

Deliverable #1: Market Analysis and Projected Redevelopment
Milwaukie Urban Renewal District Feasibility Study

Deliverable #1:

Technical Memorandum

Market Analysis and Projected Redevelopment

Milwaukie Urban Renewal Feasibility Study

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As the initial work product for the Milwaukie Urban Renewal Feasibility Study, Deliverable #1 has two basic components: 1) a methodology for projecting new development within the urban renewal study area and within the typical time-frame for an urban renewal program and 2), based on this methodology, a projection of real market values and assessed values. By describing the methodology and stating the assumptions used in the projection this memo allows city staff and the public to understand and evaluate the conclusions.

SECTION 1: METHODOLOGY

The primary “engine” of tax increment financing is growth in assessed value of property within the Urban Renewal Area. There are two fundamental sources of growth in market and assessed valuations. One source is the gradual increase in value over time of the existing land and building stock. Although market values fluctuate, long-term trends show increasing value. In Oregon, assessed values, which are used to calculate property taxes, are limited (by Article XI, Section 11 of the Oregon Constitution) to increases of 3.0% per year. So, long-term growth in assessed valuations for existing property can be easily estimated using this factor of no more than 3%.

Because of this limit, the largest source of growth in tax increment revenues is new development or rehabilitation or redevelopment of lower value land uses to higher intensity and higher value uses. There are various approaches to estimating new development (including rehab and redevelopment). Historical analysis of economic measures such as employment, population and income can be correlated to building permits and market values. These relationships can be used to forecast future growth using assumptions about economic growth within a geographic or political area. This approach is most appropriate for very large study areas, where national and/or regional economic forces are applicable.

However, for small study areas, broad-brush analysis will not identify local trends or conditions that can greatly influence future growth. An excellent example is the planned opening of a light rail station in downtown Milwaukie. Site- and neighborhood specific conditions can outweigh larger economic forces in either a positive or negative direction. This does not suggest that small areas are immune to larger economic trends, but that predicting growth based solely on the big picture may not capture very significant local conditions.

This latter approach is appropriate for growth projections for the Milwaukie urban renewal feasibility study. The approach relies on parcel-specific evaluation of sites within the various sub-districts that are likely to develop or redevelop within the relevant timeframe. These sites include

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- several parcels that are vacant and planned for redevelopment.
- other parcels in close proximity to the planned downtown light rail station for which redevelopment is likely when this transit service begins and
- adjacent parcels where new development creates a potential ripple effect.

However, these “opportunity parcels” will not capture all of the many smaller residential and commercial projects that will be completed in the next 20 years in Milwaukie. These development projects will be accounted for in the percentage growth in assessed valuation for all the parcels not identified “opportunity parcels.”

The specific methodology used in the projections is as follows:

- Economic Overview: Review relevant economic and land use markets that provide the backdrop to future growth in the urban renewal area.
- District Subdivision: Divide the urban renewal study area into sub-districts based on neighborhood and zoning designations. Provide data on numbers of parcels, vacant parcels, market and assessed values, land-to-improvement ratios and other descriptive measures.
- Opportunity Parcel Identification: Based on information from City, property owners, assessment of the potential impacts of light rail, zoning, ratio of improvement-to-land values, characteristics of site and surrounding land uses and other criteria, identify parcels within the proposed urban renewal that have potential for significant development or redevelopment. “Significant” is defined as large sites (minimum 10,000 square feet), new development on vacant parcels, or replacement of existing buildings by higher intensity uses. Upgrades of existing uses are not included.
- Future Development Programming: Describe by area and land use the potential development program for each opportunity site. Programs will be guided primarily by zoning. Project, by five-year increments, when the development is likely to occur.
- Valuation: Based on estimates of net operating income and/or prices for each land use, capitalization rates and other factors, provide a per unit market valuation for each type of land use.
- Valuation Matrix: Develop a matrix of market valuations for all opportunity parcels. Convert market values to assessed values for opportunity parcels. With the addition of parcels not included as opportunity parcels, provide a valuation by sub district of the entire proposed urban renewal district.
- Strategies to Encourage Development: Outline possible modifications to current development guidelines that will facilitate private sector development.

SECTION 2: ECONOMIC AND MARKET BACKGROUND

With a 20-year time frame for this feasibility study, precise forecasting of economic conditions for any distant point would be difficult, if not impossible. This purpose of providing this economic background is to describe historical and current market conditions, as a setting, or a backdrop, for projections of future development. This information will suggest directions for subsequent planning efforts to optimize the urban renewal effort.

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Population

As shown in Table 2-1, population in Milwaukie has been growing at a slow rate since 1990. Much of the area was initially developed in earlier decades of the 1900's and, as many of older historic neighborhoods and communities in the Portland metropolitan area, has relatively little area for major new development. The City of Milwaukie's growth has been in employment centers such as along SE International Way.

Table 2-1 POPULATION: 1990-2008				
	<u>Milwaukie</u>	<u>Clackamas Co.</u>	<u>Portland MSA 1/</u>	<u>Oregon</u>
1990	18,670	278,850	1,523,745	2,842,351
2000	20,490	338,391	1,935,960	3,421,399
2001	20,550	345,150	1,960,500	3,471,700
2002	20,550	350,850	1,989,550	3,504,700
2003	20,580	353,450	2,019,250	3,541,500
2004	20,590	356,250	2,050,650	3,582,600
2005	20,655	361,300	2,082,240	3,531,440
2006	20,835	367,040	2,121,910	3,690,505
2007	20,920	372,270	2,159,720	3,745,455
2008	20,915	376,660	2,191,784	3,791,060
An. % Increase	0.63%	1.68%	2.04%	1.61%
1/ Clackamas, Columbia, Multnomah, Washington and Yamhill Counties in Oregon; Clark and Skamania Counties in Washington.				
Source: Population Research Center, Portland State University				

Since 1990, average annual growth within the City has been 0.63%, approximately one-third the rate for Clackamas County where outlying suburban housing has been very strong until the recent recession in the housing market. In contrast, the rate of growth in the entire Portland MSA of 2.04% annually exceeds that for the State of Oregon as a whole. This is testimony to the strength of the metropolitan area and its continuing attractiveness to new residents and businesses.

As the agency responsible for forecasting and managing the area's growth, Metro is in the first phases of its two-year process of evaluating population and employment projections and capacity analysis. As recently released and shown in Table 2-2, Metro projects (within a confidence of 90 percent) that the Portland MSA will add more than 1.1 million new residents for the period 2000-2030. New employment is projected at 527,000 for the same period. This represents annual growth during this time frame of 1.53% and 1.45%, respectively, a reduction in the observed rate of population increase between 1990-2008 of 2.04%.

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Table 2-2 POPULATION PROJECTIONS: 2000-2060		
<u>Year</u>	<u>Population</u>	<u>Employment</u>
2000	1,936,000	973,000
2030	2,900,000-3,200,000	1,300,000-1,700,000
2060	3,600,000-4,400,000	1,700,000-2,400,000
<u>Increase 1/:</u>		
2000-2030	1,114,000	527,000
2030-2060	950,000	550,000
<u>Annual %</u>		
2000-2030	1.53%	1.45%
2030-2060	0.91%	1.05%
1/ From mid-point in projections		
Source: Metro		

Regardless of the annual rate, these forecasts represent a large increase in population within an area that has seen increasing housing densities as growth has been channeled into existing urban and suburban areas within the current urban growth boundary. Over the next year, the planning process will continue with capacity analyses within Clackamas, Multnomah and Washington County urban growth boundaries. Subsequently, it will become clearer how much of the overall Portland MSA growth can be accommodated within the current boundaries and what additional reserves may be necessary.

In the 2003 Gen 3.2 Metroscope forecasts, estimates of household and employment were distributed to local neighborhoods, or TAZ (transportation allocation zones) within the metro area. The TAZ forecasts corresponding to the proposed Milwaukie urban renewal district indicated that between 2005 and 2030, there would be nearly 1,000 new households (with average household size of 2.5 persons) and 2,000 new jobs.

To attain the local population and employment increases in Milwaukie as well as in the region, new development and redevelopment will have to continue the recent trends toward higher density housing. As light rail and streetcar systems are expanded, opportunities will be created for less auto-dependent and thus higher density development.

Housing Values

This feasibility study for the Milwaukie study area coincides with an unprecedented decline in the national housing market, as well as sharp increases in unemployment statewide. As credit markets and households deleverage (reduce indebtedness), demand for housing and many other goods and services declines and savings rates increase.

Many economists are currently engaged in predicting the bottom of the housing market. Housing markets, of course, are highly local and the current economic crisis has brought highly variable price declines across markets. Those markets with more predatory lending practices and highly leverage purchases are experiencing the worst downturn. Nationally, markets in Las Vegas, parts of Southern California, Florida and Arizona have experienced very high rates of foreclosures and reductions in housing prices since the peak in the summer of 2006.

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As the established measure of the housing market, the Standard & Poor's Case-Schiller Housing Price Index shows the wide range of variability in the housing market. For example, the Composite 10 index (a compilation of 10 Metropolitan Statistical Areas) peaked in June 2006 at a value of 226.29 (Year 2000=100) and had fallen to 158.04 by January 2009, a 30% drop in value. The Los Angeles market had an even greater swing, with an index of 273.94 at the peak in September 2006, falling to 158.04 at the current time for a drop in value of 42%.

By contrast, the Portland MSA housing market continued to rise in value until July 2007, a full year past when the national market began to slide. At its height, the index was 186.51 and has now fallen to 153.80, a decline of only 17.5%. As clearly shown below in Figure 2-1, the local housing market experienced much higher, and as it turned out, unsustainable price increases starting in 2005 as compared to earlier years. However, the rate of increase and the fall in values has been much less severe than other markets.

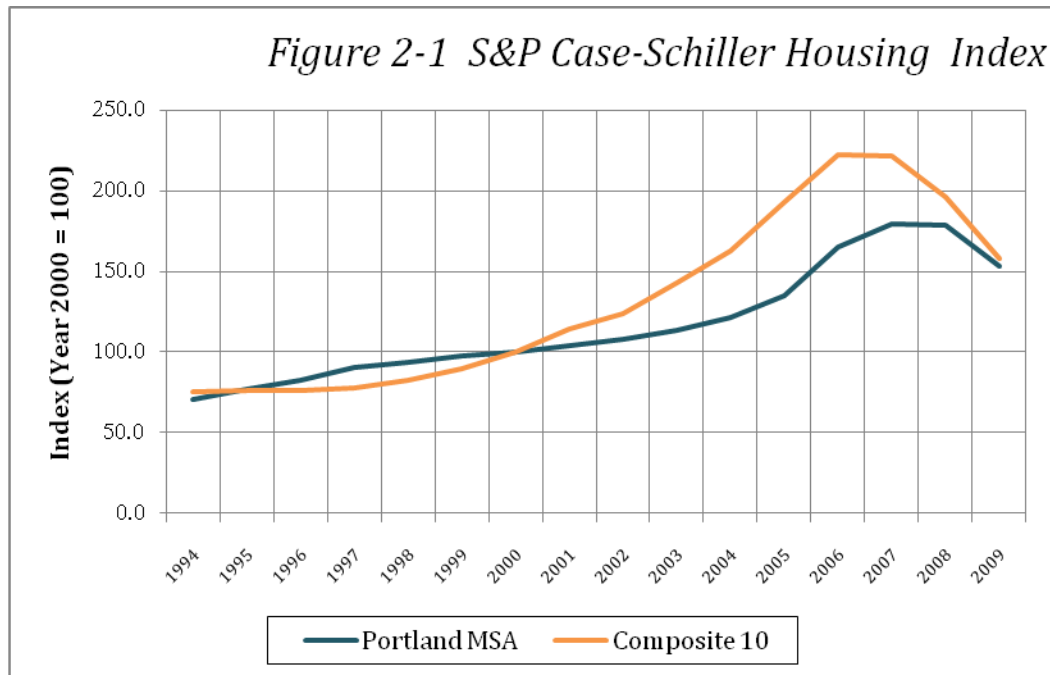


Table 2-3 presents median home prices for Milwaukie, selected neighborhoods in Milwaukie, Portland MSA and Clackamas County. Home prices in Milwaukie have fallen slightly more than in the entire metro area, but annual appreciation in the past 10 years is very similar to the larger markets. As of the end of 2008, the median sales price in Milwaukie was \$229,132. This follows estimated peak price in mid-2007 of \$268,000, a decline of approximately 15%.

As the housing market peaked earlier in some market areas than in others, the troughs will also vary. Many economists expect the housing prices to continue to decline, but at a slower rate than in recent months, with a bottom occurring between mid-2009 and mid-2010. There are signs that market conditions are improving, with buyers encouraged by historically low interest rates, tax incentives, and rising affordability as housing prices fall back to more normal levels of price-to-income ratios.

As Oregon's unemployment rate is several points higher than the national average (12.1% vs. 8.5% in March 2009), it is likely that the economic recession will last longer here than in some other areas.

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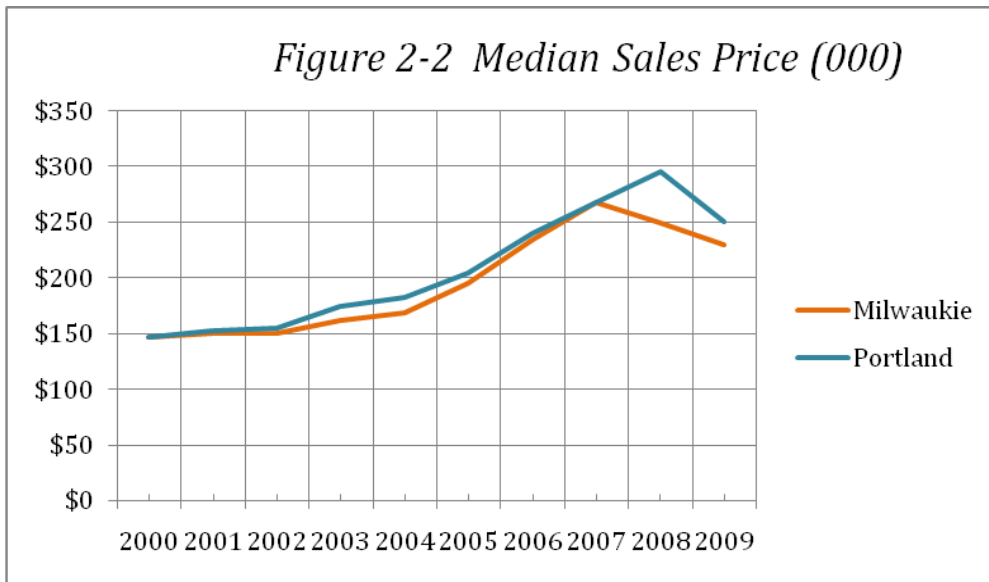
However, given that local housing prices did not experience as rapid an increase as some markets, it is projected that prices here will decline an additional 4-6 percent before the housing market stabilizes and begins to show increasing prices.

Table 2-3 MILWAUKIE AND PORTLAND METRO AREA MEDIAN HOUSING PRICES Through Fourth Quarter 2008					
<u>Market Area</u>	<u>Zillow Home Value Index 1/</u>	<u>Quarter-Over-Quarter Change (Pct)</u>	<u>Year-Over-Year Change (Pct)</u>	<u>5-Year Annualized Change (Pct)</u>	<u>10-Year Annualized Change (Pct)</u>
Portland MSA	\$250,595	-6.7%	-11.7%	5.3%	4.8%
Clackamas County	\$283,341	-5.7%	-11.6%	5.5%	4.7%
Milwaukie	\$229,132	-5.7%	-12.7%	5.2%	4.4%
Hector Campbell	\$205,900	-6.3%	-13.3%	4.6%	4.3%
Lake Road	\$235,510	-6.3%	-15.0%	4.2%	4.2%
Lewelling	\$215,011	-6.1%	-13.0%	5.0%	4.4%
Linwood	\$217,289	-5.8%	-12.1%	4.5%	4.0%

1/ Median value of all homes as of fourth quarter 2008.

Source: Zillow.com; Urban Land Economics

Figure 2-2 below shows that the Milwaukie housing market reached its peak in 2007, with a median price of approximately \$265,000, falling to a current estimated median price of \$230,000. For most of the past decade, median prices in Milwaukie very closely mirrored Portland metro prices, with the metro prices maintaining a longer ascent to \$295,000 in 2008, to a current level of \$250,000.



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Apartment Market

In the Portland metro area, the apartment market has benefitted in recent years from the high cost of ownership housing, with steadily increasing rents and low vacancy rates. Starting in 2008, however, the supply of luxury apartments has jumped as several high profile condominium projects in Portland reverted to for-rent projects when developers realized the condominium market was greatly oversupplied. Vacancy rates are projected at 6.6% for 2009, a significant increase over the 5.0% vacancy rates from 2006-2008. The increase in vacancy rates also reflects the impact of job losses, as renters “double-up” or move back to the family home.

Locally, the strongest markets are those close-in North/Northeast/Southeast neighborhoods where few new units have been added to inventory and access to transit reduces living expenses.

In Milwaukie, the apartment market includes a mix of small, older apartment complexes as well as a number of large, projects with excellent amenities and features. Some of these apartment complexes are described in Table 2-4. They offer spacious units, extensive landscaping and many recreational and community features. As a whole, they are similar to other suburban apartment developments that offer a full range of on-site facilities such as pools, fitness centers, garages, etc.

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Table 2-4																		
SURVEY OF SELECTED MARKET-RATE APARTMENT PROPERTIES IN THE MILWAUKIE MARKET AREA																		
	Unit Type with Square Footage and Rent/Square Foot					Selected Features												
	Studios	1 Bd-1 Ba	2 Bd-1 Ba	2 Bd-2Ba	3 Bd-2Ba													
The Bluffs 12601 SE River Road Milwaukie	568 sf \$1.19	568-685sf \$1.17-1.22	827 sf \$1.20	1048 sf \$1.03-1.18	NA NA	RV, FC, CP, B												
Crystal Lake Apartments 10500 E 26th Milwaukie	NA NA	695 sf \$0.99+	NA NA	972 sf \$0.88+	NA NA	B, FP, P, CP, G, CH W/D												
Miramonte Lodge 12200 SE McLoughlin Milwaukie	484 sf \$1.29	677-804 sf \$0.97-1.12	872 sf \$0.99	932 sf \$1.01	NA NA	FP, CP, P, FC												
Heatherbrae Commons 10303 SE Bell Milwaukie	NA NA	729 sf \$1.20	869 sf \$0.90-0.95	928 sf \$0.89-0.93	1148 sf \$0.98	A/C, FP, W/D, P, CH, CP, G, B, FP												
Dunbar Woods (Waverley Green) 1611 SE Lava Milwaukie	NA NA	832 sf \$1.11+	NA NA	1,257-1,735 \$1.11+	1,837 sf \$1.10+	RV, A/C, P, CH, FC, G, W/D, FP, B												
Stonehaven (Waverley Green) 1611 SE Lava Milwaukie	NA NA	914 sf 1.04+	NA NA	1,104 sf \$1.13+	1,294 sf \$1.02+	P, B, CH, G, W/D, FC												
Clackamas Trails 10411 SE Cook Portland	NA NA	699 sf \$0.90	821 sf \$0.84	893 sf \$0.84	1,085 sf \$0.85	CH, P, W/D, FC, G, B												
Chesapeake Pointe 4400 SE Naef Milwaukie	NA NA	717 sf \$0.95	1,010 sf \$0.84	1,010 sf \$0.85	NA NA	B, FC, P, W/D, CH, F, G												
Average:	526 sf \$1.24	745 sf \$1.06	881 sf \$0.95	1,023 sf \$0.98	1,341 \$0.99													
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center;">Feature Key:</th> </tr> </thead> <tbody> <tr> <td>RV=River View</td> <td>A/C=Air cond.</td> </tr> <tr> <td>CP=Covered parking</td> <td>FP=Fireplace</td> </tr> <tr> <td>B=Balconies, terraces</td> <td>CH=Club house</td> </tr> <tr> <td>FC=Fitness Center</td> <td>P=Pool</td> </tr> <tr> <td>W/D=Wash/dryer</td> <td>G=Garages</td> </tr> </tbody> </table>							Feature Key:		RV=River View	A/C=Air cond.	CP=Covered parking	FP=Fireplace	B=Balconies, terraces	CH=Club house	FC=Fitness Center	P=Pool	W/D=Wash/dryer	G=Garages
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Source: Urban Land Economics																		

As shown in Table 2-4, average unit size for a two bedroom, one bath unit is 881 square feet and rents for less than \$1.00 per square foot. These rents are significantly lower than new apartments coming onto the metro market. For example, 2121 Belmont in Portland (originally planned as condominiums) is renting 707-square foot, one-bedroom units for between \$1,270 and \$1,710 per month, or \$1.80 and \$2.42 per square foot.

Another interesting feature of the Milwaukie market is the lack of small studio apartments in these apartment complexes. As development costs have risen, many Portland neighborhoods apartment developers have kept rent levels down by reducing the size of units. For example, in the 101-unit apartment building, Park 19, now under construction in Northwest Portland, more than half of the units have fewer than 750 square feet and there are 10 studio apartments of less than 600 square feet that rent for over \$1,000, nearly \$2.00 per square foot.

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So, the local Milwaukie market provides a much larger and less expensive apartment than is typical in more urban neighborhoods. One of the newest apartment buildings, North Main, in downtown Milwaukie is an affordable project, with income restrictions. These units are more typical of other urban apartment projects, with smaller units, offering proximity to urban amenities in lieu of on-site social and recreational amenities.

Retail Market

The Portland metro area retail has long been favored by retail experts because of the supply constraints brought on by land use laws. When compared to other markets, sales per square foot (the most important measure of retail performance) are higher in Portland than elsewhere for national chains.

The current recession, however, is affecting nearly all kinds of economic activity, and retailing is no exception. Several high-profile chains have closed their doors, and General Growth, the second largest shopping center owner and owner of Clackamas Town Center, has filed for bankruptcy protection. Local merchants are trimming hours and staff to stay in business until employment and spending rebound.

One concern about the long-range health of the retail market is whether consumers will go back to using high levels of consumer debt for retail purchases. If not, discretionary spending may not go back to pre-recession levels and some sectors of the retail market may be oversupplied for some time. It is to the Portland area's benefit that overbuilding did not occur as it did in other markets. However, some types of merchants (specialty retailers in particular) may face a longer recovery.

According to the Marcus & Millichap *2009 National Retail Report*, asking and effective rents in the Portland will both be down this year, to \$19.85 and \$17.42, respectively. Both these rates are approximately 2.5% below last year's rents. Overall, vacancy rates are projected to be 7.0%, much higher than the 2006 and 2007 when vacancy rates were about 4.6%.

Milwaukie Marketplace, a 185,859 square foot community shopping center anchored by Albertson's and Rite Aid, is the largest shopping center in the city. This shopping center is located within the urban renewal study area boundaries. McLoughlin Boulevard south of downtown Milwaukie is predominantly commercial, with several neighborhood and strip shopping centers. Safeway's former location in downtown Milwaukie is now occupied by the North Main project and the grocer has located east on King Road. For regional shopping goods there is Clackamas Town Center and Clackamas Promenade, to the east of the urban renewal study area.

A survey of current lease rates in Milwaukie shows that rents in Milwaukie are generally lower than the metro area averages. The new 20,000-square foot Green Castle Center on McLoughlin is advertising space at \$18.00/year. However, numerous other retail spaces are available for \$12.00-\$14.00/year. Assuming that the ultimate leases for these available properties will include concessions, effective rents in Milwaukie are estimated to range from \$16.00 for the high traffic shopping centers to \$10.50-\$13.00 for smaller strip centers and individual storefronts.

Office Market

Statistically, the national office is dominated by Class A urban and suburban office buildings of 10,000 square feet or more. (Class A buildings are new, mid- to high-rise structures.) This market has suffered significantly with the job losses in the financial services and other employment sectors that traditionally occupy office space. In the Portland metro area, 2009 vacancy rate is projected to be approximately 14%, with the highest vacancy rates in the southwest and I-5 suburban markets. However, Portland is faring much better than other metro areas. In Marcus and Millichap's *2009 National Office Report*, they project

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that 22 of the 43 Metropolitan Statistical Areas in the U.S. will have office space vacancy rates of more than 18% by the end of 2009.

The office market is, however, much more than glass towers. Many businesses operate in small office or mixed-use buildings. In fact, technological advances in business management, data collection and communication allow many web-based businesses to operate without an office at all. Entrepreneurs who have never lived or worked without the Internet do not identify their businesses as a street address but as a web site.

The significance of this structural change in business management has profound implications for the office market. For example, some developers are providing what is essentially an office commune, where individuals can rent desks and have access to a shared services and facilities. Proximity to place of residence, public transit, restaurants and other services is highly valued for these entrepreneurs. Traditional office space is unnecessary and unnecessarily expensive. This is not to suggest that the office tower is dead, but that new employment has many location options and the demand for traditional commercial office space will reflect these choices.

The Milwaukie office market is characterized by small Class B and C buildings, flex space in industrial parks and general older commercial buildings. Current asking rents for leases in newer office buildings \$14.00 -\$15.00 per square foot year, modified gross (landlord pays for most of the taxes, utilities and insurance). Space is available older buildings for \$12.00 per square foot, modified gross.

There are a several high quality office buildings in Milwaukie occupied by their corporate owners. These are not commercial buildings in that their space is not available on the market for lease. However, they still represent an important element of the business environment. In the future, these build-to-suit office buildings may continue to play an important role in new development, especially as the commercial office market will likely have continued weakness due to a combination of oversupply and evolving business models.

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SECTION 3: URBAN RENEWAL STUDY AREA AND SUBDISTRICTS

A map of the proposed Urban Renewal Study Area is shown in Figure 3-1. It is also divided into sub-districts along neighborhood and zoning lines. These eight sub-districts include: Milwaukie Industrial-West, Milwaukie Industrial-East, Waverley, Historic Downtown Commercial, Historic Downtown Residential, Lake Road North, Island Station and Ardenwald SW.

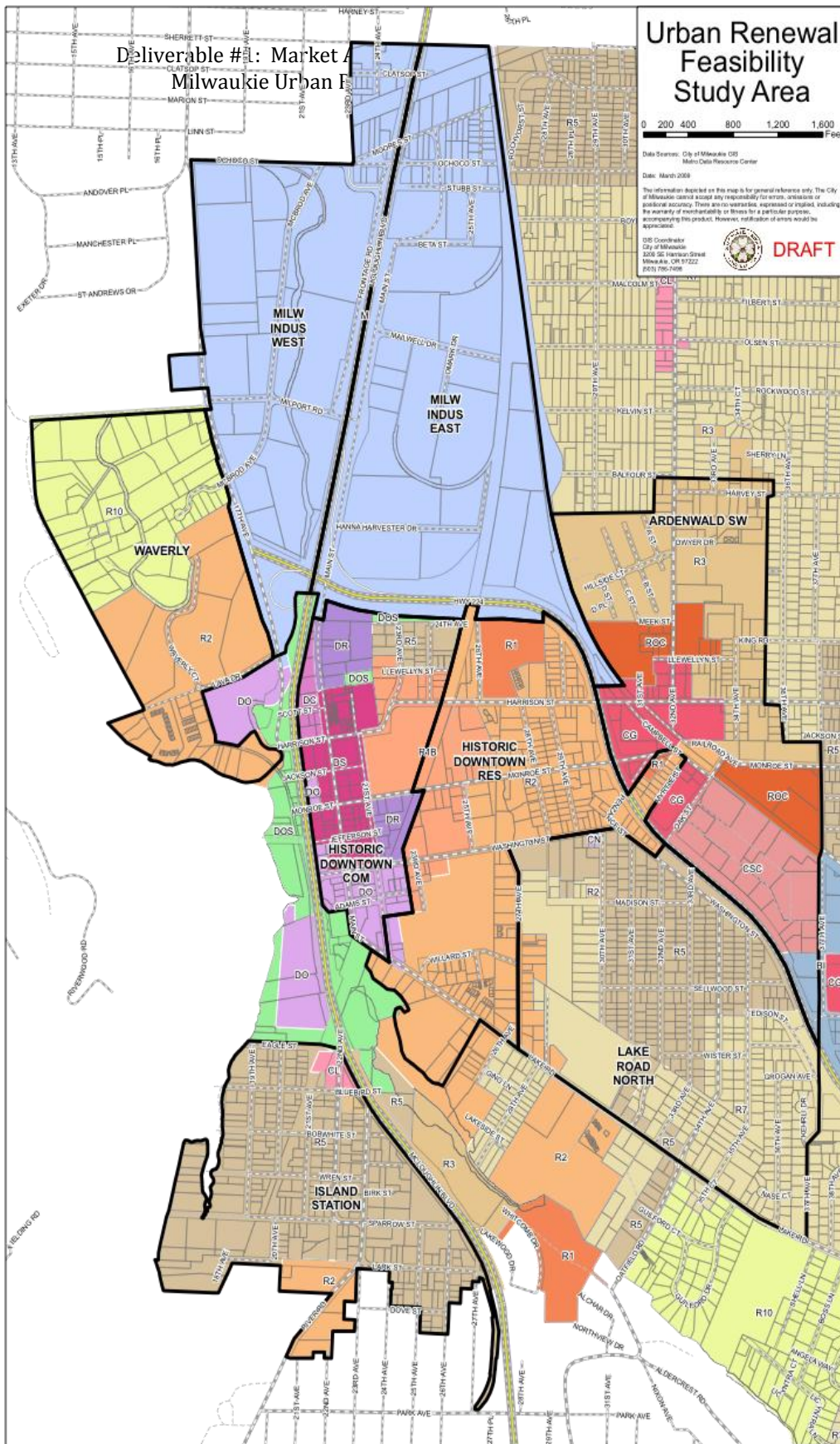
Table 3-1 provides tax lot and assessment information for each sub-district as well as for the total proposed urban renewal district. There are 698 acres in total, with market valuations of approximately \$546 million in buildings and \$296 million in land, for a total of \$842 million. Taxable valuations within the proposed district total \$403 million, after deductions for property tax limitations and exemptions for public and non-profit entities.

As shown, the Historic Downtown Commercial sub-district is the smallest of the areas at 6.6% of the total, but includes 12.3% of the total market value, even with numerous vacant parcels. Taxable value of the downtown commercial area is reduced to 10.0% of the total for the proposed urban renewal district because of the numerous publically owned parcels.

For the other sub-districts, the market and assessed valuation distributions are largely consistent with their geographic size. The one minor exception is the Ardenwald SW sub-district where the tax-exempt status of Providence Milwaukie Hospital reduces the taxable value by approximately \$25 million.

Table 3-1 SUMMARY OF SUBDISTRICT AREA, MARKET AND ASSESSED VALUATIONS CITY OF MILWAUKIE PROPOSED URBAN RENEWAL DISTRICT										
SUB-DISTRICT	Area (AC)		Market Valuations				Assessed Valuations			
	Total	As % of Total	Building	Land	Total	As % of Total	Assessed	Exemptions	Taxable	As % of Total
ARDENWALD SW	101.75	14.6%	\$111,273,360	\$45,945,920	\$157,219,280	18.7%	\$89,450,749	\$30,122,495	\$59,328,254	14.7%
HISTORIC DT COM	46.38	6.6%	\$77,643,377	\$25,831,360	\$103,474,737	12.3%	\$62,328,540	\$22,216,958	\$40,111,582	10.0%
HISTORIC DT RES	90.48	13.0%	\$75,527,690	\$39,062,708	\$114,590,398	13.6%	\$65,871,417	\$14,364,845	\$51,506,572	12.8%
ISLAND STATION	70.10	10.0%	\$36,412,070	\$31,670,097	\$68,082,167	8.1%	\$36,698,305	\$911,042	\$35,787,263	8.9%
LAKE ROAD NORTH	101.88	14.6%	\$65,252,130	\$54,682,979	\$119,935,109	14.2%	\$64,695,779	\$5,654,264	\$59,041,515	14.7%
MILWAUKIE IND-EAST	111.44	16.0%	\$77,189,488	\$32,930,468	\$110,119,956	13.1%	\$71,017,824	\$5,806,673	\$65,211,151	16.2%
MILWAUKIE IND-WEST	84.42	12.1%	\$44,109,420	\$25,373,527	\$69,482,947	8.2%	\$47,522,979	\$11,791,839	\$35,731,140	8.9%
WAVERLEY	91.78	13.1%	\$58,622,830	\$40,832,305	\$99,455,135	11.8%	\$56,428,092	\$165,812	\$56,262,280	14.0%
DISTRICT TOTAL	698.23	100.0%	\$546,030,365	\$296,329,364	\$842,359,729	100.0%	\$494,013,685	\$91,033,928	\$402,979,757	100.0%

Source: City of Milwaukie, Urban Land Economics



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SECTION 4: OPPORTUNITY SITES

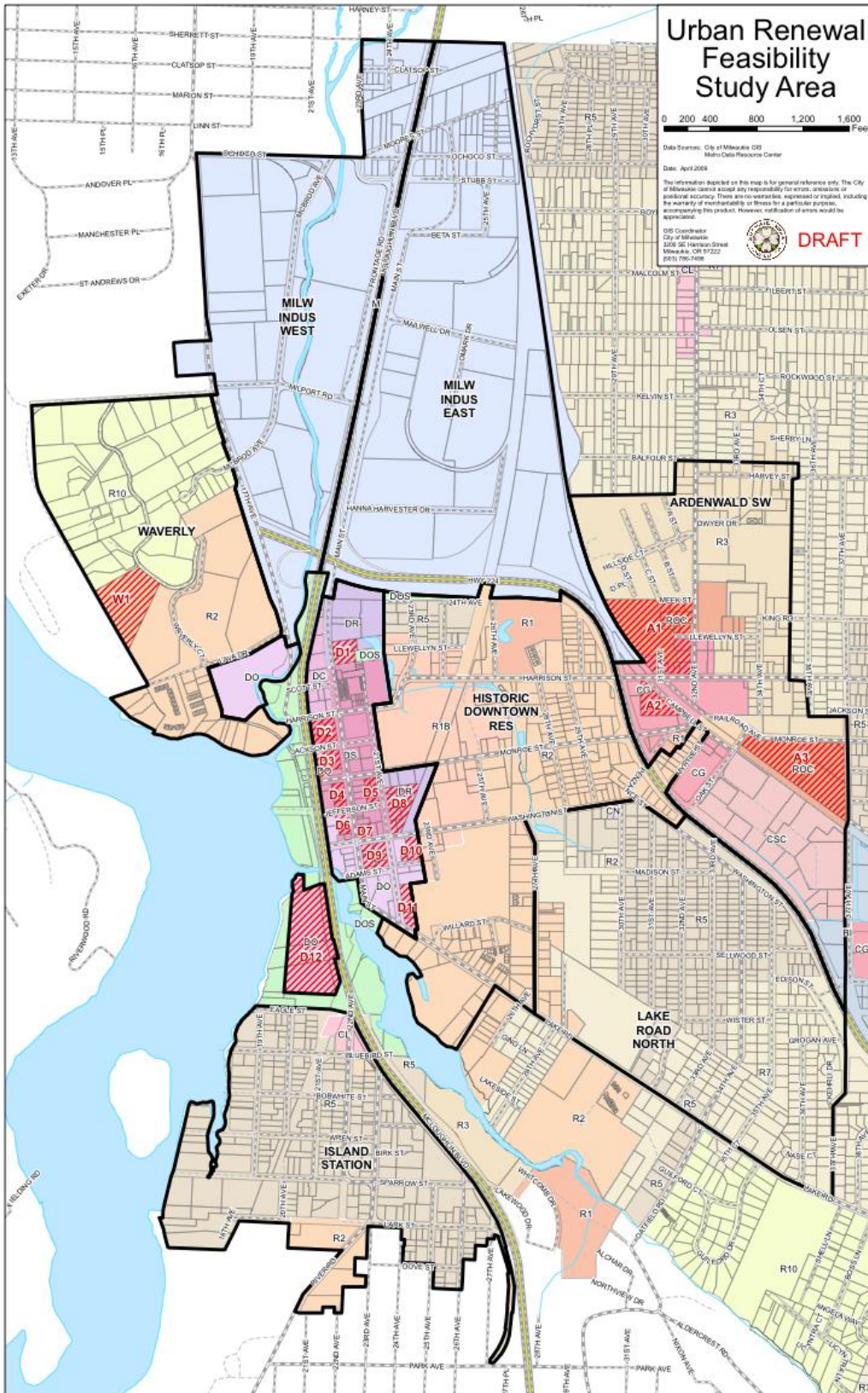
As described in the methodology, projected tax increment revenues are based in part on the assessed value of specific parcels, “opportunity sites”, that have the potential to develop or redevelop within the 20-year time frame of this feasibility study. Selection criteria for these opportunity sites were as follows:

1. Known development program from property owner
2. Active effort and/or assistance by City for specific property
3. Low improvement-to-land ratio
4. Proximity to light rail (MAX) station
5. Minimum 10,000 square feet
6. Current land use nonconforming to development code
7. Age and condition of improvements
8. High potential of zoning standard vs. current use

Not all of the properties that meet some of the criteria were deemed to be opportunity sites. Given a long-enough timeframe, virtually all but the newest or historically protected buildings could be candidates for redevelopment. However, the opportunity sites were selected as having the greatest potential for significant investment.

In general, two story buildings in good condition were not included. In addition, buildings that may be upgraded, but not replaced, were not included. Thus, opportunity sites include only new construction on vacant sites or replacement of existing buildings with new construction. Figure 4-1 shows these sites and their identification codes

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Existing Land Uses

Each opportunity site is described in Table 4-1, including current land use.

Table 4-1 OPPORTUNITY SITES: AREA, ZONING AND CURRENT USE				
<u>Site/Map ID</u>	<u>Area (SF)</u>	<u>Zoning</u>	<u>Current Land Use</u>	<u>Selection Criteria</u>
A-1	336,263	ROC	MFH, Retail, Vacant	2,3,5,8
A-2	54,790	CG	Bowling Alley	3,5,7,8
A-3	317,811	ROC	Vacant	2,3,5,8
D-1	39,543	DR	Health Club	5,6,7,8
D-2	41,071	DS	Parking Lot	2,3,5,8
D-3	38,528	DS/DO	Retail/Parking Lot	3,5,7,8
D-4	22,050	DS	Misc. Retail	5,7,8
D-5	21,924	DS	Misc. Retail	5,7, 8
D-6	17,603	DS/DO	Cinema/Retail	4,5,8
D-7	12,127	DS	Drive-In Restaurant	4,5,8
D-8	77,454	DR	Milwaukie Lumber	3,5,6,7,8
D-9	44,518	DO	Bernard's Garage	3,4,5,6,7,8
D-10	28,116	DO	Misc. Commercial	3,4,5,7,8
D-11	36,611	DO	Misc. Commercial	4,5,8
D-12	449,048	DO	WW Treatment Plant	2,3,5,6,8
W-1	202,403	R-2	Vacant	1,3,5,8

<u>Criteria</u>	
1= Known program	5=Min 10,000 sf
2= Active City effort	6=Nonconforming
3= Low Imp: land ratio	7=Age/condition
4= Proximity to LR station	8=High redev. value vs. current use

As shown, most of the 16 sites have some current land use, and the majority is located in the Historic Downtown Commercial sub-district. The largest site is D-12, the current site of the City’s wastewater treatment facility. Of the eight sub-districts, only three have identified Opportunity Sites as defined by the above criteria. Sites in the other sub-districts will have new development or redevelopment activity, but do not meet the criteria for major projects at this time.

Much of the potential for redevelopment downtown is due to the future light MAX service, with parcels directly adjacent to the planned station expected to increase significantly in value and intensity of use, as witnessed elsewhere in the MAX system. Uses with the greatest benefit from transit, i.e. employment and housing, will predominate new development, with retail as an important supporting use.

Outside the downtown, sites A-1 and A-3 (Murphy and McFarland properties, respectively) will continue to receive public attention and support as two of the largest vacant parcels in Milwaukie. In the Waverley sub-district there is a planned new apartment development that will complete the very successful Waverley Green complex of upscale apartments.

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Current Valuation of Opportunity Sites

Market and assessed valuations for the opportunity sites are shown in Table 4-2.

Table 4-2 AREA, MARKET AND ASSESSED VALUATIONS OF OPPORTUNITY SITES CITY OF MILWAUKIE PROPOSED URBAN RENEWAL DISTRICT							
Site/Map ID	Area (SF)	Market Valuations			Assessed Valuations		
		Building	Land	Total	Assessed	Exemptions	Taxable
A-1	336,360	\$1,412,020	\$3,052,063	\$4,464,083	\$2,742,928	0	\$2,742,928
A-2	54,791	\$531,460	\$581,222	\$1,112,682	\$600,105	0	\$600,105
A-3	317,082	0	\$1,443,307	\$1,443,307	\$774,832	\$112	\$774,720
D-1	39,543	\$788,170	\$587,116	\$1,375,286	\$755,113	0	\$755,113
D-2	41,629	\$138,450	\$852,968	\$991,418	\$650,569	\$211,281	\$439,288
D-3	38,529	\$491,330	\$806,465	\$1,297,795	\$687,866	\$184,493	\$503,373
D-4	22,050	\$1,063,720	\$430,635	\$1,494,355	\$841,643	0	\$841,643
D-5	21,925	\$728,140	\$386,916	\$1,115,056	\$621,308	0	\$621,308
D-6	17,603	\$586,470	\$337,400	\$923,870	\$511,179	0	\$511,179
D-7	12,127	\$298,640	\$266,380	\$565,020	\$311,329	0	\$311,329
D-8	87,182	\$754,530	\$1,304,809	\$2,059,339	\$1,070,348	0	\$1,070,348
D-9	44,518	\$912,770	\$838,057	\$1,750,827	\$954,297	0	\$954,297
D-10	28,116	\$699,370	\$489,762	\$1,189,132	\$635,946	0	\$635,946
D-11	36,611	\$374,651	\$246,266	\$620,917	\$341,910	\$60,534	\$281,376
D-12	449,048	\$20,805,890	\$3,343,738	\$24,149,628	\$16,553,262	\$16,553,262	0
W-1	202,398	0	\$324,061	\$324,061	\$181,481	0	\$181,481
TOTAL	1,749,512	\$29,585,611	\$15,291,165	\$44,876,776	\$28,234,116	\$17,009,682	\$11,224,434
% of Total Proposed URD 5.75% 5.42% 5.16% 5.33% 5.72% 18.68% 2.79%							

Source: City of Milwaukie, Urban Land Economics

As shown above, the opportunity sites include slightly more than 5.0% of the area, market valuation and assessed valuation for the entire urban renewal study area. However, largely due to the wastewater treatment plant property in D-12, the sites have almost 19.0% of the exemptions, leaving only 2.79% of the taxable valuation. This very low taxable valuation reinforces in the development potential of these sites.

Future Development on Opportunity Sites

Zoning provides the primary guidance for projecting future development and redevelopment on the opportunity sites. Downtown zoning provides specific requirements for minimum and maximum building heights, floor area ratios (FAR) and housing density.

In projecting future development, particularly for the sites located downtown, market factors play a large role, as does parking. For example, any office building with an FAR over .5 requires structured parking (because the site will not accommodate the floor space and the necessary parking if provided as surface parking). However, with structured parking spaces costing up to \$30,000 each and an office market that is locally weak, it is highly unlikely that a commercial office building will be built to the maximum height of 65 feet. It is more likely that new office development would be built at an FAR of 0.5 to 1.0, if some of the parking could be provided off-site.

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The same parking considerations come into play with new downtown housing development. Although some small Portland housing projects have been built in recent years with little or no parking, these buildings are typically located in predominantly residential neighborhoods with ample on-street parking. With proximity to both light rail and bus service in Milwaukie, a residential project could be marketed to non-car owners. Developers could also arrange for shared cars, like ZIP cars, to alleviate the shortage of parking. However, at least some parking will have to be provided for new residential development and the cost of structured parking is prohibitive for all but the most upscale projects. Structured parking also requires a large parcel for efficient design, generally one block in size.

So, market and cost constraints suggest future development in downtown Milwaukie is unlikely to be built to the greatest allowable height and density. Buildings in the retail core on Main Street are likely to have apartments or condominiums on the upper floors rather than office space. Notwithstanding the weaknesses of the office market in the foreseeable future, another likely scenario is that Dark Horse Comics, a major employer and property owner in the downtown will consolidate their operations that are currently scattered in multiple buildings into a new office building. Owner-occupied office buildings are distinct from the commercial market as location and design decision reflect the needs and interests of an individual business. In the case of Dark Horse Comics, it has a long-standing commitment to downtown Milwaukie and business representatives have expressed interest in consolidating operations in a new building.

Table 4-3 presents zoning parameters and the projected development program for each of the opportunity sites, with the following brief description for each project:

- **A-1:** Small shopping center at intersection of SE 32nd and Harrison, with the remainder of the 7.7-acre site developed at the maximum density for housing.
- **A-2:** Enhanced value gained from development of A-1 will encourage new retail development on this site.
- **A-3:** Three uses are projected for this property: Small, high value retail development at the intersection of SE Oak and Railroad; office/flex space buildings on the 2.5 acre capped portion of the site; apartment buildings on the remainder of the property.
- **D-1:** Redevelopment of the site for housing in conformance with the adjacent new development and zoning.
- **D-2:** Full block development plan based on previous proposed project.
- **D-3:** Mixed use project with parking and office on the SE McLoughlin frontage, and one level of housing over retail on Main Street.
- **D-4:** Two levels of housing over retail.
- **D-5:** One level of housing over retail.
- **D-6:** Mixed-use development of office, retail and housing, in conformance with zoning.
- **D-7:** One level of housing over retail.
- **D-8:** Housing development.
- **D-9:** Full block of office development, with small retail component at 1.0 FAR.
- **D-10:** Office project at .5 FAR.
- **D-11:** Office project at .5 FAR.
- **D-12:** 200-unit full-service hotel, with office space, taking advantage of riverfront site.

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Table 4-3 OPPORTUNITY SITE DEVELOPMENT PARAMETERS AND PROGRAMS									
Site/Map ID	Development Parameters					Development Programs			
	Sq.Ft.	Min. Hgt.	Max. Hgt.	FAR	DU/Ac	Retail	Office	DU's	Lodging
A-1	336,263	None	3 stories	None	32 max	60,000	0	120	0
A-2	54,790	None	3 stories	None	None	20,000	0	0	0
A-3	317,811	None	3 stories	None	32 max.	20,000	38,000	110	0
D-1	39,543	None	45-65 ft.	N/A	10-30 min.	0	0	30	0
D-2	41,071	35 ft.	45-55 ft.	1:1-4:1	None	16,000	0	76	0
D-3	38,528	25-35 ft.	44-65 ft.	0.5:1-4:1	None	7,200	10,000	14	0
D-4	22,050	35 ft.	45-55 ft.	1:1-4:1	None	10,000	0	36	0
D-5	21,924	35 ft.	45-55 ft.	1:1-4:1	None	10,000	0	18	0
D-6	17,603	25-35 ft.	44-65 ft.	0.5:1-4:1	None	9,000	7,500	8	0
D-7	12,127	35 ft.	45-55 ft.	1:1-4:1	None	6,000	0	8	0
D-8	77,454	None	3 stories	None	10-30 min	0	0	54	0
D-9	44,518	25 ft.	65 ft.	.5:1-3:1	None	2,000	40,000	0	0
D-10	28,116	25 ft.	65 ft.	.5:1-3:1	None	0	15,000	0	0
D-11	36,611	25 ft.	65 ft.	.5:1-3:1	None		18,000	0	0
D-12	449,048	25 ft.	65 ft.	.5:1-3:1	None	0	20,000	0	200
W-1	202,403	None	3 stories	None	11.6-17.4	0	0	100	0
TOTAL						160,200	148,500	574	200

Source: Urban Land Economics

In total, these opportunity sites are projected to provide 160,200 square feet of shopping center and other retail/service shops, 148,500 square feet of both owner-occupied and commercial office space, 574 multifamily housing units and 200 hotel rooms. These projections are well within Metro's estimated growth projections for the area of 1,000 new households and 2,000 new employees.

Projected Timing of New Development

Much of the impetus for redevelopment in the urban renewal study area will come from arrival of MAX service to downtown Milwaukie in 2015. As shown elsewhere in the metropolitan area, light rail service adds value to adjacent and nearby real estate, particularly for new, higher density residential development. Development timing of opportunity sites outside of downtown Milwaukie is more influenced by general market conditions, resolving site-specific development issues and other criteria.

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Table 4-4 presents the development schedule for estimating tax increment from new development on the opportunity sites in five-year segments for the 20-year projection period. Among the earliest projects is the 100-unit apartment development (W-1) by the owners of Waverley Green. This is consistent with the current strength of the apartment market and the high occupancy of Waverley Green apartment buildings. Other early development is expected on the McFarlane property (A-3).

Table 4-4					
NEW DEVELOPMENT SCHEDULE AND MARKET VALUATIONS					
	<u>Total Dev (SF)</u>	<u>Period in which New Development Occurs</u>			
		<u>2010-2014</u>	<u>2015-2019</u>	<u>2020-2024</u>	<u>2025-2029</u>
<i>Retail (Total)</i>	160,200				0
<i>In Centers</i>	100,000	20,000	60,000	20,000	0
<i>In MXD Buildings</i>	60,200	0	25,200	35,000	0
<i>Office</i>	148,500	0	64,000	46,500	38,000
<i>Housing (Total)</i>	574				
<i>Apartments</i>	300	160	124	16	0
<i>Condominiums</i>	274	0	190	84	0
<i>Lodging</i>	200	0	0	0	200

Source: Urban Land Economics

A large share of the new housing is expected to develop in the 2015-2019 period after light rail service comes to Milwaukie. Office development around the station, both commercial and owner-occupied, is expected to be in this same timeframe. Hotel and office development on D-12 are contingent on the relocation of the existing treatment facility, a complex and expensive project that is not expected to occur until the end of the 20-year timeframe.

SECTION 5: PROJECTED ASSESSED VALUATION OF PROPOSED URBAN RENEWAL DISTRICT

With the projected new development and redevelopment on the opportunity sites, the next step in the analysis is estimating market values and assessed values for these projects. These estimates are made in current dollars, to be converted to future dollars in subsequent steps. (Future dollars will be inflated.)

Using an income approach, values can be derived by estimating rents, operating expenses and vacancy rates to establish new operating income. By applying a capitalization rate that reflects risk and return on other investments, a value per square foot can be obtained. Current data for various types of buildings in the Portland Metro area were examined using this method to derive building values.

Another approach is to examine actual sales prices from various sources. Although the current economic and credit market conditions have reduced the number of transactions, there have still been some sales. There is data from other years upon which to estimate current values.

Both approaches are used in this analysis for retail, office and apartments. Values for condominiums and lodging are based on sales figures alone.

Retail

Retail development comes in many different forms and formats, as shopping centers of varying size and mixes, as a component in a mixed use building, or as a single, stand-alone building. In the proposed urban renewal area, there will be a combination of stand-alone buildings, potentially a small shopping center and ground floor retail development in mixed-use buildings.

Table 5-1 provides the income approach for two types of retail space: shopping centers and in mixed-use buildings. (This table also provides the results of the income approach to valuation for other types of buildings that are discussed below.) Using current metropolitan area survey data with adjustments for expenses and vacancies, the projected value for shopping centers is \$203.10 per square foot and \$153.56 per square foot for retail space in mixed-use buildings. (It should be noted that these rental rates are higher than current local market values. New development carries a higher rent structure and current rents reflect very significant recessionary conditions.)

Table 5-2 provides sales data for retail properties from the past year for multi-tenant properties and single-tenant buildings. Unfortunately, current sales activity is greatly reduced because of credit and economic conditions, so there are fewer comparable sales. However, the weighted average price of the multi-tenant buildings is \$201 per square foot, or nearly identical to the value based on the income approach. In addition to individual sales, Table 5-2 provides the range of median sales per square foot for multi-tenant properties in the Portland metro area between 2004-2008. Over this period, median sales ranged from \$120-\$200 per square foot. There is no adjustment for age or condition of the property.

The one building that is similar to potential mixed-use buildings in downtown Milwaukie is the redeveloped building in the Alberta Arts district which sold approximately eight months ago for \$170 per square foot, or about 10% higher than the value using the income approach.

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Table 5-1 VALUATIONS OF NEW DEVELOPMENT IN MILWAUKIE URBAN RENEWAL DISTRICT INCOME APPROACH					
	Retail				
	<u>In centers 1/</u>	<u>In MXD Bldgs</u>	<u>Office 4/</u>	<u>Apartments 5/</u>	<u>Condos</u>
Gross Rent	\$20.03	\$18.00	\$21.75	\$15.00	N/A
Effective Rent 2/	\$18.23	\$16.38	\$17.40	\$14.10	
Operating Expenses 3/	\$4.01	\$4.10	\$6.09	\$4.65	
Net Operating Income	\$14.22	\$12.29	\$11.31	\$9.45	
Capitalized Value	\$203.10	\$153.56	\$141.38	\$125.96	\$88,172/unit
Effective Rent	91%	91%	80%	94%	
Operating Expenses	22%	25%	35%	33%	
Capitalization Rate	7.00%	8.00%	8.00%	7.50%	
1/RealtyRate.com 2009 (1st quarter) Market Survey, Portland/Salem, income for unanchored centers					
2/Includes allowances for concessions, vacancies, collections, marketing incentives, etc.					
3/Includes marketing, management, leasing commissions, tenant improvements, utilities, taxes, as applicable.					
4/RealtyRate.com 2009 (1st Quarter) Market Survey, Portland/Salem, Class A and B suburbs					
5/Average unit size: 700 sf. Rent for new units is projected at \$1.25/sf/month.					
Source: RealtyRate.com, Marcus & Millichap, Urban Land Economics.					

Table 5-2 also shows two local sales of Walgreen’s drug stores for much higher prices, an average of \$466 per square foot. In general, and as shown with Portland metro and national median sales figures for recent years, single-tenant building prices are higher as they are often occupied by national tenant or franchises that have much higher sales per square foot and thus command much higher prices.

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Table 5-2 RECENT SALES OF SHOPPING CENTERS, OTHER RETAIL BUILDINGS AND TRENDS						
<u>Location</u>	<u>Type</u>	<u>Year Built</u>	<u>Sq. Ft.</u>	<u>Sales Date</u>	<u>Price</u>	
					<u>Total</u>	<u>Per Sq. Ft.</u>
MULTI-TENANT						
Berry Hill Shopping Ctr. Oregon City	Neighborhood	1990	41,229	2/28/08	8,600,000	-\$ \$209
Summercrest Plaza Beaverton	Neighborhood	1985	27,648	5/23/08	\$6,200,000	\$224
4944 NE 14th (Alberta) Portland	Redevelopment	N/A	7,040	9/30/08	\$1,200,000	\$170
WEIGHTED AVERAGE:						\$211
Portland Metro Median Sales 2004-2008						\$120-\$225
SINGLE-TENANT						
Walgreens Hillsboro	Free-standing	2008	14,280	9/30/08	6,200,000	\$428
Walgreens Tualatin	Free-standing	2005	14,446	6/19/08	\$7,300,000	\$505
WEIGHTED AVERAGE:						\$467
Portland Metro Median Sales 2004-2008						\$145-\$245
National Sales Trends 2002-2008						Drugstores \$200-\$300
						Casual Rest. \$125-\$290
						Fastfood \$375-\$490
Source: Loopnet.com, Marcus & Millichap National Retail Report, 2009.						

Office

Office development within the urban renewal study area would be located in the historic downtown sub-district. Table 5-1 shows the results of the income approach to valuation, with office space valued at \$141 per square foot. As shown in Table 5-3, weighted average sales price for these five office buildings was \$192 per square foot. As was the case with retail comparables in Table 5-2, there are few recent sales and so it is difficult to draw too firm a conclusion based on this data. The most recent sale (January 2009) was for a building in Milwaukie. At \$166 per square foot, the sale may reflect the already deteriorated market conditions.

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Table 5-3 RECENT SALES OF OFFICE BUILDINGS AND TRENDS						
<u>Location</u>	<u>Type</u>	<u>Year Built</u>	<u>Sq. Ft.</u>	<u>Sales Date</u>	<u>Price</u>	
					<u>Total</u>	<u>Per Sq. Ft.</u>
Johnson Road Plaza Milwaukie	Class B	1986	11,715	1/31/09	\$1,950,000	\$166
6564 SE Lake Milwaukie	Class B	1987	3,840	2/13/08	\$880,000	\$229
Monterey Plaza Clackamas	Class B	2005	33,268	6/30/07	\$7,415,000	\$223
9445 SW Locust Portland	Class B	1987	4,459	10/17/07	\$1,200,000	\$269
Port of Portland HQ Portland	Class A	2000	160,000	1/8/08	\$29,000,000	\$182
WEIGHTED AVERAGE:						\$192
Portland Metro Median Sales Prices 2005-2008						\$139-\$185

Source: LoopNet.com, Marcus & Millichap, Urban Land Economics.

Another source of median sales prices for the Portland metro area between 2005-2008 shows a range of values between \$139 and \$185 per square foot. In any case, office buildings have a lower value than retail space, reflecting higher operating costs and a weaker overall market.

Apartments

Apartment buildings appear to be one of the few types of real estate that are not suffering significant reductions in value during this recession. Based on a per square foot rent of \$1.25/month, a prototypical apartment unit would be valued at \$88,172 under the income approach to valuation (Table 5-1). Recent sales and sales trend information presented in Table 5-4 show a weighted average per unit price of \$94,229 for six apartment buildings. Median price per unit for all Portland metro sales was reported to be \$73,953 in 2008.

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Table 5-4 RECENT SALES OF APARTMENT BUILDING AND TRENDS						
<u>Location</u>	<u>Type</u>	<u>Year Built</u>	<u>No. of Units</u>	<u>Sales Date</u>	<u>Price</u>	
					<u>Total</u>	<u>Per Unit</u>
Raven Apts. Se Portland	Garden/ low-rise	2004	36	4/1/2009	\$2,725,000	\$75,694
Las Brisas Portland	Garden/ low-rise	2005	48	2/23/09	\$4,815,000	\$100,312
Hadley House SW Portland	Garden/ low-rise	1961	55	2/9/2009	\$7,300,000	\$132,727
Powell Court Portland	Garden/ low-rise	1998	72	12/16/08	\$6,200,000	\$86,111
Bristol Court SE Portland	Garden/ low-rise	1998	48	1/9/2009	\$3,850,000	\$80,208
Foxstar Apts. Portland	Garden/ low-rise	2000	20	10/31/08	\$1,400,000	\$70,000
WEIGHTED AVERAGE:						\$94,229
PORTLAND METRO MEDIAN 2008						\$73,953
Source: LoopNet.com, Marcus and Millichap, Urban Land Economics						

Condominiums

The condominium market has been one of the hardest hit lately, with over supply, lack of credit and unemployment all adding to market weakness. In 2008 (after the peak in 2007), average price paid for condominiums in the Portland metro area was \$290,600. As median prices are historically 83% of average prices, the median price was estimated to be \$242,070 in 2008. As shown in Table 1-3, the median price in Milwaukie was 91% of the metro price. With this further adjustment, the median condominium price in Milwaukie in 2008 would be \$220,283.

Milwaukie does not have a substantial condominium market, with few new units other than North Main Condos. With a strong housing market in 2007 when this project was completed, the average price was \$238,122. Based on these sales, the current median market price is estimated to be \$210,000, allowing for some further reductions in the overall housing market.

Lodging

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The present location of the Milwaukie’s treatment plant on the Willamette River has been identified as a potential site for a hotel, assuming that the treatment plant is relocated. A waterfront location, adjacent to a park is an excellent location for a hotel. For purposes of valuation, metro area hotels sales were reviewed, as shown in Table 5-5. Most of these sales were recorded in 2007 prior to the current recession.

Table 5-5 RECENT SALES OF LODGING PROPERTIES						
Location	<u>Type</u>	<u>Year Built</u>	<u>Rooms</u>	<u>Date Sold</u>	Price	
					<u>Total</u>	<u>Per Room</u>
Days Inn Clackamas	Economy	1985	110	5/2/2008	\$8,600,000	\$78,182
Larkspur Landing Hillsboro	Economy	1997	126	7/11/2007	\$12,067,000	\$95,770
Days Inn Downtown Portland	Economy	1950	173	6/15/2007	\$13,500,000	\$78,035
Comfort Suites Clackamas	Economy	1999	50	4/2/2007	\$4,000,000	\$80,000
Four Points/Sheraton Downtown Portland	Full-Service	1962	140	11/1/2007	\$17,500,000	\$125,000
Hilton Garden Inn Lake Oswego	Full-Service	2000	179	6/1/2007	\$27,450,000	\$153,352
AVERAGE PRICE ECONOMY UNITS:						\$82,997
AVERAGE PRICE FULL SERVICE UNITS:						\$139,176
Source: LoopNet.com, Urban Land Economics.						

There are two basic categories of hotels: Economy and Full service. Full service lodging facilities have restaurants, room service, meeting facilities, spas and other features that economy inns lack. Many, but not all, full service hotels are located in urban centers, while most economy hotels are freeway-oriented. As shown in Table 5-5, the average per room price for the economy hotels was approximately \$89,000, with full-service properties sold at nearly \$140,000 per room.

If a hotel is developed at the proposed site on the riverfront, it is probable that the location’s amenities would justify a full-service hotel.

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Summary of Land Use Valuations

Table 5-6 presents the land valuations for new development within the urban renewal study area. In that valuations are based, in part, on current prices of comparable properties, they reflect the current economic downtown. They also reflect local Milwaukie market conditions and prices that are generally less than the average for the Portland metro area.

Table 5-6						
FINAL PROJECTED VALUES FOR MILWAUKIE URBAN RENEWAL LAND USES						
	<u>Retail</u>					
	<u>In</u>	<u>In</u>		<u>Apts.</u>		<u>Lodging</u>
	<u>Centers</u>	<u>MXD</u>	<u>Office</u>	<u>(Unit)</u>	<u>Condos</u>	<u>(Room)</u>
INCOME APPROACH	\$203	\$154	\$141	\$88,172	N/A	N/A
COMPARABLE SALES			\$192	\$94,229	\$220,283	\$139,176
Multi-tenant	\$201	N/A				
Single-Tenant	\$466	N/A				
FINAL PROJECTED VALUE	\$260 1/	\$155	\$150	\$90,000	\$210,000	\$135,000
1/ Assumes 75% of space is in shopping centers and 25% is in single-tenant buildings.						
Source: Urban Land Economics.						