Developer Interviews
What we heard
Parcelization

- Very few large lots
- Many small lots owned by different people
- Makes redevelopment challenging
  - Impacts project costs
  - Timing
  - Small site inefficiencies
Aloha-Reedville is a Local Market

- Primarily serves residents of Aloha-Reedville
- Cannot compete with nearby regional destinations
  - Tanasbourne
  - AmberGlen
  - Beaverton
  - Washington Square
- Orenco more similar
Rents Do Not Cover Cost of New Construction

- Aloha-Reedville does not command rents that could support new construction
- Need to rehab, renovate, and retain existing buildings first

### Market Rent

<table>
<thead>
<tr>
<th>4 Story, 80,000 SF Office Building</th>
<th>160 Above Grade Structured Parking Spaces</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Summary</td>
<td>Units</td>
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<tr>
<td>Land</td>
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</tr>
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<table>
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<tr>
<th>Project Cost</th>
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<tr>
<td>Land</td>
<td>$30</td>
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<td>Hard Cost</td>
<td>$187</td>
</tr>
<tr>
<td>Office Space</td>
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<tr>
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<td>25%</td>
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### Feasibility Rent

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### Income & Capitalized Value

<table>
<thead>
<tr>
<th>4 Story, 80,000 SF Office Building</th>
<th>Annual Rent</th>
</tr>
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<tbody>
<tr>
<td>Office Net Rent</td>
<td>$17,000</td>
</tr>
<tr>
<td>Parking</td>
<td>$30,000</td>
</tr>
<tr>
<td></td>
<td>$1,281,600</td>
</tr>
<tr>
<td>Vacancy</td>
<td>5%</td>
</tr>
<tr>
<td>NOI</td>
<td>$1,217,520</td>
</tr>
<tr>
<td>Capitalized Value</td>
<td>7.00%</td>
</tr>
</tbody>
</table>

### Margin Calculation

<table>
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<tr>
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<th>% Margin</th>
<th>Margin</th>
</tr>
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<tbody>
<tr>
<td>Margin</td>
<td>-9%</td>
<td>$7,289,657</td>
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Source: Vancouver City Center TOD Study, Market Feasibility
Better Opportunities Elsewhere

- Why invest here when there are better opportunities for investment nearby?
URBAN RENEWAL
Implementation and funding tool
Urban Renewal in Oregon

- Purpose: Blight removal
- Authorized by Oregon State law – ORS 457
- Been in effect for more than 50 years
- Nearly 65 Oregon cities and counties have active UR agencies
- More than 90 urban renewal plans currently in effect

Cooper Building Demolition, 1970 – part of Denver’s Skyline Urban Renewal Project
Urban Renewal in Oregon

Types of UR districts:

- Downtowns
- Commercial corridors
- Industrial/employment areas
- Residential neighborhoods
- Mixed Use districts
- Urban, Rural, Suburban

Urban renewal is both a financial and an organizational tool
What is Blight?

Per ORS 457:
- Physical deterioration ✓
- Vacant land/buildings ✓
- Underutilized land ✓
- Declining values ✓
- Economic decline ✓
- Obsolete buildings ✓
- Lot irregularities ✓
- Substandard utilities ✓
- Substandard streets ✓
Uses of Urban Renewal Funds

- Infrastructure
- Streetscape and beautification
- Parks, open spaces, trails
- Loans and grants
- Facade improvement programs
- Parking
- Financial assistance for private development
- Public buildings
- Planning & engineering studies
- but *not* maintenance, operations

Downtown Redmond Urban Renewal District
Tax Increment Financing

- Overlapping taxing districts collect revenues on frozen base
- Revenues from excess value (TIF) go to UR district
- District retires: increased revenue returns to taxing districts

TIF can stimulate private investment and AV growth that otherwise might not occur “but for” urban renewal.
Recent Changes to Urban Renewal

House Bill 3056 (2009 - Oregon)

- Limits on initial amount of **maximum indebtedness** (MI)
- Limits on increases in MI for all plans
- Possibility of TIF revenue sharing with overlapping taxing districts
- Provisions may be overridden if urban renewal agency obtains written concurrence from taxing districts representing at least 75% of the taxes imposed under permanent rate limits in the UR Area

**Funding for schools K-12 is **NOT **usually affected**

*Per student funding is the same with or without a renewal plan in place*
Case Study: Tualatin Commons

- Redevelopment of 19-acre former dog food factory
- Place Making - magnet for attracting investment
- Multiple projects make multiple opportunities for local developers
- Maximize return on public investment
- Public-private partnership
Case Study: Astoria

- Downtown district
- Urban renewal program started with zero TI funds and experience no AV growth during early years.
- Typical TIF investment small, but leverage high
  - OSU Seafood Center
  - Historic Liberty Theater
  - Relocation of County Fairgrounds
  - Columbia River Maritime Museum
Case Study: Lake View Village, Lake Oswego

- Prime downtown block
- City struggled to develop for 20 years without success
- LCG was enlisted to negotiate a development agreement
- Key elements: public-private partnership, new urbanist principles, TIF
- Mixed-use: Retail and restaurants with office above
- Buildings disguise 300-space parking garage in center of project
- 100 percent leased on opening day

Lessons learned
- Parking Strategy
- Avoid politics in negotiations
- Build trust
URBAN RENEWAL IN ALOHA-REEDVILLE?

- Theoretical analysis
Theoretical Urban Renewal Area

- TV Highway Corridor
- Mainly commercially zoned land
- Excludes Intel
- One block N & S
Financial Analysis

Baseline Assessed Value (2012):
- $209 million (M50 assessed value)
- $324 million (real market value)
- Approx. 400 acres

Annual property taxes:
- Approx. $3.3 million

Annual growth assumptions:
- Inflationary growth: 3% (M50 limit)
- Plus new development: 4%
Financial Analysis

Cumulative Tax Paid Over 20 Years

Total TIF revenues $52 million

- Cumulative tax paid (w increment INCL. NEW DVLP)
- Cumulative tax paid (baseline)

Year

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20

Millions

$0 $20 $40 $60 $80 $100 $120

$51.5 $104.5
Potential Uses for Funding in Aloha-Reedville

- Land assembly
- Street/streetscape improvements
- Bike/Ped safety improvements
- Parking
- Parks/trails development
- Storefront improvements
- Planning & feasibility studies

- Development assistance (grants/loans):
  - Housing
  - Commercial
  - Mixed-use
- Local funding match for grants
- Staff and project management
- And more…
Leverage

- Link public investment to private investment
- Target leverage ratio: 5:1 ($5 private for every $1 public)
  - $52 million in UR investments leverage $260 million in private projects
  - Direct and indirect catalytic effect
- Overall, district leverage could be higher (10 or 12:1)
  - Up to $600 million in private investment over 20 years

For example...
- 1,500 apartments ~$225 million
- 200,000 square feet of office ~$40 million
- 400,000 square feet of retail ~$70 million
- 150,000 square feet medical office ~$52 million
Total: $387 million
**Implementation: Overlapping Jurisdictions**

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beaverton School District</td>
<td>$13.5 million</td>
</tr>
<tr>
<td>Washington County</td>
<td>$12.1 million</td>
</tr>
<tr>
<td>TVF&amp;R</td>
<td>$7.5 million</td>
</tr>
<tr>
<td>Hillsboro School District</td>
<td>$6.9 million</td>
</tr>
<tr>
<td>Enhanced Sheriff Patrol</td>
<td>$5.2 million</td>
</tr>
<tr>
<td>THPRD</td>
<td>$3.7 million</td>
</tr>
<tr>
<td>Urban Road Maintenance</td>
<td>20-year cumulative effect</td>
</tr>
<tr>
<td>PCC</td>
<td></td>
</tr>
<tr>
<td>Metro</td>
<td></td>
</tr>
<tr>
<td>Port of Portland</td>
<td></td>
</tr>
<tr>
<td>NW Regional ESD</td>
<td></td>
</tr>
</tbody>
</table>
First Steps

- Community expresses support
- Precedent for projects is set in plans
- Board initiates feasibility study
  then...
- Write plan and report (public involvement, define boundaries, define projects, outreach to taxing jurisdictions)
- Create urban renewal agency
- Adopt plan & report
- First revenues 6 to 18 months from then
- Implement projects
Questions