimated at \$275,000,000.



“They (the County) did the (financial) model before they had done a plan.”



“The transportation costs are higher than my land costs.”

“If you can’t get a building permit, you are (being) held hostage.”

“Perception is that they [the County] do everything behind closed doors and that’s not right... This needs to be a transparent process.”

too much then to make development in the area “pencil” at the planned densities. For some of the projects in North Bethany, those infrastructure and transportation costs would be higher than the land costs.

In general, most feel the planners are good to work with at the County. It is the master planning and the timing of the process that neighbors and the development community alike are struggling with. Many want a more collaborative process than has occurred to date on finding solutions that work for the County and the owner or developer.

The interviewees expressed relief and approval about the County’s using an outside consultant team to assist in the master planning and funding process. They feel this tactic will get to the right answers and approach solutions in an objective and timely manner.

Developers perceive that much of the cost of the infrastructure is to accommodate future growth in the area and fix existing problems that have languished over time. They believe some of the improvements may be oversized, unnecessary, or not their responsibility. The developers don’t understand why they should be expected to bear the brunt of those costs. In the past, development costs have been borne under a “pay as you go” philosophy. It looks, to many, like the County is trying to solve future problems and put the bill on the North Bethany site.

SUGGESTED SOLUTIONS

INFRASTRUCTURE

The developers interviewed were all supportive of the Concept Plan and Finance process currently being pursued by the County. They expressed that a thorough analysis and master plan must be done before costs can be assigned to it. Only then should a discussion of cost allocation begin.

It was unanimously expressed that the cost of infrastructure improvements in and around the North Bethany project site should be divided equitably among a larger stakeholder group than the development community.

It was brought up many times that the individuals and the property owners, who got a windfall from having their land brought into the UGB and rezoned to a higher use, should certainly be included in sharing infrastructure improvement costs. Perhaps there is a windfall tax set up, that the property owners don't pay until the land is sold. It is "painless" for them, as it just comes out of the purchase price at the completion of the sale. They did acknowledge the difficulty in doing this, as most deals for the land are already under contract.

Other ideas for sharing the costs include future developers on adjacent sites, seeking federal funding and Metro funding. The idea of creating an LID was brought up. Another suggestion was creating site specific SDCs for the area.

It was mentioned that in the past, the County policy has been "pay as you go." This has worked well for the developers and some can't understand why a new approach is being taken on this site. An unreasonably large upfront capital cost may prevent the development from going forward on some projects.

Some developers are further concerned that even if and when they pay for the improvements, there will be no guarantee regarding timing and surety in getting permits to begin construction. Again, developers want certainty.



“Mechanisms to help fund this: dedicated increment to the SDC, have more developer participation in actually building off-sites, which can significantly reduce costs.”



TIMING

The developers unanimously agreed that they would like to see the master planning and financial analysis period be kept as short as possible. Everyone in the area is ready to have this issue resolved and get some resolution about what the true needs and plan is so that they can make decisions. The developers would like the process to be 12 months or so.

The developers may be willing to pay more infrastructure fees if they have the confidence that it will be delivered in the promised timeline, keeping their budgets and schedules for development on track. If something is needed in writing to guarantee this, such as a memorandum of understanding, that would be all right.

MECHANISMS FOR SUCCESS

Developers expressed that they would feel more comfortable if there were some tools in place that would provide them some guarantees. Several mechanisms for success were discussed during the interviews.

One was an informal affiliation between developers and landowners such that the consultant team, the County and Metro could work together during key points in the process to discuss issues, hopefully leading to acceptable solutions. As described elsewhere, the developers do not generally meet as a group. However, virtually all of the developers expressed a willingness to do so.

Another potential tool discussed is a memorandum of understanding (MOU). Developers supported the idea that an MOU could be established between the County, Metro, the developers, and the other important stakeholders such that all parties knew what would happen, when it would happen, and how it would happen. Matters such as the financing plan, the land use plan, and other key elements could be tied to the MOU.



Also discussed and received positively by the developers was the possibility of a unified development agreement (DA) between the private sector and the County. A DA, enabled under the Oregon legislative statutes, provides for cities and counties to enter into an agreement with developers, providing more specificity to planning. It can both obligate and de facto warrantee the plan and its implementation by agreement between the public and private sectors. The MOU, together with the DA and mutually acceptable financing mechanisms, could conceivably enable meaningful acceleration into both decision-making and consequently, implementation of the North Bethany plan.