JOHNSON ECONOMICS

MEMORANDUM

DATE: March 15, 2019

TO: CITY OF MILWAUKIE

FROM: JOHNSON ECONOMICS, LLC

SUBJECT: Milwaukie Neighborhood Hubs – Feasibility Analysis

As part of the Milwaukie Comprehensive Plan and Neighborhood Hubs planning project, Johnson Economics has completed a high-level feasibility analysis of the Hub development typologies that were developed over the course of the project. The analysis assesses the current feasibility of four major typologies that apply across the 12 identified neighborhood hubs, as well as the longer-term feasibility of incremental changes over coming years. This memo summarizes the analysis and findings of the feasibility study.

A. NEIGHBORHOOD HUB TYPOLOGIES

For the purposes of this analysis, we consider four broad typologies which may be appropriate in the different hub locations. The hubs all feature a range of existing conditions and long-term prospects, meaning that one hub may be appropriate for one typology, while another may not be.

Typologies

The 8 total typologies identified of this project, are identified below. Not all require market study or feasibility analysis. The four typologies shown in bold are those considered in this memo:

1. Gathering/Event Space (No market analysis needed)
2. Opportunity Site (An existing condition)
3. Underperforming Hub (An existing condition)
4. **Micro-Hub**
5. **Transitional Hub**
6. **Neighborhood Hub**
7. **Mixed-Use Neighborhood Hub**
8. Mixed Use Center (Larger than Hub concept)

The following table shows the progressive uses envisioned for the hub typologies, from small pop-up uses such as food carts, farmers market, or art or hobby carts (Micro Hub), to full mixed-use nodes with new commercial and housing development (Mixed Use Neighborhood Hub).

FIGURE 1: NEIGHBORHOOD HUB TYPOLOGIES – PROGRESSION OF USES

Type of Hub/Typical Uses	Pop-up carts, etc.	Convenience commercial and services	Brick and mortar – expanded commercial	Mixed Use w/Housing
Micro	X			
Transitional	X	X		
Neighborhood		X	X	
Mixed Use Neighborhood			X	X

Source: City of Milwaukie, Scott Edwards Architecture

Figure 2 shows the assessment of the existing conditions, potential short-term typology and long-term typologies at each of the 12 neighborhood hubs identified in this project.

FIGURE 2: NEIGHBORHOOD HUBS – EXISTING AND POTENTIAL TYPOLOGIES

SITE		Existing Typology	Short-Term Typology	Long-Term Typology
1	Island Station	*Underperforming Hub*	Transitional Hub	M.U. Neigh Hub
2	Lake Road	*Opportunity Site*	Transitional Hub	M.U. Neigh Hub
3	Lake Road 2	*Opportunity Site*	Micro-Hub & Gathering	Micro-Hub & Gathering
4	Linwood	*Underperforming Hub*	Transitional Hub	M.U. Neigh Hub
5	Linwood 2	M.U. Neigh & Gathering	M.U. Neigh & Gathering	M.U. Neigh & Gathering
6	Hector Campbell	*Underperforming Hub*	Transitional Hub	M.U. Neigh Hub
7	Hector Campbell 2	M.U. Neigh Hub	M.U. Neigh Hub	M.U. Neigh Hub
8	Lewelling 2	*Opportunity Site*	Micro-Hub	Transitional Hub
9	Ardenwald	*Underperforming Hub*	Transitional Hub	M.U. Neigh Hub
10	Ardenwald 2 (Roswell Mrkt)	*Underperforming Hub*	Transitional Hub	M.U. Neigh Hub
11	Hector Campbell 3 (Garden)	*Gathering/Event*	Micro-Hub & Gathering	Micro-Hub & Gathering
12	Lewelling (Johnson Creek)	*Underperforming Hub*	Transitional Hub	M.U. Neigh Hub

Source: City of Milwaukie, Scott Edwards Architecture

* Entries in blue indicate typologies not included in this market analysis.

These typologies have been identified through this planning process as the best fit for the physical and market opportunities presented by each location. For each neighborhood hub location, a series of incremental typologies have been identified as the area develops over time. The short-term improvements can be a stepping stone to more intensive development in the future.

B. Real Estate Market Conditions

In general, the conditions for new development and infill in the Milwaukie area have been strengthening for many years, with positive growth in most indicators: population, household incomes, property values, and rents. All of these factors create positive growth pressures to support new activities, businesses, and development types that may not have been feasible even in the past few years.

Retail/Commercial Space: Achievable retail rents have climbed sharply in recent years, after averaging in the $14/s.f. range for nearly a decade, new and well located retail space is now asking up to or exceeding $20/s.f. This has the effect of making additional types of retail and new development more feasible as rising rents can justify the new investment. Rents are highly location dependent however, and will vary somewhat from one neighborhood to the next.

Figure 3: Retail Commercial Rent Trends – City of Milwaukie

Source: Costar

Vacancy rates have been unsteady, but have generally remained below 10% which means Milwaukie has maintained a healthy retail/commercial vacancy level over time. Many commercial landlords assume an

average vacancy rate of up to 10% over time, so the current rate near 5% is considered a good property owner's market, and a somewhat tight market for tenants.

FIGURE 4: RETAIL COMMERCIAL VACANCY TRENDS – CITY OF MILWAUKIE

Source: Costar

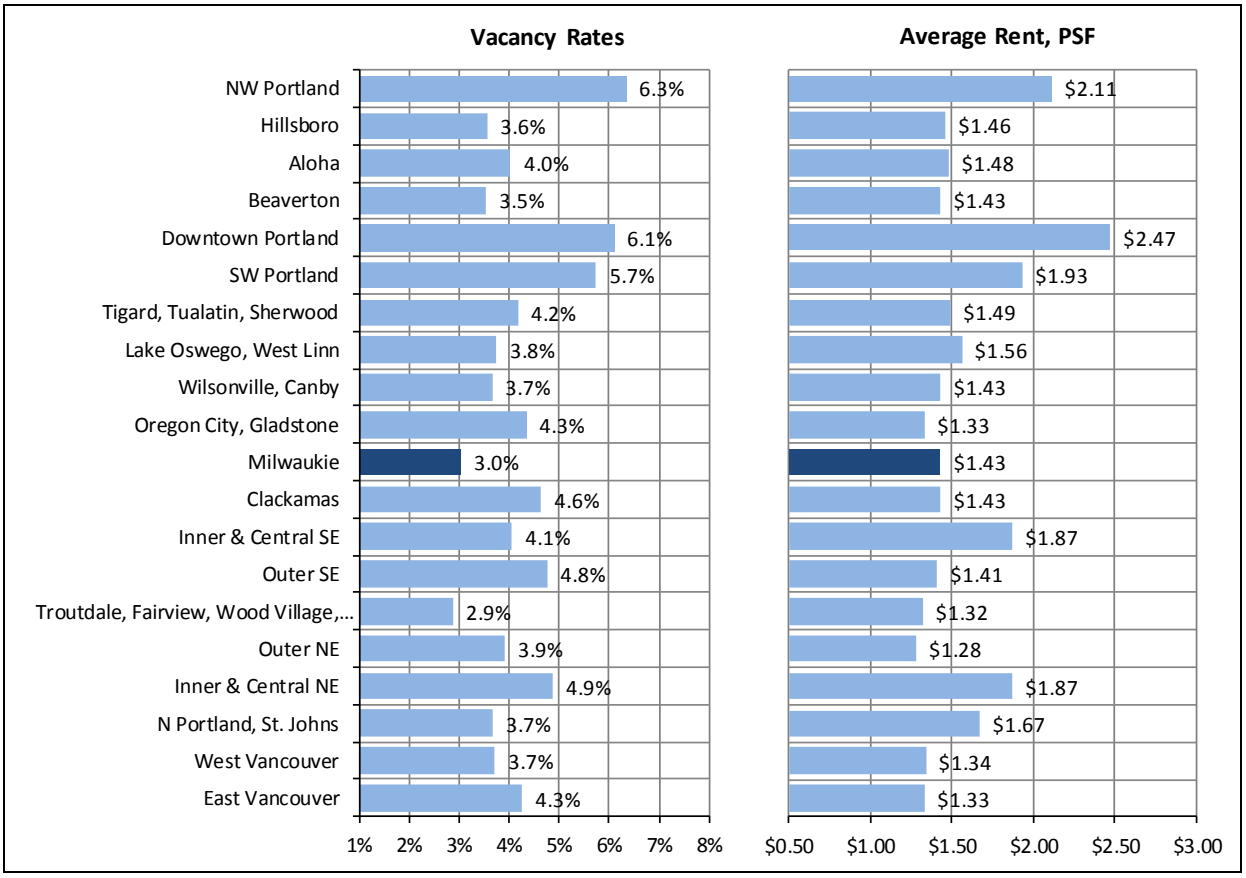
Rental Housing Market: Per Multifamily NW, Milwaukie had a vacancy rate of just 3.0% as of the fall of 2018. This is down from an already low 4.2% one year prior. These vacancy rates are well below the 5% that represents a balanced market. (See Figure 5)

The average rent level in Milwaukie is $1.43 in established properties, up from $1.41 per square foot a year before. This represents a modest year-over-year increase, however prior years saw more robust increases, and rents have climbed nearly 50% over the past five years.

Rents are still low in terms of the region, though it is in line with other similarly sized suburbs. The low average reflects that the Milwaukie apartment stock is dominated by aging garden-style properties. This rate is not reflective of achievable rents for newer housing developments.

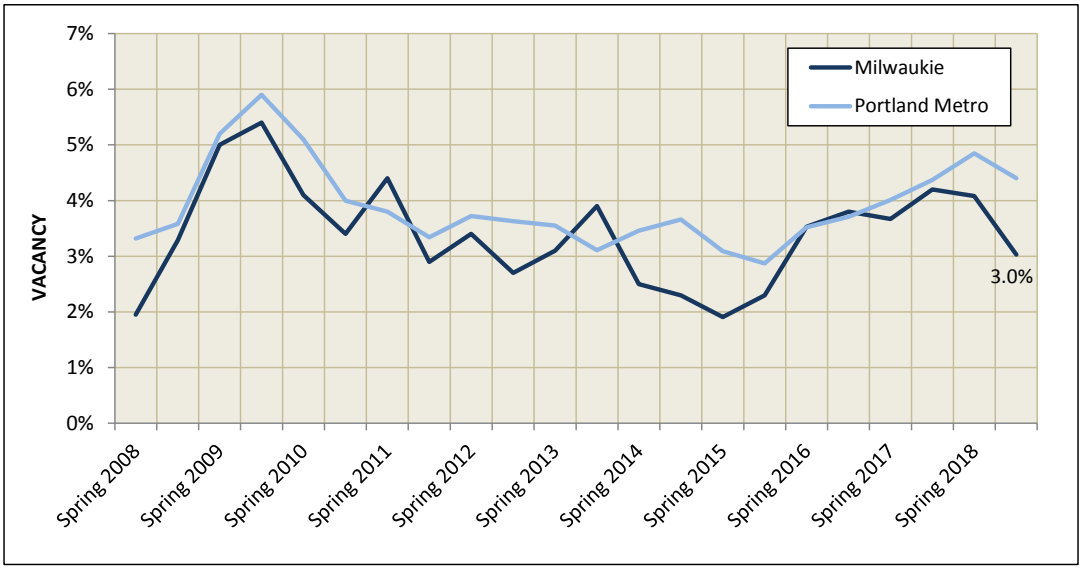
Figure 6 shows Milwaukie's vacancy trend in comparison to the Metro Area. The submarket came out of the downturn with lower vacancy than the remainder of the region, reflecting that it had relatively few newly delivered properties to lease up. The vacancy rate has generally remained below the metro-wide level since then. Note that the vacancy rate tends to fluctuate more in smaller submarkets than in the wider region due to smaller sample size.

FIGURE 5: RENTAL APARTMENT MARKET TRENDS – MILWAUKIE



Source: MultiFamily NW

FIGURE 6: VACANCY TREND 2008 - 2018 – MILWAUKIE



Source: MultiFamily NW

Growth and Demand: Past and projected growth trends in the community support the need for new and diversifying retails, services, and gathering spaces in the future. In the Portland Metro area, there is evidence that growth and rising housing costs in central Portland is causing spillover effects across the region. Adjacent cities such as Milwaukie now provide an attractive lower-cost alternative for younger households. Milwaukie is an attractive established community, with good transportation connections to other parts of the Metro area.

Milwaukie's 2016 Housing Needs Analysis (HNA) projected growth of 1,130 new households over a 20-year period. These households will bring demand for new housing, as well as spending power for new retail and services, and support for new employment.

The general trends identified in the HNA for the City of Milwaukie include:

- As demand increases, prices rise, and remaining land within the UGB is developed, denser forms of development and creative reuse of parcels through infill and redevelopment become more economically viable. This is increasingly the case for developed parts of the Metro area such as Milwaukie, which offer few opportunities for large-scale development of single-family subdivisions.

- Milwaukie is likely to be attractive to 20-something residents seeking relatively affordable living near transportation options and employment centers. Some in this generation are already starting young families and will be well into middle age during the 20-year planning period. More of these households may move from areas like central Portland to communities like Milwaukie for affordable housing, more space, and schools.

Milwaukie has a significant employment base, and is a net-importer of labor from the remainder of the metropolitan area. There are an estimated 12,400 jobs in the city of Milwaukie, and an estimated 9,100 Milwaukie residents in the labor force. The Census estimates that nearly 12,000 employees commute into the city from elsewhere. This significant commute pattern indicates that locally-employed workers are not finding appropriate housing options within the City.

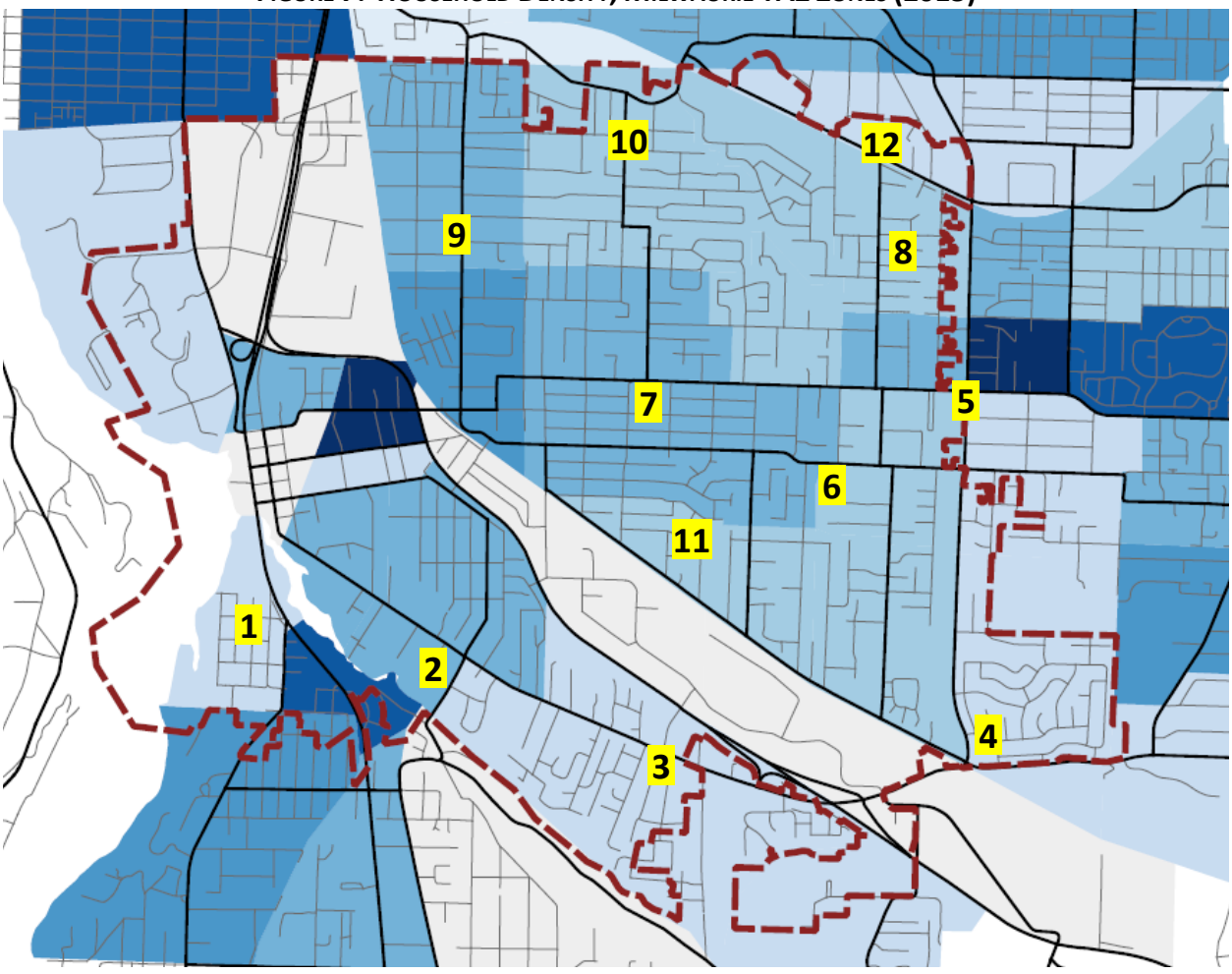
If Milwaukie achieves projected growth targets and focuses much of this growth within its current neighborhoods through redevelopment and infill, there should be good market support for small-scale commercial uses, and other "hub" activities at the identified locations, as discussed more below.

C. Population and Employment Concentrations

This analysis considers support for new neighborhood centers for gatherings, pop-up events and generally small-scale commerce. These hubs are located across the city and have differing characteristics that may impact their prospects for redevelopment.

Concentrations of households and estimates of employment around the nodes will impact the number of potential visitors and spending power around each hub.

Figure 7: Household Density, Milwaukie TAZ Zones (2015)

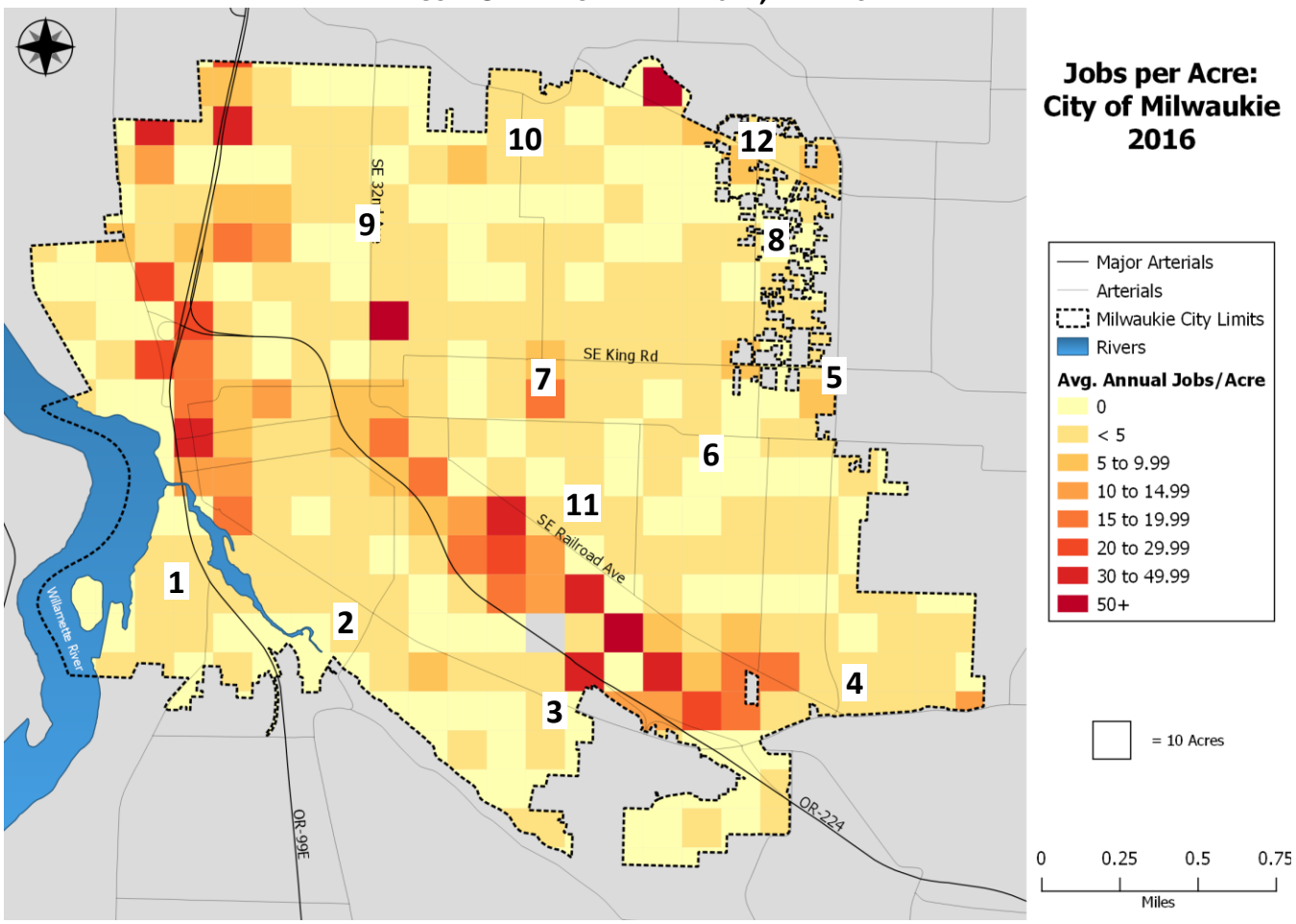


Source: Census, Metro RTP, Johnson Economics

Figure 7 shows an estimated household concentration, measured in households per acre. Shades range from 0 to 9 households/acre in the darkest areas. (See Figure 9 for more detailed data on each hub area.)

Figure 8 shows an estimate of employment density per acre, from the Milwaukie Economic Opportunities Analysis. Data is from 2016.

FIGURE 8: EMPLOYMENT DENSITY, MILWAUKIE



Source: City of Milwaukie updated EOA (2018), Johnson Economics

Figure 9 presents a more detailed estimate of the demographics surrounding each potential neighborhood HUB, including households, median income and employees. Demographics are presented in one, two and three mile increments. These market characteristics are taken into account when assessing the strength of each hub for near- to long-term growth.

FIGURE 9: DEMOGRAPHIC CHARACTERISTICS, MILWAUKIE NEIGHBORHOOD HUBS

Neigh. Hub	Population (2018)			Households (2018)			HH Growth (2000-2018)			Median HH Income			Estimated Employees		
	1 Mile	2 Mile	3 Mile	1 Mile	2 Mile	3 Mile	1 Mile	2 Mile	3 Mile	1 Mile	2 Mile	3 Mile	1 Mile	2 Mile	3 Mile
1	11,200	44,800	106,000	5,200	19,300	43,800	-0.6%	0.9%	1.9%	$56,000	$64,700	$72,200	6,200	26,300	45,200
2	13,300	45,300	108,000	6,000	19,600	44,500	-0.2%	0.9%	1.9%	$56,500	$64,500	$68,900	8,200	25,900	50,100
3	12,200	53,400	122,000	5,000	22,100	49,900	1.9%	0.4%	2.7%	$65,000	$59,900	$63,000	11,000	31,700	64,200
4	10,100	53,000	123,600	3,900	21,600	49,400	-0.7%	1.8%	3.0%	$63,800	$57,600	$60,800	13,400	41,400	63,500
5	13,400	60,600	133,200	5,300	24,700	54,100	0.0%	0.0%	0.0%	$65,700	$61,600	$60,500	9,400	34,400	64,500
6	13,100	56,000	127,300	5,300	23,000	51,500	0.2%	1.8%	2.8%	$60,700	$60,000	$61,600	12,400	35,000	61,200
7	16,000	59,000	131,000	6,700	24,400	53,600	1.1%	1.9%	2.5%	$57,600	$62,300	$62,300	11,300	28,600	58,900
8	13,400	60,600	133,200	5,300	24,700	54,100	0.0%	0.0%	0.0%	$65,700	$61,600	$60,500	9,400	34,400	64,500
9	15,100	57,200	130,900	6,500	23,700	54,500	3.4%	2.3%	1.7%	$61,900	$69,300	$62,200	9,300	27,400	62,800
10	16,700	68,100	142,800	6,700	27,800	58,700	2.1%	3.0%	2.0%	$67,500	$65,600	$60,100	5,400	27,400	65,400
11	13,100	56,000	127,300	5,300	23,000	51,500	0.2%	1.8%	2.8%	$60,700	$60,000	$61,600	12,400	35,000	61,200
12	13,400	60,600	133,200	5,300	24,700	54,100	0.0%	0.0%	0.0%	$65,700	$61,600	$60,500	9,400	34,400	64,500

Source: Costar, Metro RLIS, Johnson Economics

Figure 10 (following page) presents a rough grouping of the hubs based on some of these indicators. The groupings are subjective (see footnote), but indicate the relative strength of the hubs on these indicators (using the 1-mile market radii). The "combined indicator" simply reflects the most prevalent level among the three indicators, equally weighted (i.e., if the hub has two "high" indicators, and one "medium" indicator, the combined is "high").

FIGURE 10: RELATIVE MARKET SUPPORT BASED ON DEMOGRAPHIC CHARACTERISTICS

MILWAUKIE NEIGHBORHOOD HUBS

SITE		HH Density	Median Income	Employ. Density	Combined Indicators
1	Island Station	Medium	Moderate	Lower	Medium
2	Lake Road	High	Moderate	Medium	Medium
3	Lake Road 2	Medium	Good	High	High
4	Linwood	Lower	Good	High	High
5	Linwood 2	Medium	Good	Medium	Medium
6	Hector Campbell	Medium	Moderate	High	Medium
7	Hector Campbell 2	High	Moderate	High	High
8	Lewelling 2	Medium	Good	Medium	Medium
9	Ardenwald	High	Good	Medium	High
10	Ardenwald 2 (Roswell Mrkt)	High	Good	Lower	High
11	Hector Campbell 3 (Garden)	Medium	Moderate	High	Medium
12	Lewelling (Johnson Creek)	Medium	Good	Medium	Medium

Source: Johnson Economics

HH Density scale: < 5,000 = Low; 5,000 to 6,000 = Medium; > 6,000 = High.

Median Income scale: < $61,000 = Moderate (within 3% of Milwaukie median); > $61,000 = Good.

Employment Density scale: < 7,000 = Low; 7,000 to 10,000 = Medium; > 10,000 = High.

In general, the strongest hubs are those located at the south end of town (employment density), and the Ardenwald area (household density and incomes.) However, most hubs should have good support for modest neighborhood hubs, with only a few registering as "low" on some indicators. None of the indicators rank highly on all three indicators.

D. PRO FORMA AND FEASIBILITY ANALYSIS

JOHNSON ECONOMICS ran some high-level pro forma analysis of basic real estate prototypes to provide some insight on the current and future feasibility of development in Milwaukie. (Details of pro forma analysis appended to this report.)

The analysis included basic retail uses, residential uses, and commercial/residential mixed uses generalized to Milwaukie. This provides some generalized findings as a baseline to reach conclusions about each hub location. The advantages and disadvantages of each hub will vary, as discussed more below.

Incremental Development Approach

This planning process has emphasized an incremental approach to building neighborhood hubs of activities around the potential locations. This is usually a good way to think about development of an

area over time, as a center usually consists of multiple properties, of different uses and different ownerships. A successful hub, center or main street will grow over time as new uses, businesses and activity are added to the area.

Near-term Feasibility (1 – 10 years): In general, the analysis finds that basic standalone commercial uses should be feasible across most of the study area. Retail rents in Milwaukie are now high enough, and vacancy low enough, to suggest that new ***commercial*** development should be a competitive investment for developers if the right opportunities exist. This would include rehab/reuse of existing space, or development of vacant land, but perhaps not demolition/redevelopment in the near term.

Similarly, ***rental apartment*** development in traditional suburban forms remains feasible. Outside of the Downtown Milwaukie area, this generally means low-rise garden apartments, or perhaps townhomes. These would be single use rather than mixed use. Strong rental growth, and the slower production of units outside of central Portland in recent years, may sustain the apartment building cycle in neighboring cities such as Milwaukie for the foreseeable future.

Mixed-use development, and attached forms of ownership housing (i.e. ***condos***) are likely *infeasible* in the near-term. The higher construction costs for vertical mixed uses (and in particular any type of structured parking) are high enough that these building types will have a difficult time penciling out anywhere outside of perhaps Downtown Milwaukie for some time.

Long-term Feasibility (10+ years): Additional development is likely to become more feasible if rents continue to rise modestly, and costs stabilize. There is reason to believe that construction costs may stabilize once current barriers clear (such as a downturn in central Portland development lowering labor and material costs, and an end to current tariff turmoil which is further impacting supply costs.) If costs continue to rise commensurately with rent levels, then feasibility will continue to be a challenge.

An increase in household and/or employment density around these hubs will also support a transition from one typology to a more intensive typology through helping to bolster the customer base, multi-modal traffic and visibility of these areas.

A shift in feasible commercial development forms in the hubs will take time and is reliant on first successfully establishing the transitional hub typologies. Granted that, then those hubs that already enjoy some existing commercial critical mass are likely to see long-term typologies reach feasibility the soonest, in perhaps 7 to 12 years. The following hubs have a more established commercial base to build upon:

1) Island Station
4) Linwood
5) Linwood 2

7) Hector Campbell 2
9) Ardenwald

Other hubs are building on a smaller base and some have a more low-traffic neighborhood environment. These are likely to take longer to transition to the identified long-term typologies. The long-term planning period for these hubs may be best thought of as 15-20 years.

Feasibility of Typologies

The progression of hubs through the prototypical phases envisioned in the design phase of this project are realistic, though some will likely take longer to be realized than others. Those with a stronger existing critical mass of commerce and activity will have the strongest support to add additional commercial activity.

The feasibility of development/redevelopment is dependent on achievable rent levels and the broader business climate, which in turn are highly dependent on the location, visibility and customer base around a given hub. Rent levels are key because these provide the income expectations that offset the cost of renovation, development or redevelopment. As achievable rents increase, higher cost development types such as mid-rise or mixed use buildings may become feasible, whereas at current levels only low-rise, single-use buildings may be feasible.

It is hard to predict specific threshold rent levels that will trigger redevelopment, because a dozen other market indicators that impact the pro forma are also changing over time. In general, stable to climbing rent levels, combined with steady household and income growth in the area will increase the feasibility of existing and future typologies.

*In the near term, the general land uses described in the **Transitional Hub** and **Neighborhood Hub** typologies should be generally feasible in most hub locations, if proper buildings/land is available*. The cost to redevelop existing built space will be prohibitive in many cases, however creative renovation should be feasible.

*The **Micro Typology** is likely feasible in most areas, but may require public or neighborhood engagement to bring pop-up activities to the hubs.* Businesses like carts will require partnerships to identify space and accommodation to set up, and may be temporary (i.e. during the summer, on weekends, or special festival dates.)

*In the longer term, the **Mixed Use Neighborhood** typology should become feasible in the stronger hub locations.* Redevelopment will increasingly become feasible as well. For the Mixed Use Neighborhood typology to take hold in a hub, will likely also depend on there being sufficient available properties for development, renovation, or redevelopment. Therefore, it may be difficult for the smaller, more confined hubs to achieve this typology, even over time.

All hub locations should see support for new activity and development increase over time. Modest vertical mixed-use may become more feasible at the most active hubs, while horizontal mixed use may be more feasible at lower-traffic, lower activity neighborhood locations.

Most of the hubs will need to be "activated" or have attention drawn to them as a distinctive place, in order to progress beyond the types of uses and activities that are currently there. An active program to bring activities and perhaps a "traveling micro-hub" concept may be necessary to indicate to the general neighborhood that this place is intended to be, and can function as, a gathering place.

E. IMPLEMENTATION

Most funding tools to incentivize development are focused on larger areas than the specific sets of properties represented by these hubs (for instance, a larger Urban Renewal Area.) However, there may be more generalized approaches to promoting and establishing the hubs as gathering places and centers of activity for each neighborhood.

A hands-on public and neighborhood association role may be necessary at the outset, including programming community activities and trying to bring pop-up activities such as food trucks, temporary parks or plazas, or street fairs to these nodes.

Some potential tools are presented below for discussion. These may be more or less appropriate for some locations over others.

Business and Developer Incentives

The following are intended to bring additional interest to the hubs areas, and spark investment in new and existing properties or businesses.

	Code Provision	*Description*	*Purpose*
1	Streamlined permitting/ review process	Reduce review times, permitting fees, design review requirements, and other process costs to developers for desired development types	Reduce process costs/time for developers; increase feasibility
2	Reduce off-street parking requirements, other code requirements	Reduce parking requirements to allow more commercial and/or housing development on sites in or near the neighborhood hubs. Consider relaxing density, setback, or other standards.	Provide developers with an incentive to consider investing in these hub areas vs. other areas that do not carry these benefits.
3	SDC or fee waivers, deferments	Reduce costs to developers for desired development types. Can be a waiver, or multi-year deferment.	Reduce soft costs to incentivize development
4	Tax exemptions/ abatements	Reduces local property tax costs to the developer to make development more attractive.	Reduce operating costs over time to incentivize development
5	Shared costs of off-site improvements	Help defray off-site costs for desirable development types in return for meeting public goals. Requires funding source for public involvement.	Reduce cost of required streetscape or traffic improvements for preferred development
6	Storefront Improvement Program	These funds typically pay for pre-development assistance and/or the improvements themselves. Partnering with the public helps small businesses or property owners who may low operating margins.	These programs allow small businesses to make needed improvements and add to the area's attractiveness and livability. Improvements can be focused on public-facing or gathering spaces.
7	Program public events, traveling pop-up or food cart promotions in hubs	The city can generate activity in these areas and help raise awareness of them in the public's eye by programming periodic events, facilitating mobile attractions like food carts.	These programs help the public focus on the hubs and a gathering place and center of activity. It also signals to prospective developers and business owners that this is a center of community activity.

Potential Funding Mechanisms

The following are some ways to fund new business and development activities in the hub areas.

	Code Provision	*Description*	*Comments*
1	Employment Improvement District (EID)	A local improvement district can collect funds from participating property owners for shared investments in the area that are seen to benefit them all.	Must have local buy-in. May be difficult to institute in multiple small hub locations, but may be a solution for some of them.
2	Revolving Commercial Rehab Fund	City could establish a loan program that would fund rehabilitation or public-serving improvements to commercial space, with long-term affordability and repayment requirements. A revolving loan fund allows the principal to be repaid and reused for future projects over time.	Must identify an initial funding source. Some adminstration costs and effort over time.
3	Small Business Loan Fund	Similar to the revolving rehab fund, but providing low-cost loans or grants to small businesses for business needs other than physical improvements. Such loans may be for equipment or other capital investments.	Must identify an initial funding source. Some adminstration costs and effort over time.
4	Tax Increment Financing (Urban Renewal)	Allows building of funding over time to use on public and public/private development projects. Can be used to catalyze increased development in key areas, and supply infrastructure to underserved areas or parcels. In Milwaukie, Urban Renewal funding can be applied to pre-development and development assistance, tenant improvements, public-space improvements, and other incentives that might be useful in nieghborhood hubs.	Difficult to use over dispersed locations. Generally used in town centers or corridors. Currently, Urban Renewal applies only to Downtown and Central Milwaukie. None of the hubs in this study are located in the URA boundaries. Use of this tool would require changes to URA boundaries, making it unlikely.

APPENDIX A: PROFORMA FEASIBILITY ANALYSIS

PROTOTYPE RETAIL PROGRAMS

		retail low rise
		all surface parking
PROGRAM	**Property Assumptions**	
	Site Size (SF)	10,000
	Bldg Footprint	3,900
	Stories	1
	FAR	0.39
	Building Square Feet	3,900
	Efficiency	100%
	Leasable Area	3,900
	Parking Ratio/000 SF	3.0
	Parking Spaces	11
	Parking SF/Space - Surface	350
	Parking SF/Space - Structure	425
	Parking Spaces - Surface	11
	Parking Spaces - Structure	-
	Structured Parking %	0%
	Structured Parking Stories	0
	% of Struc Pkg in Bldg FP	0%
	% Site Requirements	10%
	Site Coverage Check	81%
	Cost Assumptions	
	Base Construction Cost/SF	$90
	Adjustment Factor	*33%*
	Construction Cost/SF	*$120*
	Base Parking Costs/Space	$0
	Adjustment Factor	*0%*
	Parking Cost/Space	*$0*
PROPERTY OPERATIONS	**Income Assumptions**	
	Base Income/Sf/Yr.	$18.00
	Adjustment Factor	*0%*
	Achievable Pricing	*$18.00*
	Parking Charges/Space/Mo	$0
	Expense Assumptions	
	Vacancy/Collection Loss	10.0%
	Base Operating Expenses	5.0%
	Adjustment Factor	*0%*
	Operating Expenses	*5.00%*
	Reserve & Replacement	3.0%
	Valuation Assumptions	
	Capitalization Rate	7.00%
	Adjustment Factor	*0%*
	Capitalization Rate	7.00%
SUPPORTABLE PROPERTY VALUE	**Cost**	
	Cost/Construct w/o prkg.	$466,830
	Total Parking Costs	$0
	Estimated Project Cost	$466,830
	Income	
	Annual Base Income	$70,200
	Annual Parking	$0
	Gross Annual Income	$70,200
	Less: Vacancy & CL	$7,020
	Effective Gross Income	$63,180
	Less Expenses:	
	Operating Expenses	$3,159
	Reserve & Replacement	$1,895
	Annual NOI	$58,126
	Property Valuation	
	Return on Cost	12.45%
	Threshold Return on Cost	8.05%
	Residual Property Value	$255,227
	RPV/SF	**$25.52**

PROTOTYPE RENTAL RESIDENTIAL PROGRAMS

		2-story wood w/surf	3-story wood townhome	3-story wood Zero Park
		Surface Parking	surface parking	No Parking
PROGRAM	**Property Assumptions**			
	Site Size (SF)	10,000	10,000	10,000
	Density	15	15	32
	Unit Count	3	3	7
	Ave Unit Size	750	1,000	800
	Efficiency Ratio	100%	100%	85%
	Building Square Feet	2,250	3,000	6,588
	Stories	2	3	3
	Bldg Footprint	1,125	1,000	2,196
	FAR	0.23	0.40	0.66
	Parking Ratio/Unit	1.5	1.5	-
	Total Parking Spaces	5	5	-
	Parking SF/Space - Surface	350	350	350
	Parking SF/Space - Structure	425	425	425
	Parking Spaces - Surface	5	3	-
	Parking Spaces - Structure	-	3	-
	Structured Parking %	0%	50%	0%
	Structured Parking Stories	0	1	0
	% of Struc Pkg in Bldg FP	0%	0%	0%
	% Site Requirements	20%	20%	20%
	Site Coverage Check	31%	33%	26%
	Cost Assumptions			
	Base Construction Cost/SF	$165	$165	$165
	Adjustment Factor	*30%*	*30%*	*30%*
	Construction Cost/SF	*$215*	*$215*	*$215*
	Base Parking Costs/Space	$0	$0	$0
	Adjustment Factor	*0%*	*0%*	*0%*
	Parking Cost/Space	*$0*	*$0*	*$0*
PROPERTY VALUATION	**Income Assumptions**			
	Base Income/Sf/Mo.	$2.19	$2.19	$2.19
	Adjustment Factor	*0%*	*0%*	*0%*
	Achievable Pricing	*$2.19*	*$2.19*	*$2.19*
	Parking Charges/Space/Mo	$75	$75	$75
	Expenses			
	Vacancy/Collection Loss	5.0%	5.0%	5.0%
	Operating Expenses	30.0%	30.0%	30.0%
	Adjustment Factor	*0%*	*0%*	*0%*
	Operating Expenses	*30%*	*30%*	*30%*
	Reserve & Replacement	3.0%	3.0%	3.0%
	Valuation			
	Capitalization Rate	5.00%	5.00%	5.5%
	Adjustment Factor	*0%*	*0%*	*0.0%*
	Capitalization Rate	5.00%	5.00%	5.5%
SUPPORTABLE PROPERTY VALUE	**Cost**			
	Cost/Construct w/o prkg.	$482,625	$643,500	$1,413,176
	Total Parking Costs	$0	$0	$0
	Estimated Project Cost	$482,625	$643,500	$1,413,176
	Income			
	Annual Base Income	$58,995	$78,660	$146,832
	Annual Parking	$0	$2,700	$0
	Gross Annual Income	$58,995	$81,360	$146,832
	Less: Vacancy & CL	$2,950	$4,068	$7,342
	Effective Gross Income	$56,045	$77,292	$139,490
	Less Expenses:			
	Operating Expenses	$16,814	$23,188	$41,847
	Reserve & Replacement	$1,681	$2,319	$4,185
	Annual NOI	$37,550	$51,786	$93,459
	Property Valuation			
	Return on Cost	7.78%	8.05%	6.61%
	Threshold Return on Cost	5.75%	5.75%	6.33%
	Residual Property Value	$170,424	$257,120	$64,429
	RPV/SF	**$17.04**	**$25.71**	**$6.44**

APPENDIX A: PROFORMA FEASIBILITY ANALYSIS

PROTOTYPE MIXED USE RETAIL/RESIDENTIAL PROGRAMS

		MU res/ret mid/surf	MU res/ret type v/podium	MU res/ret 3-story wood w/surf SM
		surface parking	some tuck-under parking	surface parking
PROGRAM	**Property Assumptions**			
	Site Size (SF)	10,000	10,000	10,000
	Density	32	32	15
	Unit Count	7	7	3
	Ave Unit Size	750	750	750
	Apt. Building Square Feet	5,250	5,250	2,250
	Bldg Footprint	1,750	1,750	1,125
	Apt. Stories	3	3	2
	Retail Stories	1	1	1
	TOTAL STORIES	4	4	3
	Percent of Retail	50%	50%	50%
	Retail Square Footage	875	875	562
	Ground Floor Non-Retail (parking)	-	875	-
	Parking Ratio/1000sf.	3.0	3.0	3.0
	FAR	0.53	0.70	0.23
	Parking Ratio/Unit	1.0	1.0	1.0
	Total Parking Spaces	10	10	5
	Parking SF/Space - Surface	350	350	350
	Parking SF/Space - Structure	425	425	425
	Parking Spaces - Surface	10	-	5
	Parking Spaces - Structure	-	10	-
	Structured Parking %	0%	100%	0%
	Structured Parking Stories	0	1	0
	% of Struc Pkg in Bldg FP	0%	50%	0%
	% Site Requirements	20%	20%	20%
	Site Coverage Check	56%	30%	31%
	Cost Assumptions			
	Apt Base Construction Cost/SF	$165	$165	$165
	Adjustment Factor	*30%*	*30%*	*30%*
	Construction Cost/SF	*$215*	*$215*	*$215*
	Retail Base Construction Cost/SF	$90	$90	$90
	Adjustment Factor	*0%*	*0%*	*0%*
	Construction Cost/SF	*$90*	*$90*	*$90*
	Base Parking Costs/Space	$0	$18,750	$0
	Adjustment Factor	*0%*	*0%*	*0%*
	Parking Cost/SF	*$0*	*$18,750*	*$0*
OPERATING ASSUMPTIONS	**Income Assumptions**			
	Apt. Base Income/Sf/Mo.	$2.19	$2.19	$2.19
	Adjustment Factor	*0%*	*0%*	*0%*
	Achievable Pricing	*$2.19*	*$2.19*	*$2.19*
	Retail Base Income/Sf/Yr.	$18.00	$18.00	$18.00
	Adjustment Factor	*0%*	*0%*	*0%*
	Achievable Pricing	*$18.00*	*$18.00*	*$18.00*
	Parking Charges/Space/Mo	$75	$75	$75
	Expenses			
	Apt. Vacancy/Collection Loss	5.0%	5.0%	5.0%
	Retail Vacancy/Collection Loss	10.0%	10.0%	10.0%
	Operating Expenses	30.0%	30.0%	30.0%
	Adjustment Factor	*0%*	*0%*	*0%*
	Apt. Operating Expenses	30.0%	*30.0%*	*30.0%*
	Retail Operating Expenses	5.0%	*5.0%*	*5.0%*
	Reserve & Replacement	3.0%	3.0%	3.0%
	Valuation			
	Capitalization Rate	5.00%	5.00%	5.00%
	Adjustment Factor	*0%*	*0%*	*0%*
	Capitalization Rate	5.00%	5.00%	5.00%
SUPPORTABLE PROPERTY VALUE	**Cost**			
	Cost/Construct w/o prkg.	$1,204,875	$1,204,875	$533,205
	Total Parking Costs	$0	$187,500	$0
	Estimated Project Cost	$1,204,875	$1,392,375	$533,205
	Income			
	Apt. Annual Base Income	$117,007	$117,007	$58,995
	Retail Annual Base Income	$15,750	$15,750	$10,116
	Annual Parking	$0	$9,000	$0
	Gross Annual Income	$132,757	$141,757	$69,111
	Less: Apt. Vacancy & CL	$6,638	$7,088	$3,456
	Less: Retail Vacancy & CL	$1,575	$1,575	$1,012
	Effective Gross Income	$124,544	$133,094	$64,644
	Less Expenses:			
	Apt. Operating Expenses	$33,111	$32,976	$16,662
	Retail Operating Expenses	$709	$709	$455
	Reserve & Replacement	$3,736	$3,993	$1,939
	Annual NOI	$86,988	$95,417	$45,587
	Property Valuation			
	Return on Cost	7.22%	6.85%	8.55%
	Threshold Return on Cost	6.00%	6.00%	6.00%
	Residual Property Value	$244,928	$197,903	$226,586
	RPV/SF	**$24.49**	**$19.79**	**$22.66**

PROTOTYPE OWNERSHIP RESIDENTIAL PROGRAMS

		2-story wood w/surf	3-story wood townhome
		Surface Parking	surface parking
PROGRAM	**Property Assumptions**		
	Site Size (SF)	10,000	10,000
	Density	15	15
	Unit Count	3	3
	Ave Unit Size	800	1,100
	Building Square Feet	2,400	4,125
	Stories	2	3
	Bldg Footprint	1,200	1,375
	FAR	0.24	0.55
	Parking Ratio/Unit	2.0	2.0
	Total Parking Spaces	6	6
	Parking SF/Space - Surface	350	350
	Parking SF/Space - Structure	425	425
	Parking Spaces - Surface	6	3
	Parking Spaces - Structure	-	3
	Structured Parking %	0%	50%
	Structured Parking Stories	0	1
	% of Struc Pkg in Bldg FP	0%	0%
	% Site Requirements	20%	20%
	Site Coverage Check	35%	41%
	Cost Assumptions		
	Base Construction Cost/SF	$198	$198
	Adjustment Factor	*30%*	*30%*
	Construction Cost/SF	*$257*	*$257*
	Base Parking Costs/Space	$0	$0
	Adjustment Factor	*0%*	*0%*
	Parking Cost/Space	*$0*	*$0*
INCOME	**Income Assumptions**		
	Sales Price/SF	$225	$225
	Adjustment Factor	*0%*	*0%*
	Achievable Pricing	*$225*	*$225*
	Parking Charges/Space	$0	$0
	Expenses		
	Sales Commission	6.0%	6.0%
SUPPORTABLE PROPERTY VALUE	**Cost**		
	Cost/Construct w/o prkg.	$617,760	$1,061,775
	Total Parking Costs	$0	$0
	Estimated Project Cost	$617,760	$1,061,775
	Income		
	Gross Income - Units	$486,000	$835,313
	Gross Income - Parking	$0	$0
	Gross Sales Income	$486,000	$835,313
	Less: Commission	($29,160)	($50,119)
	Effective Gross Income	$456,840	$785,194
	Property Valuation		
	Return on Sales	-26.05%	-26.05%
	Threshold Return on Cost	20.00%	20.00%
	Residual Property Value	($237,060.00)	($407,447)
	RPV/SF	**($23.71)**	**($40.74)**