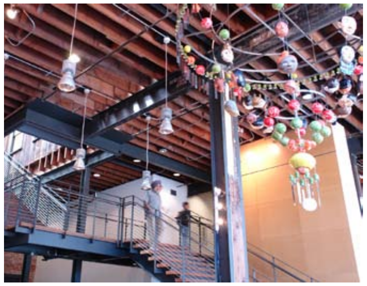
NORTH OLD TOWN / CHINATOWN REDEVELOPMENT STRATEGY




APPENDIX

Appendix I - Case Studies

Case Studies of Example Projects

Peer districts such as historic Chinatowns in Seattle, San Francisco, Vanvouver, and Toronto have been experiencing a recent urban phenomenon that many social geographers call 'ethnoburbia,'- where many former and new asian immigrants living in older urban centers relocate and congregate in outlying suburbs. This can be attributed to the trend of recent immigrants, who are more educated and affluent than previous generations, to be less drawn to the traditional localized centers and are enticed instead to detached homes, shopping centers, and life in the suburbs. This emergence of new asian communities outside the core of central cities have become a nexus for asian residential and commercial activities, exemplied by districts such as Richmond in Vancouver BC, Scarborough and Markham in Toronto, San Gabriel Valley in Los Angeles, and the Richmond/Sunset district in San Francisco, as well as SE 82nd Avenue here in Portland. However, some of the historic Chinatowns are experiencing a renaissance and are evolving into districts that support a hybrid culture and commerce, addressing a more diverse and global, often younger population. The most successful of these districts maintain a memory of their past as well as a cultural essence and look toward the future. These types of neighborhoods, particulary Portland's Old Town/Chinatown, have special stories to tell about the journey and evolution of their immigrants, residents, and businesses who have and will continue to contribute to their district.

The essence of Old Town/Chinatown has a rhythm and small grain feel that imbues it with richness and diversity and the district is poised to continue its evolution into an exceptional thriving neighborhood. The planning and placemaking process should look at examples that respect the local distinctiveness and character of Old Town/Chinatown where differing meanings and culture can coexist, and where gentrification impacts are tempered to allow room for adaptation, transformation, and opportunity. What has been illustrated in the urban design principles and redevelopment scenarios of this strategy are frameworks blending the new and the old in unique ways, in order to honor the history and cultural diversity of the district while enhancing it as an interesting and rooted place to live and work.

The past visioning plans and studies, and the current round of community research, have identified several uses that the district is currently lacking and would help to reinforce the area's diversity and potentially satisfy some of its future development needs. Part of the NOTCT Strategy effort was to look at example facility Case Studies for projects similar to these uses and their relevancy to this particular district. These real world constructed and operating examples demonstrate some of the economic potential and challenges, as well as urban design issues such as scale, form, mix of use, and street level activities. If available, input on the champions behind some of these successful projects is also included.

The following Case Studies categories provide a small sampling of relevant recent innovative and mixed-use examples:

Housing
Cultural Centers
Community Centers
Hotels
Grocery Stores
Parking

Chinatown, Los Angeles, CA


Chinatown, Vancouver BC

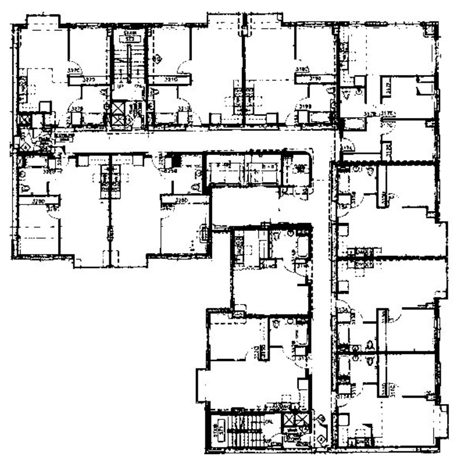
Old Town/Chinatown, Portland, OR

Housing

One of the key needs for the North Old Town/Chinatown neighborhood is the provision of housing that serves a pluralistic population of varying income levels and diverse lifestyles, from students to immigrants to the working class. This neighborhood is considered by many local developers as a secondary location compared to other districts in the downtown core and therefore has not seen the dramatic increase in housing construction as other nearby downtown districts.

As construction costs continue to rise, this district will continue to face difficulties. Creative strategies will need to be implemented in order to raise the economic feasibility for housing developments proposed for this neighborhood, with an additional focus on maintaining the spirit of place of Old Town/Chinatown. The following pages illustrate a small sampling of local and foreign project examples highlighting innovative strategies that may be useful for the needs and economics of the study area parcels. Some attributes of the projects illustrated include:

- *Innovative products* - housing that responds to the local Portland demographics, and specifically a more edgy and unique local identity of Old Town/Chinatown,
- *Innovative construction techniques* - projects that utilize nontraditional construction methods and materials for cost savings,
- *Small-scale and flexible floor plans* - a mix of unit types, particularly smaller units may respond to the district's younger demographics.
- *Mix of housing types* - a range of for-sale as well as rental units (even within single developments) may allow for economic and lifestyle diversity, and respond to absorb-tion rate pressure,
- *Workforce housing* - targeted middle-income to retain and entice families and workers to live downtown and support the district's amenities,
- *Innovative financing strategies* - a mix of market-rate and affordable financing strategies will likely need to be explored in order to provide the desired housing mix,
- *Partial-block development* - the district's current make-up of primarily partial block parcels offer opportunities for phasing to match the historic fine-grained development, as well as real economic and parking challenges.
- *Sustainability* - economic feasibility and sustainability measures often conflict, but several of the included examples are successful in combining these attributes.



Floor Plan

Pacific Tower

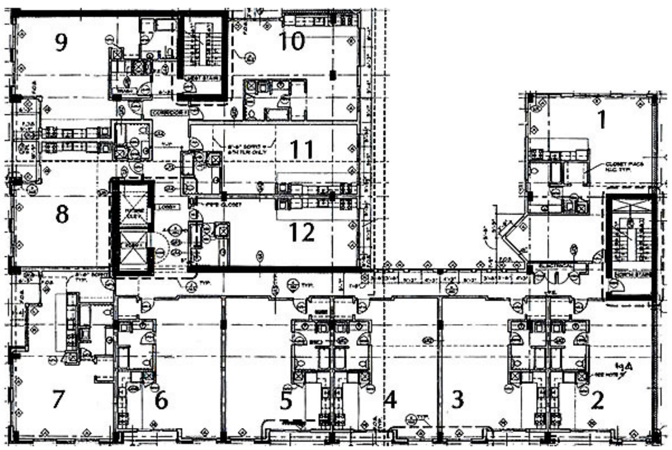
Portland, OR, North Old Town/Chinatown

- 1/4 block development on 10,000sf site
- 13 levels of housing over retail and public-use ground floor, 156 apartments
- Minimal parking, (12 on-grade, monthly rental spaces) due to immediate proximity of transit mall
- Economics Data: When opened in 2003, the rentals were originally targeted towards Asian seniors, 10% for households under 30% of MFI and the remainder for house holds 60% or less of MFI. The eventual tenants are now younger, in their 20's or 30's and some students able to fall within the income ceilings. Rents range from $540-$850.

Old Town Lofts

Portland, OR, North Old Town/Chinatown

- 1/3-block development on 15,000sf site
- 6 levels of housing, 6,00sf of retail base
- 3 levels of parking (1 below-grade, 1 1/2 above-garde)
- 60 condo units, 600-800sf studios & 1-BR, 1300-1500sf 2-BR
- Economics Data: $250-$260/sf, sold slowly but smaller, less expensive sold quicker. 47% of the units were sold with Shared Appreciation Mortgages. The residents are diverse, recently divorced singles, middle-aged or younger and single female proffessionals. Most were attracted to the affordability as well as the diversity and the smaller-scale streetscapes of the district.



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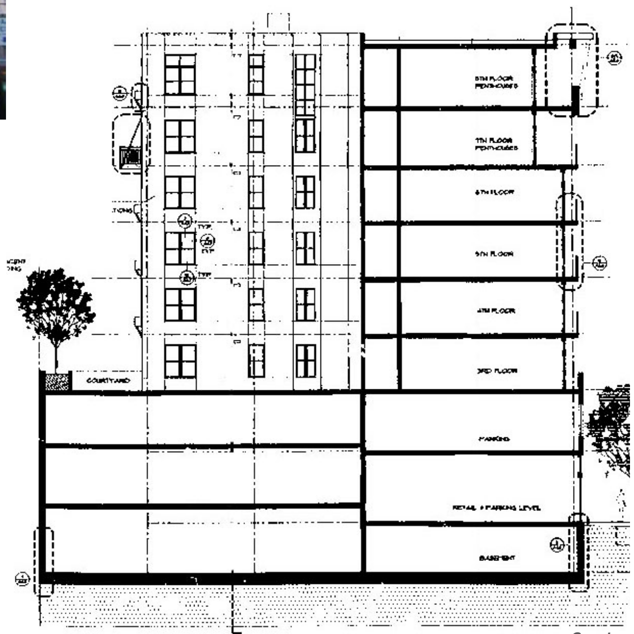

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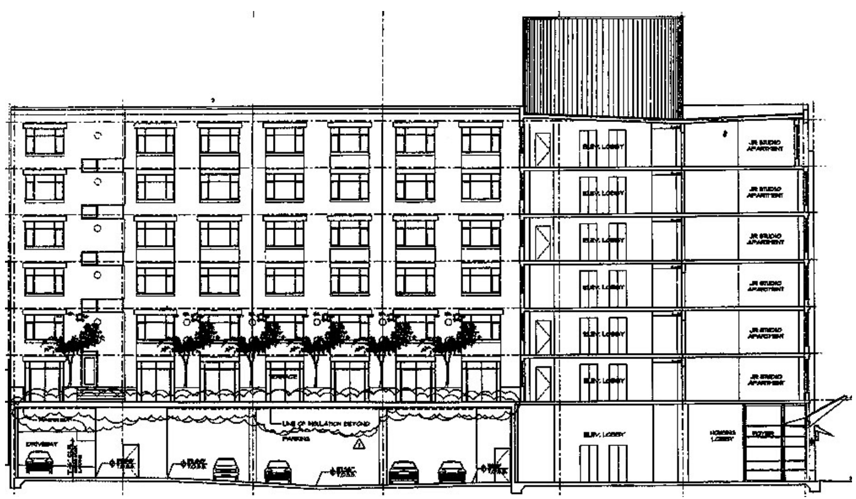
Museum Place Lofts & Townhouses

Portland, OR, West End District

- Full-block mixed-use development on 40,000sf site
- Housing above with ground floor retail (47,00sf grocery store)
- 2 levels of below-grade parking, 220 spaces total (50% for retail, 50% for residents)
- 128 apartments, 15% studios, 55% 1-BR, 15% townhouses from 575sf-1330sf, 10% penthouses
- Economics Data: $42M construction cost. This project was part of a 3-block redevelopment planned to revevitalize the area by providing a range of residencial choices as well as other neighborhood amenities. $1.65/sf average for rent, 28 units are reserved for 50% MFI. Renters includes students, professionals and retired couples.



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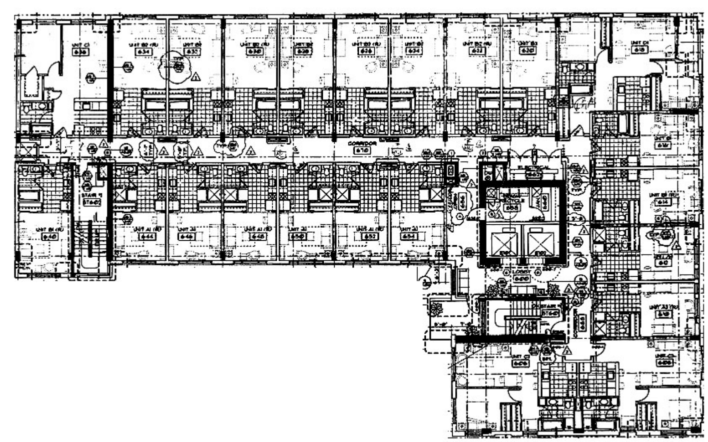
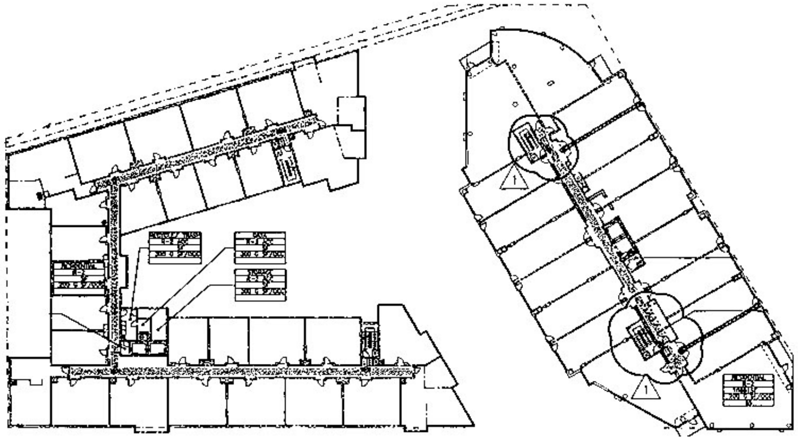


Floor Plan

The Civic

Portland, OR, West Burnside District

- Multi-block development on 60,000sf site, public/ private partnership between Gerding Edlen and the Housing Authority of Portland (HAP)
- 16 levels of housing and 30,000sf of ground level retail
- HAP housing includes a 5-story, 140-unit, low-income, midrise apt. complex
- 261 condos, 700-800sf 1-BR lofts. 1200-1500sf 2-BR, 1500-2100sf Penthouses
- Below-grade garage for 400 cars
- Economics Data: $73M condo construction cost, unit prices range from $175,000-$900,000. Completion in 2007, nearly all of the for-sale units were pre-sold, primarily to a younger market. 80% of the buyers are under 40, 75% are single, and the rest are couples or families. 66% of the single buyers are male.



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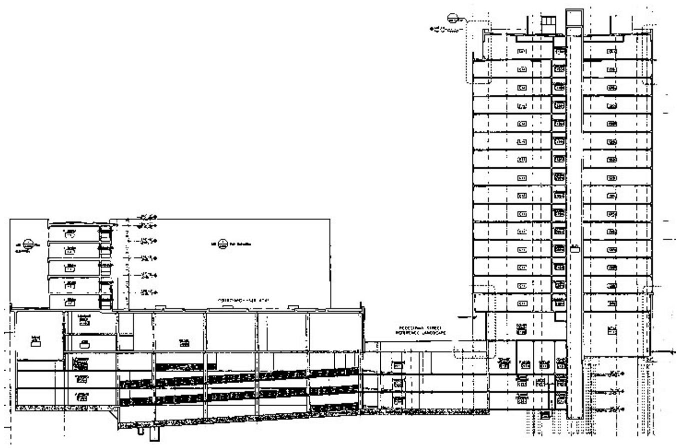

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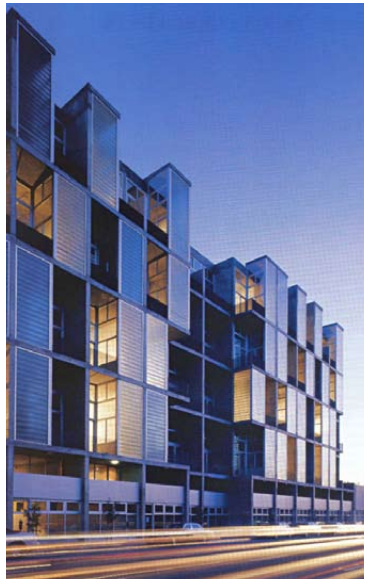
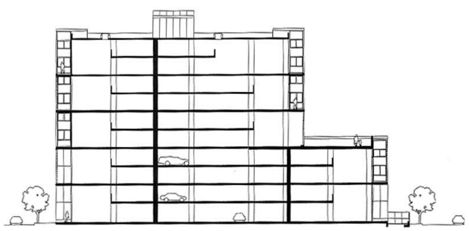
Yerba Buena Lofts
San Fransisco, CA

- 55,000sf site, 350,000sf building
- 9 levels of condo housing units
- 200 2-story lofts, 75% 1BR (900-1,000sf), 20% 2-BR (1400sf), 5% live/work units (940sf)
- 200-car internal parking structure, 1 level on-grade and 3 levels above-grade
- Economics Data: $237/sf (in 2002) construction cost, sale prices ranged from$350,000-$450,000. 10% of the units are affordable at 60% market value. Most lofts are two-story with 16'-0" ceiling heights. Construction is primarliy exposed concrete, utilizing reuseable form-work, common shear wall/column elements. Targeted demographics were young dot-com professionals (few units occupied by families).





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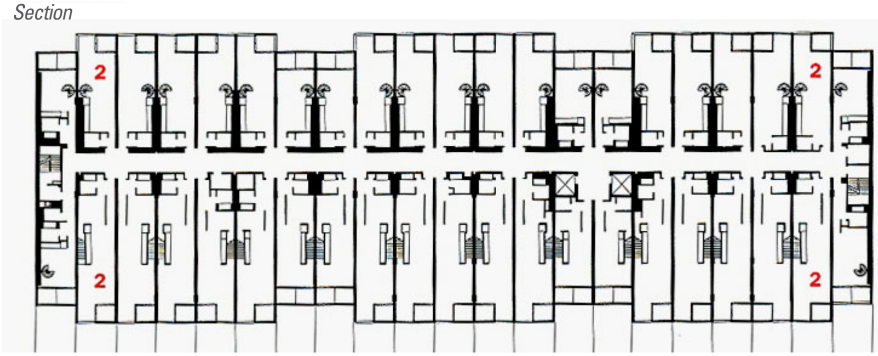


Floor Plan

Banner Building
Seattle, WA

- 14,000sf site
- 12 levels of housing, 3 levels of 26,000sf retail
- 14-units live/work, 1,800sf 2-story condos
- Seprate low-rise building w/4 subsidized apartments (600sf) and 2 market-rate apts. (1200sf)
- Parking on grade, 20 cars
- Economics Data: $65/sf construction cost (in 2000) for spacious, unfinished shell in which buyers could complete any level of tenant improvments appropriate to their needs and budgets. Originally intended for sale to emerging artists for under $200,000 and buyers typically have spent from $80,000-$300,000 for tenant improvments. 1-1/2 levels of the retail spaces have now been converted to residential use.

Floor Plan

Jundenburg West

Judenburg, Austria

- 21,000sf development of subsidized affordable housing
- 3 levels of housing, ground floor retail
- Below-grade parking for 22 cars
- 22 units of lease-to-buy apts: 1-BR (675sf), 2-BR (950sf)
- Owner/Developer: Ennstal, Whonbau Genossenschaft (Non-profit housing provider)
- Economics Data: $100/sf project cost, wood-framed structure utilizing prefabricated panels for the floor, walls, and balconies. 80% of the renters are young couples and families, 15% older couples, 5% singles. This project is based on a lease-to-own system, where the tenants pay a down payment of $30,000, with rent of $500/month, covering operational costs, taxes and utilities for 25 years at a 2% loan rate. Another option after 10 years is to pay the loan balance plus the operating costs to the housing agency, who continues to maintain the building.

Colorado Court

Santa Monica, CA

- 14,000sf site, 30,150sf builing
- 5 levels of housing
- On-grade parking for 20 cars, on-site bike storage
- Owner/Developer: Community Corporation of Santa Monica
- Economics Data: $4.3 million construction cost, units rent between $316-$365/ month. Twenty-two units are rented to people making less than $13,000 yearly, another 22 to those making less than $15,000 yearly(35-40% of MFI of $36,500). Typical demographic include full-time workers earning minimum wage, people on fixed income such as retirees and the disabled. This project is one of the first buildings of its kind in the US that is 100% energy independent, generating nearly all of its own utilty energy. Rebates from various state and energy agencies helped defray the equipment costs.

Cultural Centers

The Old Town/Chinatown district currently has two disctinct facilities that promote and honor the cultural heritage of the asian community, specifically the Classical Chinese Garden and the Oregon Nikkei Legacy Center. Both facilities operate successfully as museum entities educating the general public about history and the preservation of the Chinese and Japanese cultures. Community outreach completed as part of this Strategy as well as past reports have indicated a desire for a living cultural center that would broadly reflect the current multi-ethnic nature of the district to help promote arts, culture and history as a dynamic destination for the neighborhood. The examples shown below illustrate several commonalities that would contribute to the success of a cultural center:

- *A clear champion* - a non-profit entity (or individual) with passion, knowledge, and resources to energize the community and obtain the relevant political and financial support,
- *Small scale* - start out small to ensure that the facility can be self-sustaining through diverse programming and increased growth of supporter base,
- *Community Connection* - identify the need and users to help frame the vision and make connections to the broader community,
- *Financial Sustainability* - the establishment of a business plan incorporating hard construction and (most importantly) operational and maintenance salary and support costs.

Oakland Asian Cultural Center
Oakland, CA
This pan-asian cultural/community center is part of a mixed development project in Oakland's Chinatown district, founded as a partnership agreement between the Oakland Redevelopment Agency and Pacific Renaissance Associates. The redevelopment's mix includes retail spaces and branch library on the ground floor, three levels of below-grade fee parking, and the 15,500sf cultural center on the second floor. The center includes an auditorium, multi-purpose classroom, event studio and a rental kitchen. The center is managed by a non-profit entitiy and the facility is owned by the City.

Wing Luke Asian Museum
Seattle, WA
The pan-asian Pacific museum, founded in 1967, operates as a community resource through a community- based exhibit process and education-based programming and has a distinctly pan-asian Pacific-American focus. The museum started extremely small, moved into a 5,000sf renovated garage, and has only recently expanded into a 60,000sf newly renovated building in Seattle's International District. The museum is managed by a 501c3 non-profit entity.

Oregon Nikkei Legacy Center
Portland, OR, OT/CT District
The 4,000sf center exhibits and preserves the history and culture of the Japanese-American community in Oregon, particularly the immigration and early life within Nihonmachi (Japantown) in downtown Portland. The renovated Merchant Hotel Building, once containing a Japanese laundry, barbershop and bathhouse, now houses the Center's exhibit space, museum shop and offices. The ONLC is managed by the Oregon Nikkei Endowment, a non-profit entity.

Community Centers

A Community Center was cited as another key desire for the Old Town/Chinatown district due to various needs from many social and community organizations based in the neighborhood. The needs are varied in nature and run the gamut from performance/event spaces, recreation, classrooms, conference and meeting rooms, to admistrative office spaces. One of the challenges for a community facility of this type is to maintain a rigorous programming schedule to keep the center active and well maintained, which warrants a strong champion to manage and operate the facility. Recent case studies of community centers regionally and from abroad illustrate some innovative private-public partnerships creating successful amenities for their respective neighborhood. The key successful components that they all share are:

- *A clear champion* - a non-profit entity (or individual) with passion, knowledge, and resources to energize the community and obtain the relevant political and financial support,
- *Public-Private partnership* - allows for a mix of private investment and public funding; provides political support and engages the community
- *Financial Sustainability* - similar to cultural centers, a plan incorporating operations and maintenance budgeting is critical and may help determine programming activities,
- *Community Connection* - identify the need and users to help frame the vision and make connections to the broader community.

La Cocina Kitchen Incubator & Folsom Street Housing,
San Francisco, CA
This project is a 4,400sf commercial kitchen facility for low-income women who are interested in launching or expanding their small food businesses. The kitchen allows them to cook for-sale food products prepared in a legal environment, and provides training, technical and business assistance. The shared faclities are rented on an hourly basis at afforable rates for program participants and are rented at market rates to established commercial businesses. Market-rate rental housing is located at the rear of the site. The kitchen component is managed by La Cocina, a nonprofit that operates under the fiscal sponsorship of the Womens' Foundation of California, a 501c3 organization.

Palo Verde Library & Maryvale Community Center,
Phoenix, AZ
This combined branch library and community recreation center was the result of a collaboration between Phoenix's public library system and their Parks & Recreation department to develop this joint use project with funding from the Citizen's Bond program. The 16,000sf library includes a teen center, computer training lab, childrens' story room and 100-seat auditorium. The community recreation center includes a basketball gymnasium, weight rooms, elevated indoor running track, a large multipurpose room and a senior lounge. 240 parking spaces are available on site in a surface parking lot.

Whitechapel Idea Store,
London England
This 30,000sf facility in a multi-ethnic district of London houses a branch library and serves as a community outreach center by addressing the City's primary goals of library resources, lifelong learning and community to boost education, training and job opportunities. The books and technology access are free, but the facility takes a retail approach to design, promotion and financing. The center includes a library, classroom, IT center, recreation, exhibit spaces and cafe and it offers a wide range of adult classes, career support, training, daycare and meeting areas.

Hotels

Most hotels in Portland's downtown waterfront district are located in the areas south of Burnside Street, where the highest levels of visitor and business activities occur. Pockets of independent boutique hotels are emerging throughout the city center, however, including the adjacent Pearl district. The community outreach and past studies have cited a continuing need for a hotel within Old Town/Chinatown, primarily in response to the out-of-town visitors to the Classical Chinese Garden and assorted Chinese Family Association meetings. Given the evolving demographics and nightlife of the district, some relevant hotel examples illustrate a range of unique facilities, particularly connected to the diverse cultural aspects of their neighborhoods. The hotels listed below are not chain facilities but are largely independent, small- to moderately-sized hotels offering distinct amentities.

Relevant characteristics to enhance financial feasibility include:

- *Unique, independent brand* - embraces the local identity of Old Town/Chinatown and Portland,
- *Culturally-based* - highlights the history and arts/nightlife culture of the Old Town/Chinatown specific district,
- *Small to Moderate size* - appropriately-sized and possibly niche-focused for a small neighborhood, and avoids competing with larger chain hotels,
- *Facility Diversity* - range of rooms sizes and types to accommodate local and international modest-budget travelers, families, as well as overseas business visitors.

The Jupiter
Portland, OR
This is a renovated 1960's motel located on East Burnside and includes an adjacent diner/bar/lounge and music venue. The 80 retro-modern style guest rooms are basic but include wireless internet service throughout and are modestly priced to attract patrons to their Eastside district. The main guest rooms surround a 3,000sf courtyard and stage area, allowing for various art fairs, fashion show concerts and other promotional events to take place on the hotel grounds. Three retail spaces face Burnside Street, as well as a 1,000sf multipurpose event room. The hotel is owned by an independent operator/developer and capitalized with private financing.

The Phoenix
San Francisco, CA
This moderately priced landmark is located in the gritty Tenderloin district in San Francisco, marketed as a funky rock-n-roll hotel, and is operated by the Joie de Vivre Hospitality Group. It is a renovated two-story 1950's-style courtyard hotel with 42 rooms, including 4 suites with kitchenettes, free limited parking (20 spaces). An on-site bar, restaurant, and small swimming pool round out the eclectric amenities. The Phoenix's funky-but-chic atmosphere attracts celebrities, rock groups, as well as a bohemian clientele. Room rates are mid-range.

The Salisbury YMCA

Tsim Sha Tsui, Hong Kong

This 16-story YMCA-run hotel is located among the luxury hotels on Salisbury Road, near the Star Ferry terminal and has an impressive view of nearby Victoria Harbour. Built in 1925, it has 300 rooms, 62 suites, and no on-site parking. The rooms offer many amenities including internet access and refrigerators. The suites include living rooms, which are popular with families and conferences attendees. Rates are moderate, attracting a diverse range of patrons. Hotel facilities include indoor swimming pool, fitness and recreation center, restaurants, dance studio, bookshop, meeting and banquet rooms, children's library and playground, and a 4th floor outdoor terrace. The hotel offers tourist info as well as babysitting services.

Pensione Nichols

Seattle, WA

This smaller-scaled independent bed-and-breakfast is located in the retail and entertainment core of downtown Seattle near Pike Place Market. The B&B is housed in a remodeled turn-of-the century building with an understated and European-styled setting. The building is located on a hill with ground floor retail, fitting in with the neighborhood bars and bistros along a historic block. The top two levels contain ten guest rooms with shared baths and two suites with private baths kitchens. Parking is provided off site at a participating garage a block away. The hotel space is leased by the operator and the renovation costs for the B&B were personally financed.

Shanghai Inn

Bangkok, Thailand

This five-story boutique hotel is located in the historic Chinatown district in Bangkok, Thailand. Opened in 2006, the hotel has the standard modern amenities while offering a unique cultural experience. The 51 rooms and 4 suites are all designed with a Shanghai theme featuring chinoise art décor and bold, vibrant colors. The ornate antique furnishings along with other curios highlight Chinese art and culture while providing a flavor of a historic China. The hotel services and amenities include a Chinese Massage and Spa, Tea Room Terrace, internet access, a library, a swimming pool. Its moderate rates as well as central location attract both business and tourist travelers.

Panama Hotel

Seattle, WA

This 5-story historic hotel is located in the International District of Seattle's downtown. The brick-clad building was originally constructed in 1910 as a workingman's hotel serving Japanese immigrants, and other businesses including a laundry, tailor, pool hall, florist, bookstore, and Japanese bathhouse. The hotel was renovated in 2001 under new ownership and turned into an 80-room European-style hotel attracting regional and international travelers looking for charm and a historical perspective. All the rooms are modestly-sized with personal sinks and shared bath down the hall. Parking is available off-site. A modern teahouse on the premises as well as tours of the historic bathhouse bring steady pedestrian traffic daily.

Groceries

One of the primary support services that was cited as lacking in the Old Town/Chinatown neighborhood is a grocery store, specifically one that would be suited to the culture of the district and be an attractor as a destination point for visitors. This survey of regional asian groceries reveals that many stores of this type typically demand large floor plate areas as well as huge parking needs, and therefore have typically been located in the suburbs. Fubonn Shopping Center in SE Portland, however, is relevant in its focus on smaller emerging business and financial success in Portland. Uwajimaya Village in Seattle couples streetlevel foodservice ventures with multiple floors of housing above to generate streetlevel activity. Other relevant attributes of these two asian supermarkets include:

- *Culturally-based* - highlighting the cultural heritage of Old Town/Chinatown to enhance its role as a district resource as well as a destination attractor,
- *High entrance frequency* - a myriad of small-scale business provides ground floor activity,
- *Micro Retail* - supports local economy and small diverse businesses by lining the perimeter of the main supermarket with small retail spaces,
- *Housing Component* - the more urban location of Uwajimaya allows for highest and best use of the block and encourages people to live where they shop, creating a vibrant urban environment,
- *Parking Component* - provision of parking is cited as critical as a draw for these types of supermarkets, and the expense of below-ground parking in NOTCT will be a primary challenge.

Mitsuwa
Various locations, Arlington Heights, IL shown

Mitsuwa Marketplace was established in 1991, in Arlington Heights, a Chicago suburb, and is considered the largest Japanese grocery store in the Midwest. There are nine stores within the region, California, and New Jersey. The 50,000sf San Jose Matsuwa contains an anchor grocery, supporting bakery, cosmetics and health care counters, a food court, bookstore, and small travel agency. The marketplace is located on a large site with 400 parking spaces, which, on four or five occasions per year, doubles as a festival ground (pictured).

Uwajimaya Village
Seattle, WA (shown) and Beaverton, OR

Uwajimaya Village is located in Seattle's International District and is a retail and residential project spanning two city blocks. The development includes 70,000sf of retail shops, a Japanese bookstore, food court and a 50,000sf grocery store on the ground floor, with 176 market-rate and affordable apartments above, and 350 cars below grade. Uwajimaya is a family-owned supermarket chain based in Seattle, selling primarily pan-asian and some western produce with an emphasis on Japanese staples. Uwajimaya Inc. partnered with developer Lorig Associates to construct the project, with the developer owning and managing the apartments. The 200,000sf residential component has apartments ranging in size from studio to 2-BR flats and townhouses.

99 Ranch Market
Various locations, Kent, WA shown

This market, sometimes called Tawa Supermarket, is a Los Angeles-based supermarket chain specializing in asian grocery products. Established in 1984 by a Taiwanese expatriate, the chain operates 26 stores, primarily on the West Coast. Most of the market locations have a full take-out deli serving a combination of Cantonese, Taiwanese and Szechuan fare to Chinese, Phillipino, Vietnamese, and Thai patrons. The stores typically have a bakery, in which most of the baked-goods sold in the markets are made. The 40,000sf Kent, WA location anchors a 100,000sf indoor shopping mall containing 20 other individual stores.

Fubonn Shopping Center
Portland, OR, SE 82nd Avenue District

This single level pan-asian shopping center on SE 82nd Avenue has 73,000sf of leasable space and a surface parking lot for 330 cars. The center includes a supermarket anchor tenant with smaller retail spaces (ranging from 300sf - 3000sf, with 1000sf the most common). The center is owned by a private developer aiming for a diverse mix of businesses providing a variety of customer needs such as fashion, bakeries, personal services, restaurants, technology, etc. The center also tailors lease packages, regarding space needs, tenant improvement allowances, lease length and rent concessions, and focuses on the needs of emerging, small entrepreneurs.

Parking

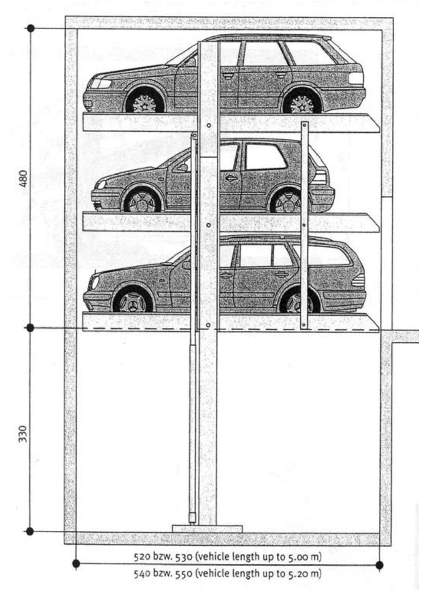
The primary function of Blocks 24, 25, and 26 is currently on-grade surface parking, either open-air or enclosed within buildings. Even with the newly constructed light rail connections to the district, any redevelopment on these blocks will require integrating a reasonable amount of parking into the future structures. Parking in general has proven challenging to vibrant urban design and streetscapes. Portland's small 200'x200' blocks specifically offer relatively efficient parking configurations if built out as full blocks, but this is often at the expense of an active streetfront. There are ways to mitigate these impacts, historically by building parking underground, on the above-ground levels (retaining the ground floor for retail or other uses), or lining ground floor parking with a retail wrap. Underground parking garages offer the most urban design benefits, but are also the most costly by a significant amount.

One unique attribute of Portland's Old Town/Chinatown is the relatively small grain to the parcel sizes and the corresponding smaller building fronts. To retain this pattern and accommodate large numbers of parking spaces within new developments has proven nearly impossible, as 1/4-block and smaller parcels are very inefficient for conventional parking aisles. This has resulted in many 1/4-block surface parking lots in OT/CT remaining as is, rather than redeveloped and increasing the residents and activity within the district.

One relatively recent development in parking technology is a simple hydraulicly-stacked configuration. Hydraulic or mechanized parking is not a new concept, as illustrated by the historic photo of Portland's downtown, far left, or European examples shown here, but the profitability of Portland's surface lots has proven difficult to match efficiently, especially on the smaller 1/4-block parcels. Portland's recent history with mechanized parking is somewhat checkered, with a large automated garage proposed a decade ago where South Park Block 5 now sits (with a conventional underground garage) at SW Park and Yamhill. This completely automated, extremely dense concept was ahead of its time, and may still be so, given the economics/management/software/and queuing issues - particularly in a primarily office or retail-use environment.

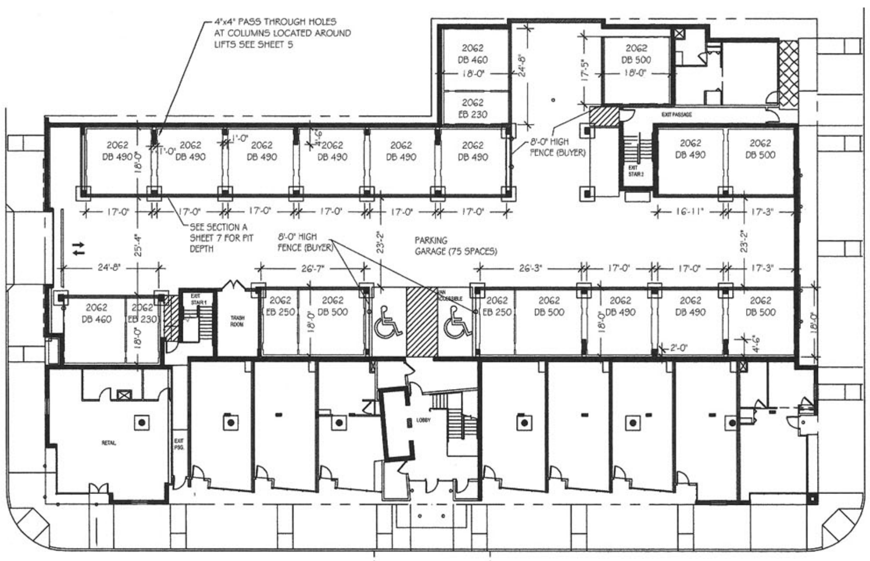
Only in the last decade has an economical alternative emerged and proven successful in California. The drawings and photograph on this and the following pages are from the **9th and Jefferson** and **15th and Jefferson** projects in Oakland, from Klaus Parking Systems and show this simple configuration which utilizes a pit and overhead to allow two or three cars to be parked where only one fit before. These hydraulicly-stacked parking configurations are illustrated here to address several of the main challenges to the North Old Town / Chinatown Study Area, namely:

- *Accommodating parking efficiently, particularly on smaller parcels* - Where standard 1/4-block parcels previously held 14 - 16 automobiles with retail frontage, these parcels now may hold over 50, and still provide active storefronts onto the street,
- *No valet, self-accessed vehicles* - these configurations form a bridge between conventional parking and more complex and costly completely automated garages. These systems also work best for housing uses, due to varied time-use patterns, as opposed to pure office buildings, where workers typically arrive and depart at more concentrated times,
- *Potential to help provide NW Natural parking requirement* - current entitlement of 130 spaces on Block 25 (or in an alternative location),
- *Increasing cost feasibility* - Currently, surface lots are by far the least expensive hard cost parking alternative, but contribute the least towards the urban vitality. Above-ground structured parking is more expensive than surface, with below-grade the most expensive option by a relatively large margin. These simple hydraulic versions will typically fall in-between the above- and below-ground pricing.

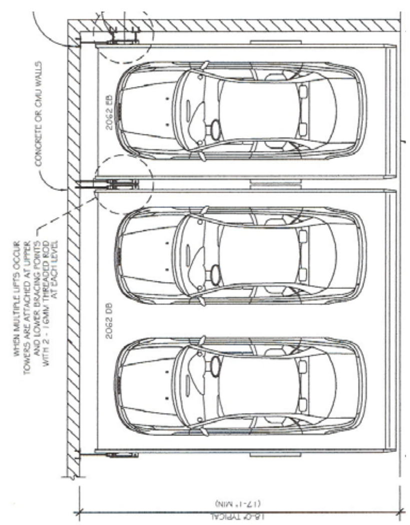


9th and Jefferson
Oakland, CA

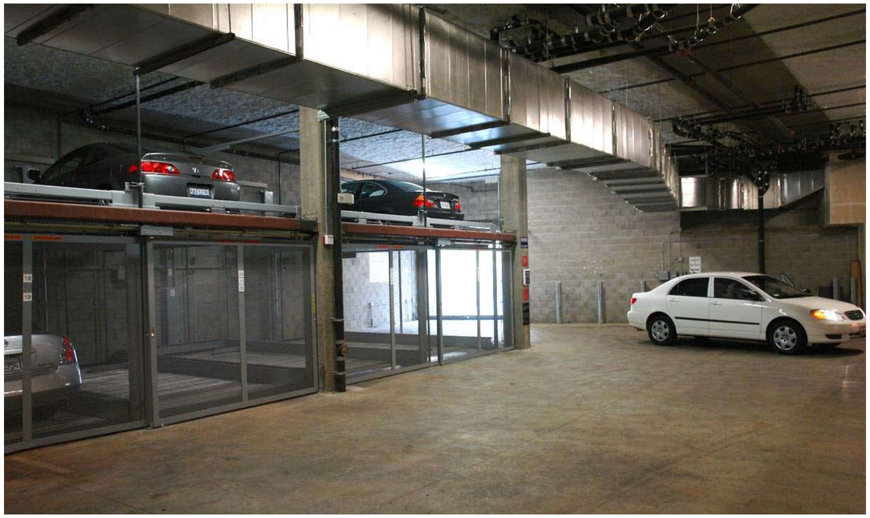
The housing project, with 1/2 down (semi-below-grade) parking provides a mix of 2-high and 3-high vehicle configurations. Typically, a vehicle space of 9' x 18' will accommodate one automobile. With a 10' deep pit and 16' overhead, this same space will now hold three vehicles, all able to be accessed by the driver without disturbing the other cars.

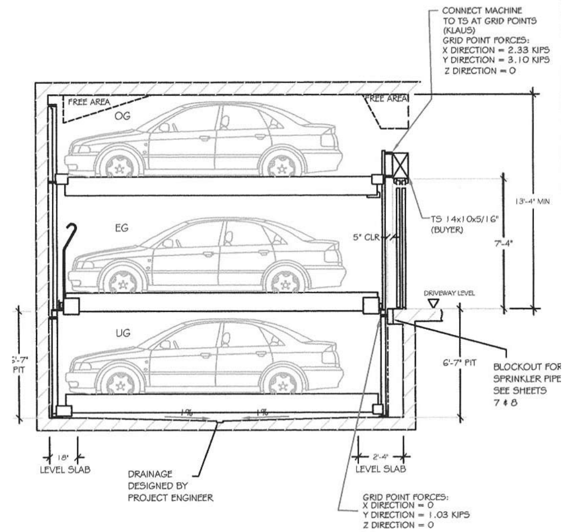


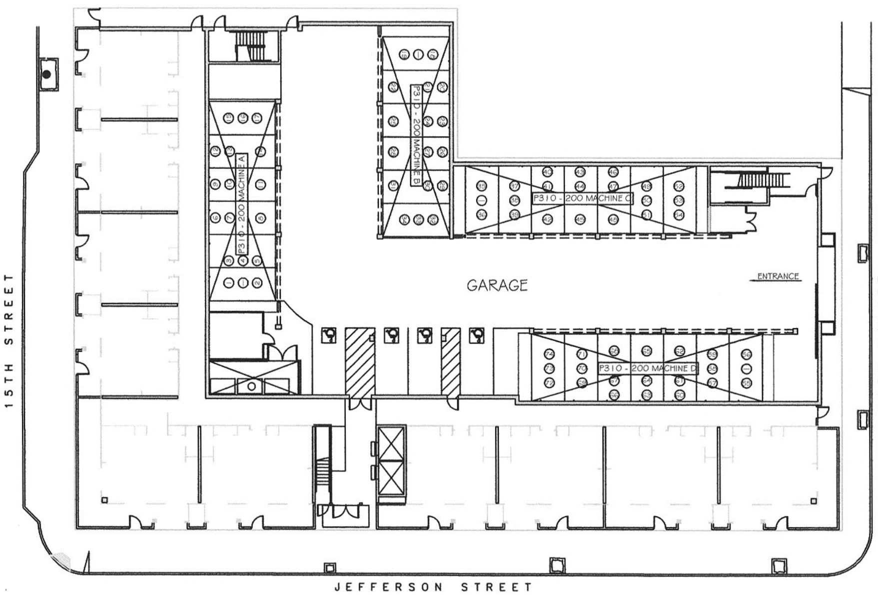
Ground floor plan, showing a hydraulic parking arrangement, stacked 2 and 3 vehicles high, with live/work units fronting onto the street and retail uses at the corners



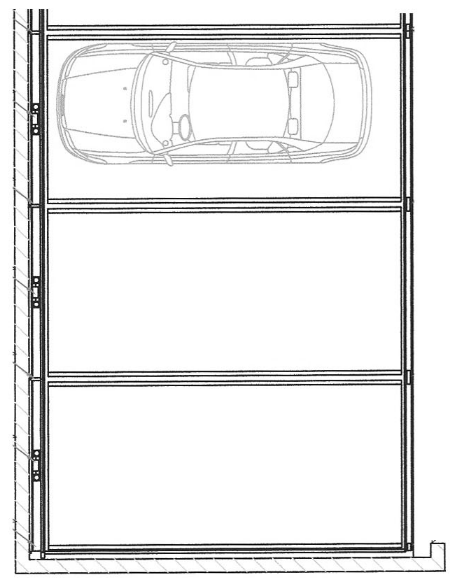
Enlarged plan and section (above) showing 3-stack configuration







Ground floor plan, showing a hydraulic parking arrangement, stacked 3 vehicles high in a more compact sectional layout, with live/work units fronting onto the street and retail uses at the corners. The crosses indicate 6 and 7 car wide bays where vehicles also move horizontally to move an automobile into an accessible location.



Enlarged plan and section (above) showing Klaus' more sectionally compact 3-stack configuration. Automobiles move horizontally as well as vertically, allowing less deep pits and overheads

15th and Jefferson

Oakland, CA

This project, with on-grade parking provides 3-high vehicle stacking, in a tighter vertical configuration. A series of vehicles may move side-to-side within a portion of the garage, as well as vertically, in order to move a vehicle into an accessible location. This system is slightly more expensive than the simple stacker, with the cost potentially offset by the smaller space needs. This system also holds security advantages.

**Ross Plambeck at PDC has a long history and understanding of these hydraulic parking configurations and remains an invaluable resource of information on these systems.*

Appendix II - Detailed Market Analysis

Development Economics and Market Analysis

During and after development of the conceptual scenarios, interviews were held with a variety of housing and mixed-use developers familiar with the Portland market in early 2007. This chapter summarizes a range of these developer responses to the opportunities and constraints presented by the Old Town/Chinatown Redevelopment Strategy. These include their initial reaction on the district's potential and the best bets for uses, pricing, and timing of development within the project's study area. Conversation specifically focused on Block 25, owned by the City of Portland and bounded by NW Glisan, NW Flanders, 3rd & 4th Avenues. Limited market data on the Old Town/Chinatown neighborhood is also included and is intended to complement recent market updates provided for PDC (e.g. the Central City Briefing Book). Developer input and market data is focused on residential projects, with some comments on viability of retail and office. This chapter is organized in the following segments: *Summary Recommendations, Residential Product,* and *Commercial Product.*

SUMMARY RECOMMENDATIONS

Comments specifically related to site issues:

- The importance of maximizing the site's FAR varied between developers, who represented a range of development practices and priorities. Some always seek to maximize FAR whereas others would be more inclined to develop a product that responded to the market as it is today. Most developers acknowledged a trade off between near-term development and site density.
- Catalyst project: In general, developers felt that the more you can bring to the area, the better. Williams and Dame is currently undertaking a five acre catalyst redevelopment in Japantown in San Jose of mid-rise concrete construction. That said, developers universally acknowledged the need to phase unit delivery to market. Project size was described as in part a function of financing and possible public financial support.
- Apartments often lead as a residential project in a transitional area. In the West End, Museum Place and the smaller Mosaic preceded the larger ownership projects of the Eliot and the Benson. In contrast, with the Civic (W Burnside), market rate ownership units preceded the construction of the development's subsidized rental component.
- The transitional housing provided by the Royal Palms (Block 26) was identified by one developer as the largest obstacle for the site's redevelopment.
- The relocation of Blanchet House from Block 25 to Block A&N, across Glisan, was universally acknowledged as a good precursor to the area's redevelopment.
- One developer felt a single entity would likely sign up for only one component of a multi-block development, but that a master plan for multiple blocks should be in place. Developers were not asked directly if they would consider undertaking a multi-block development at this site.
- Timing: Several developers suggested waiting to issue an RFP for the site until planned mixed-use redevelopment of Block O (on the north side of Glisan) occurs and until light rail construction on adjacent streets is complete.

Comments related to residential issues:

- Developers and brokers agreed that the best target market for condos at this location is young, entry-level buyers. This demographic will likely have the highest tolerance for the neighborhood's social services and also the low parking ratios that will likely be necessary to keep project costs down.
- Regardless of the absorption period of the existing inventory, if a project can develop something to meet an affordable market niche it will not compete with the majority of the existing (higher priced) downtown condo inventory. For example, the planned 350-unit 1700 Building (south CBD) is hoping to provide lower cost units; the unprecedented size of this project indicates that at least some elements of the development community perceive depth (if not latent demand) for this market.
- With construction costs continuing to rise – particularly for high rise product – the primary technique to deliver product within a more affordable market niche is developing smaller units.
- Units must be discounted to sell at an Old Town/Chinatown location and to affordable to the younger demographic that will be attracted to this location. A discount of up to 25% from Pearl District pricing may be required. Unit pricing was recommended to stay below \$250,000 - \$300,000, with per square foot pricing below \$400.
- There was very little support for a market rate apartment at this location, given that new construction requires top apartment rents to pencil (over \$2.00/sf), which may be difficult to earn at this location.
- A residential project size of 120 – 160 units was widely considered reasonable for a first project or single phase.
- Almost all developers interviewed would consider reduced parking ratios at this location. A ratio of 0.70 was suggested as reasonable; this ratio has worked at Everett Station Lofts.

Comments related to commercial issues:

- Developers generally advocated activating the blocks' street level to the greatest extent possible.
- Given the low rents that retail spaces have generated in the district (averaging $14 - $16 per square foot annually gross), thinking creatively about ground floor uses may maximize project feasibility.
- The one example of office condominiums explored is still too recent to provide conclusions as to the broader viability and market acceptance of this product type.
- A major anchor tenant such as a grocery was widely acknowledged as a boon to any project, although potentially difficult to secure. The West End Safeway was able to negotiate parking ratios of 2.3:1,000 square feet.

RESIDENTIAL PRODUCT

This section first relays developer input and then provides market data and details on four comparable residential products.

Developer Response

- This location is prime for funky, eccentric space that targets young people. A residential project here should not replicate the metal and glass high rises being built in other parts of the city. One developer stated that the more different and unique the product, the better. A moderate income, younger demographic was almost universally described as the most likely market for this location.
- Good site for student housing – on the light rail line to PSU, near the new University of Oregon building. A design competition could solicit innovative ideas.
- Assessment of minimum necessary parking ratios varied. Many developers interviewed do not construct projects without one space per unit. However, most also acknowledged that smaller units without parking spaces have been the first to sell where they have been offered. (The caveat would be that these units were a minority component of projects in which the remaining units were higher valued – the results for projects in which all units are small without parking have been less uniform).
- Sharing parking was advised, although some developers considered this not viable for a condo project. This is, however. Gerding Edlen's parking plan for the proposed 1700 Building condo project.
- Most downtown-oriented developers most commonly stated they would not consider wood construction for a condominium project due to future liability risks. The construction cost differential between steel and concrete was estimated to currently be about $30/ square foot.
- The high costs associated with the core components of high-rise construction – regardless of the units' build out – was an often repeated theme and cited as the primary challenge of constructing high density workforce housing. Project variables (e.g. kitchens, baths, flooring) comprise too small a percentage of the total construction budget to enable projects to pencil at lower price points by merely downgrading finishes. Downtown high-rise projects currently in planning phases are anticipating sales pricing above $500/square foot, attributed primarily to continued escalation in the cost of construction inputs.
- Given this cost structure, building efficiency was cited as key to a financially feasible project, particularly if projects target anyone other than the highest end buyers.
- Some developers were skeptical that high-rise would pencil at this location at all, and thought mid-rise was the only way to reduce costs enough to sell units given the site's pioneering location. The assessment of sellable pricing varied from under $400 per square foot (to avoid competing with Pearl District resales) to a total sales price under $250,000.
- Developers acknowledged that the market has slowed from its heyday. Speculators were widely acknowledged to have left the condo market (estimated to have comprised about 20-30% of sales at the height of the market). The assessment of absorption required for current inventory varied from 12 months to 3-5 years (an outlier opinion). Current absorption was generally considered to be in the range of 3-5 units per month per project.
- Not so for all niches: Gerding Edlen believes there's significant unmet demand for units under $300,000, as evidenced by their plans for 350 units at 1700 4th Ave.
- One developer described a second unmet niche as units for the aging population, for who access to services, transit, and single-level living are top priorities.
- Less optimistic was the prediction that a portion of condos currently under construction could actually convert to rental projects, and that some recent conversions may revert back, softening the rent increases the rental market has seen in recent months.
- Most developers interviewed did not have first-hand experience with light gauge steel and were still unsure of its utility. However, several local developers have utilized this option; details on relevant projects have not yet been obtained.
- Developers widely cited the difficulty in penciling rental projects given high construction inputs. One interviewee stated that the most obvious rental option would be a tax credit project with 20% of units at 50% MFI – this would provide subsidy while limiting the number of very low-income residents the project brings to the district. The remaining units would target households earning 80-120% MFI.
- Developers generally felt that wholly income-restricted units would not provide a catalyst for the neighborhood. However, there was no assessment as to whether such a project would prevent future private investment in the area.

Market Details

The condo market is widely reported to have cooled, most notably due to slower unit sales and the reported decline in speculative condo purchases (units bought for resale within a short period of time). National press has routinely cited dropping sales prices, particularly for higher end units in large markets that realized the greatest price run-ups such as San Diego, Boston, San Francisco. The future of Portland's market is difficult to predict, however, there are several indications that Portland will weather the slowdown better than many markets. The following items describing all home sales within the Portland Metro area are positive indicators:

- Housing sales prices continue to rise. Metro-wide, median January 2007 prices were 12% above median January 2006 prices (average prices were 8% higher).
- Home sales volume has dropped but not dramatically. When pending and closed sales are combined, January 2007 volume is 5% lower than January 2006.

Figure 1. January Sales Trends: All Housing Units, Metro Area (2006, 2007)

January	Pending Sales	Closed Sales	Avg. Price	Median Price	Avg. Market Time	New Listings
2007	2,544	1,594	322,900	275,000	65	4,411
2006	2,601	1,760	297,700	245,000	44	3,692
Change	*-2%*	*-9%*	*8%*	*12%*	*48%*	*19%*

Source: *RMLS Market Action January 2007, E.D. Hovee & Company, LLC.*

- An estimate of downtown and close-in condo sales concludes that sales volume decreased some in 2006, but sales volume was still 30% higher than in 2005 (see Figure 2). This in part reflects unit offerings: of 12 prominent, recent downtown condo projects, almost 1,300 units were released in 2005 compared with 900 units in 2006.

Figure 2. Estimate of Downtown and Close-In Condo Sales (2000-2006)

Year	Number of Sales	Annual Change
2006	2,541	-12%
2005	2,894	48%
2004	1,958	126%
2003	867	45%
2002	600	26%
2001	477	30%
2000	367	

Note: This chart relies upon geocoded tax assessor's data as packaged by Metro. Some data clean up has occurred, but remaining inaccuracies are likely. The market area corresponding to this chart includes the CBD, close-in NW and SW, Lloyd District and John's Landing. *Source: RLIS February 2007 update; E.D. Hovee & Company, LLC.*

- So far, downtown condo pricing appears remarkably stable. Average pricing is a tricky gauge as it is highly influenced by the types of units selling at a given time (particularly penthouse vs. other). For 24 downtown projects with sales in both 2005 and 2006, tax assessor data reports average sales prices rose for 16 projects and fell for 8 projects.
- For all condos in downtown and adjacent westside neighborhoods, a weighted average 2006 sales price is estimated at $385,000 (vs. $423,000 in 2005). The drop in over-all average is partially influenced by lower cost conversion projects coming on line, such as The Harrison and The Lexis.
- While brokers describe slowing condo sales over the past six months – a return to a normal pace of 3-5 per month, versus the 15-20 units per month in 2004 and 2005 – sales for eight projects surveyed averaged 8 units per month, equal to average monthly absorption for all (14 downtown) projects since releasing units. Healthy absorption was lead by the relatively affordable units associated with The Harrison condo conversion and the newly released Wyatt.
- Tempering absorption was the lukewarm market response to the release of the Encore, Hoyt Street Property's latest project at the northern edge of the Pearl. This project sold about five units in its first month, a marked change from the height of Portland's condo frenzy. Some attribute slower sales to the project's edge location.
- As with the office market, interest in apartment development has increased with falling vacancies. Industry data indicates a vacancy rate ranging between 3.3% and 4.9% (depending on the source) at the end of 2006, the region's lowest rate in five years. Reported rents also increased 3-5% in 2006, also the strongest showing in five years. Through third quarter 2006, the Portland market absorbed 1,270 new units, already twice the annual absorption in 2005.
- Condo conversions have helped tighten the apartment market. By third quarter 2006 1,000 apartments were removed from the inventory, up from 600 units converted in 2005.
- The development community routinely describes apartments as very difficult to pencil for today's rent rates, although these are climbing. Within the Central City, market rental rates have now broken the $2.00 per square foot monthly rental barrier – a likely minimum to support cost of new construction without subsidy.

Figure 3. Downtown Condo Projects Status (chart dated February-March 2007)

Project	Developer	Total Units	Units Left	Rough Price/SF	SizeRange	(SF)	Monthly Sales Six Months	Monthly Sales Since Start	Anticipated Completion	Location
The Atwater	Williams & Dame/Gerding Edlen	212	150	$500+	760	3,500	6	6		South Waterfront
The Benson Tower	Weston	144	37	$460	560	3,100		6	Spring 2007	West End
The Casey	Gerding Edlen	61	24	$500+	1,000	2,000		2	2007	Pearl
The Civic	Gerding Edlen	261	16	$375	670	2,100	5	14	Fall 2007	W Burnside
Eliot Tower	John Carroll	229	5	$500	520	3,000			Complete	West End
The Encore	HSP	177	172	$470	680	2,500	5	5	Summer 2008	Pearl
The Harrison Phase II	Williams & Dame & partners	156	52	$300+	750	950	19	9	2007	South Downtown
John Ross	Williams & Dame/ Gerding Edlen	286	78	$460	630	5,000	10	10	Summer 2007	South Waterfornt
Ladd Tower	Opus & John Carroll	190	56	$484	513	1,570	11	12	Winter 2008	West End
The Metropolitan	HSP	136	21	$500+	835	1,800		8	Fall 2007	Pearl
Pacifica		79	19	$550+	540	2,700		5		North Waterfront
The Strand	Williams & Dame	218	25	$460	800	2,000	4	8	June 2007	Riverplace
Waterfront Pearl	Pemcorp/Grancorp	192	100	$500	921	2,100	4	5	Spring 2008	North Waterfront
The Wyatt	Robert Ball	244	205	$500+	530	2,800		10	2007-2008	Pearl
		2,585	960				8	8		
Planned										
1700 Block	Gerding Edlen	354		$500+					2009	South Downtown
Oak Tower	OPUS NW - Trammel Crow Residential	220							Late 2008	3rd & Oak
Riverscape Townhomes		79								North Waterfront

Source: E.D. Hovee & Company, LLC, broker interviews, Oregonian, Realty Trust Group.

Figure 4. Recent Central City Apartment Construction (chart dated February-March 2007)

Property	Units	Year Built	Developer	Rent range / SF
Planned				
The Alexan (S Waterfront)	316		Trammel Crow	Up to $1.90
421 SW 12th (West End)	220	2009	Goodmans/Gerding Edlen	$2.00+
Market Rate				
Crane Lofts (Pearl)	30	2007	Guardian	$1.90 - $2.00
The Louisa (Pearl)	240	2005	Gerding Edlen	$1.70 - $2.50
10th @ Hoyt (Pearl)	178	2004	Trammel Crow	$1.90 - $2.15
Kearney Plaza (Pearl)	131	2000	Hoyt Street Properties	
The Merrick (Lloyd District)		2004	Trammel Crow	
Museum Place (West End)	142	2003	Sockeye	$1.75/average, some restricted units
Income Restricted				
Yards at Union Station A	153	1998	GSL Properties	
Yards at Union Station B	377	1999	GSL Properties	
Pearl Court	199	1997		
Fifth Avenue Place	70	1999		
Lovejoy Station	181	2004	REACH CDC	
Pacific Tower	156	2003	Brian McCarl	
The Danmore	180	2004	Central City Concern	
The Sitka	210	2006	Praxis Partners	

Source: E.D. Hovee & Company, LLC.

Comparable Residential Projects

The following four projects – Old Town Lofts, Pacific Tower, Everett Station Lofts, and the Civic– are relevant to planned development within Old Town/Chinatown. Physical characteristics are noted in the previous Case Studies chapter, -- more detailed market and economic project information is listed here. All but the Civic are located within this neighborhood.

Old Town Lofts

This 60 unit project was completed in 2001 as both the first market-rate and ownership residential project in Old Town/Chinatown. Twenty-eight units were sold with substantial Shared Appreciation Mortgages up to $60,000 (in which PDC pays a portion of the initial mortgage but recoups a portion of the unit's appreciation upon resale). Secured, structured parking was initially offered as optional for an additional $15,000 per space; two spaces are available to larger units.

- Initial project absorption was slow, averaging 2.5 units per month. Smaller units sold more quickly; the project's largest and most expensive units were the most difficult to market.
- Penthouse purchasers were described as 'socially liberal.' One leasing agent stated that the area's social services were less of a concern to prospective penthouse buyers than was the potential development of adjacent empty lots, including Block 25 to the project's east and the development of Pacific Tower to its south.
- As with many downtown projects, residents are diverse and include senior citizens, recently divorced singles and younger buyers, most of who were single. Buyers moved in from throughout the region (Beaverton, Hawthorne) as well as from other states.
- Resales at this project appear to be at prices well below those in the Pearl, with average per square foot pricing for 2006 sales at $361 (compared with an estimated $456 for Pearl District projects). This gives some indication of the per square foot discount necessary for housing marketability at this location – roughly 25%.

Figure 5. Old Town Resales

Year	Avg Price	Price/ SF	No. Sales
2006	$333,000	$361	22
2005	$291,000	$303	17
2004	$181,000	$255	7
2003	$278,000	$263	11
2003	$227,000	$255	20
2001	$208,000	$224	12

Source: RLIS, February 2007 update; E.D. Hovee & Company, LLC.

Pacific Tower

This affordable rental project opened in May 2003 with 156 rental units, 10% reserved for households earning under 30% of Median Family Income (MFI), the remainder for households earning 60% or less. It was originally restricted to renters age 55+; this was abandoned due to very slow absorption. Absorption increased dramatically when this requirement was dropped. The project now reflects a very young demographic including students and new job market entrants. Parking consists of a handful of surface spaces.

- Developer Brian McCarl feels that the project's original objective – to bring Asians back to Chinatown – was challenged due to the more established Asian communities (and accompanying amenities) along SE 82nd and in the Beaverton-Hillsdale area. Marketing techniques employed were extensive, including sandwich boards, Asian language newspaper ads, phone messages in multiple languages, flyers in Asian language cultural facilities, and more. One year after opening the project had attracted 13 Asians, which doubled Chinatown's Asian population. McCarl describes Chinatown's current Chinese affiliation as anchored by area restaurants and approximately 20% of land ownership.
- The project's current demographics are remarkably different from its original target market, consisting primarily of new job market entrants in their 20s and 30s as well as some students. The income ceiling of $28,500 for a one-person household and $32,600 for a two-person household is a good fit for this age cohort, and there are few comparables for a building product – type A high-rise with an urban skin – at the same price. This population is alsocontinuing to move to Portland – as the young creatives for which Portland is widely recognized.

Everett Station Lofts

Old Town rental project completed in 1989, consisting of 47 live-work units reserved for artists with a parking ratio of 0.68. Sixteen storefront spaces are reserved for artists who agree to open their space during business hours and nine First Thursdays annually. The project typically has a waiting list. Tenants are selected by an artist selection committee.

- Management priority is to strengthen the artist community within the building, including meeting once a week and using the lobby & second floor courtyard for exhibits.
- About 80% of units are income restricted. Rents range from $600 - $1,200 (income restricted and market rate) for units 600 SF – 1,500 SF (roughly $0.80 - $1.00/sf).
- Almost all potential tenants have questions about the neighborhood. Management states that once they speak to other tenants they feel at ease. Most tenants are downtown people, have lived downtown in the past or wanted to.

The Civic

The Civic is currently under construction at W Burnside and 20th; completion is anticipated by summer 2007. The project is included as a comp due to its edge location and target market of young moderate income buyers. Since sales began in September 2005, absorption has averaged a remarkable 14 units per month; these have reportedly slowed to 4 units per month as the project approaches sell out.

- The project originally offered average per square foot pricing around $340. The developer's aim was to offer units for less than $300,000. For remaining units with parking, average pricing is now closer to $440. Some lower level units without parking were originally offered for under $200,000.
- The majority of the units are one bedroom for around 700 square feet.
- Buyers have been largely single, more than half male, with an average age of 33-34.
- The project's marketers recommended 'embracing the grit' of this edge location and not mimicking the sales techniques of Pearl projects. The result was an art gallery/sales office without any model finishes and with innovative computer-based building displays.

COMMERCIAL USES

This section first relays developer input and then provides market data on Old Town/Chinatown and on recent office development trends within the CBD versus the larger metro area.

Developer Response

- Several developers agreed that grocery would be difficult for this location unless it was a destination grocery such as Uwaimaya. Grocers were described as typically wanting 4 spaces per 1,000 square feet. At the Museum Place Safeway, a parking ratio of around 2.3 spaces per 1,000 square feet was negotiated.
- Office condos are a new product that has attracted developer interest. The experience of Madison Office Condos suggests that the Portland market has not fully embraced this model.
- The developer stated that the four condos are offered at 5,000 square feet because they determined that smaller space users have difficulty financing a real estate acquisition. While interest has been high, sales have been slower than expected.
- One developer stated that his rule of thumb is that a condo tower can support about 8,000 square feet of storefront retail space. This is an abstract figure that in practice would vary with building size and context.

Retail Market Details

Brokerage inventories include less than 20 spaces within the Old Town/Chinatown neighborhood. Top of the market rents at the end of 2006 were described as:

- Smaller spaces, new construction: $16 - $18/sf, gross
- Larger space: $15.50/sf, gross

Total retail building area for the subdistrict is less than 175,000 square feet and has not increased over the past three years. Absorption figures therefore correlate directly with vacancy, which was over 11% at year end 2006, compared with a Central City overall vacancy rate of between 4.5% and 6% (inventories vary).

Vacancy in this district has varied erratically over the past several years – highly influenced by leasing within individual buildings – and is now at its lowest rate since 2005. Portland's CBD and adjacent neighborhoods has absorbed an average of 15,000 square feet of retail space per quarter over the past three years (62,000 square feet per year).

Retail space listed as having been built since 1980 include: Everett Station Lofts and Old Town Lofts. Old Town Lofts 4,000+ square feet has remained vacant since constructed in 2001; reportedly too high asking rents and an unwillingness to sell the space have contributed to its vacancy.

Brokers state that retail leasing tends to be more difficult than office in this area due to a lack of critical mass of bodies (both residents and jobs) and recent street construction. However, there may be growing interest in this Old Town/Chinatown in the future given the very low vacancies in the CBD and the Pearl, where retail rents have climbed dramatically recently to $35/square foot.

Office Market Details

Office product within Old Town/Chinatown is equally limited with 26 multi-tenant buildings. Office construction since 1930 consists of the district's two Class A buildings: the Port of Portland Building (1999, an owner-occupied building), and One Pacific Square (1983, renovated 2001 with about six floors of rentable space). Rents for these buildings are described as up to $23/square foot gross. Well renovated historic buildings in the district achieve rents between $19 and $20/square foot gross. Brokers state that office interest in this area is often driven by reduced rent rates, CBD proximity and the unique amenities offered by the area's largely historic building stock, particularly the high ceilings.

District vacancy is estimated at 7.3% at the end of 2006, below the CBD average (10.6%). Vacancies in both geographies have fallen since 2002. For office as well, absorption mirrors vacancy as the total space inventory remained unchanged over the past five years.

In the CBD and close-in adjacent neighborhoods, the office inventory has increased less than 30,000 square feet since 2003. Three multi-tenant, speculative projects were developed between 1991 and 2003, listed below.

1. Fox Tower, Portland's premier 438,000 square feet tower completed in 2000 before office vacancies soared with the 2001 - 2003 recession. This building reportedly achieves among the highest rents in the region.
2. 1201 Lloyd Blvd, 226,000 square feet completed in 2002 within the Lloyd District. This is Portland's most recently developed Class A office tower. Poor timing brought this building to market in the height of the local and national recession; the building was not fully absorbed until mid 2005.
3. The Brewery Blocks, 352,000 square feet within multiple blocks. Although these were completed in 2002 and 2003, the Brewery Blocks fared much better than 1201 Lloyd Blvd, leasing 85% of space within two quarters. This is generally attributed to the prestige of its Pearl District and its immediate vibrant mixed use neighborhood.

Average CBD absorption since 1994 is estimated at about 340,000 square feet (compared with 965,000 regionally). At this rate, the 1.3 million square feet represented in the above chart could theoretically be absorbed in less than four years. The CBD's capture of regional office absorption has varied in recent years, reflecting both new development and re-absorption of space vacated during the recent recession (which the CBD fared better than most suburban markets). The amount of new office product the CBD realizes will be influenced by its ability to compete with suburban markets, particularly Kruse Way.

There is some interest in the viability of Class B office at this site, given area rents that are lower than those south of Burnside and west of Broadway. Recent office development described as Class B tends to be low-rise construction and thus located outside of the CBD. Recent downtown projects listed as Class B include commercial space within the Gregory and Riverstone condominium projects and the Madison Office Condos, likely listed as Class B due to a lack of building concierge. Class B can merely denote a less dense building, which in turn drives building materials. Maximizing density at this site via an office tower would by necessity involve Class A construction inputs.

In 2007 the CBD office market is beginning to activate, however, with potential projects previously shelved now seeking tenants. About 1.3 million square feet of downtown Class A office space is now under discussion within six projects. It is unlikely that these projects will all proceed to construction concurrently; the ability to secure significant pre-lease commitments will undoubtedly influence which projects emerge first, delaying or otherwise affecting the development prospects for the remaining projects. These projects are listed at right.

OVERALL MARKET UPDATE

This market data documented above was assembled during and immediately after the redevelopment scenarios were presented in early 2007. As the study paused, during the site search process for the Resource Access Center, the overall construction climate continued leveling, with significant dips in the residential market, particularly condominiums. Several projects initially planned as owner-occupied condominiums were repositioned as rental apartments during construction. An exhaustive, updated market analysis has not been performed in this interim, but some brief observational updates can be stated:

- This analysis was prepared at the peak of the market so absorption potential is undoubtedly softer. This is likely to make make it even more problematic to develop a large project (with hundreds of units) for at least the next couple of years.
- The one ray of sunshine is that Old Town is beginning to come up in the world relative to the rest of the Central City. The earlier proforma analyses had discounted pricing relative to the Pearl and West End -- there may be some reason for optimisim to think that this gap could start to shrink -- but in an environment where condominium pricing elsewhere is now soft or depressed. While not good short term, this offers opportunity longer term once the finance and condominium sales market comes back.
- The rental apartment market is also stronger now than then and is likely to see further increases in rent ahead. Other than possibly affordable (subsidized) units, smaller market rate projects oriented to young creatives probably offer the most opportunity near term, given the current ongoing infill of smaller unit projects currently proceeding, some with a mechanized garage/car stacking parking configurations).

Figure 6. Planned Central City Office Development (chart dated February 2007)

Name/Location	Developer	SF (Office component)	Description	Rents
SW 1st & Main	Equity Office Properties Trust; Gerding Edlen) (developer)	350,000	15 story office tower at the base of the Hawthorn Bridge. Design approval received; building permits in process. Requires commitments for 100,000 sf before commencing construction. Plans for LEED certificate.	
The Lovejoy SW Lovejoy & NW 14th Ave	Unico Properties Inc.	Roughly 80,000	7 stories of Class A at Lovejoy & 14th above planned Safeway. Reportedly not awaiting lease commitments. Green features. Parking @ 2/1,000.	$25/sf NNN
Park Avenue West SW Park Ave & SW Yamhill St.	TMT Development (Tom Moyer)	280,000	35 story tower, total of 525,000 sf. Reportedly no financing required.	
SW 12th & Washington	Goodman family; Gerding Edlen (developer)	40,000	21 story tower with office + 220 apartments. ZGF will use office space for headquarters.	
One Waterfront Place 1201 NW Naito Pkwy	Bill Naito Corp & Winkler Development Corp	235,000	12 stories near Broadway Bridge; City design approved. Parking @ 3/1,000. Plans for LEED certificate. Hope to break ground summer 2007 with 100,000 sf in lease commitments; may move forward with 60-70,000 sf committed.	$22.50/sf NNN
100 SW Columbia	Louis Dreyfus Group	311,000	Parking @ 1/1,000. Plans for LEED certified. No updates for 2007 available.	$30/sf
Lane-Miles Standish Office Bldg NW 19th & Quimby		16,400	Six stories, Class B.	

Source: CoStar, E.D. Hovee & Company, LLC.

Appendix III - Scenario Economic Analysis

Development Economics and Market Analysis

This memo reports major findings for the feasibility of development options for Block 25 in Portland's Old Town/Chinatown neighborhood. Feasibility was analyzed using sketch level pro formas with generalized construction cost inputs that correspond to a sketch level of building design. Costs, rents, expenses and sales pricing are based upon current comparable projects. The market context that generated pro forma inputs is described in the March 20, 2007 Market Context memo. Pro forma details for each of the four scenarios considered are attached.

Scenario 1: Big

- Total gap of $20.5 million.
- A $6.1 million gap is associated with NW Natural parking: one level of below ground parking totaling approximately 130 spaces. Cost is based on $115 per square foot, roughly $39,000 per space, + 30% soft costs/contingency (standard across all building components, all scenarios). No general block expenses (infrastructure, site acquisition, etc) have been allocated to this use. No revenue is associated with NW Natural parking – gap is 100% of cost.
- The non-housing components (grocery, other retail, community & cultural center) are associated with a $3.2 million gap. This scenario includes the greatest commercial square footage: 34,000 sf of retail (62%) and 20,700 sf of office space (38%). For these project components to pencil average rents of around $26.90 across all commercial space are required. This would require:
- Rent increases of around 20% for office (from $23/sf gross to $27.60/sf gross).
- More significant rent increases of around 65% on retail (from $16/sf NNN to $26.40/sf NNN).
- Feasibility could also be achieved via an alternative rent combination that results in an equivalent average commercial rent.
- Total condo gap associated with 250 ownership units is $5.0 million. This includes $1.8 million Shared Appreciation Mortgages (SAMs) for the 46 units priced to be affordable to individuals earning 80% of Median Family Income ($40,000 apiece) and $3.0 million holding costs.
- Holding cost on an construction loan equal to 80% of cost is estimated at $3.0 million for a 2.8 year sell-out period (80 units pre-sold, then 5 per month).
- An aggressive building efficiency of 90% is used for all non-ground floor commercial space and all residential uses other than townhomes.
- Parking ratio is 1:1 for ownership units only, but is provided on a valet basis (residents would access their cars via an attendants). This means that parking efficiency is well above that required to allocate each car a standard stall (160 sf per car vs. 308), and thus construction cost per car parked is much lower. Because a valet system is a different product than an assigned stall and not an optional add on, parking was modeled as an increase in cost per square feet (25% for market rate units, no increase for income-restricted units). This is in contrast to modeling parking as additional and optional $32,000 purchase, as is done in the remaining scenarios which do not utilize a valet system.

Residential unit mix and pricing assumptions are summarized below:

Figure 1. Scenario 1 Unit Mix & Pricing

Units	Square Feet	Price/ SF	Total Price	Sam Value	With SAM Price/ SF	Total Price
Condos - Market Rate						
40	550	$400	$220,000			
100	600	$395	$237,000			
44	700	$390	$273,000			
184	613	$395	$242,068			
Townhomes – Market Rate						
20	1,200	$390	$468,000			
Condos - 80% MFI						
46	450	$246	$110,600	$40,000	$335	$150,600

- A $6.2 million gap is associated with the 60% MFI, 4% Low Income Housing Tax Credit (LIHTC) apartments. This gap is assumed based on recent comparable projects in which PDC has been involved, as are all funding components for that project – for this project, the amount of public subsidy required was an input rather than an output.
- Apartments are assumed to lease up within one year (an average of 15 units per month).

Block 25 Preliminary Pro Forma: Scenario 1, Big

		All Elements	For Sale	Non-housing	Tax Credit Apts	NW Parking	Comments
A.	***Development Program***						
	Retail (GSF)	34,000		34,000			20,000 sf grocery, 14,000 other
	Cultural Center (GSF)	8,000		8,000			
	Community Center (GSF)	15,000		15,000			
	Office/Institutional (GSF)	--		--			
	Residential - Rental (GSF)	90,000			90,000		
	Residential - Ownership (GSF)	172,300	172,300				
	Subtotal (GSF)	319,300	172,300	57,000	90,000		
	Structured Parking (GSF)	82,000	40,000	--	--	40,000	
	Total Building Area (GSF)	401,300	212,300	57,000	90,000	40,000	
	Condos	230	230				20% @ 80% MFI, 80% market
	Apartments	180			180		100% @ 60% MFI
	Townhomes	20	20				market rate
	Parking Ratio		1.00	-	-	NA	
	Total Site Area (SF)	40,000					
	Floor Area Ratio (FAR)	8.0					Excludes below grade parking
	On-Site Parking (spaces)	380	*250*			130	
			Attended - vallet			*Regular*	
	Percent of Total SF	*100%*	*59%*	*16%*	*25%*	*0%*	*For site cost allocation (by SF)*
	Financial Pro Forma						
B.	***Development Budget***						
	Property Acquisition	$3,200,000	$1,880,000	$505,000	$797,000	--	Estimated at $80 per SF
	Site Demolition	$85,000	$50,000	$13,000	$21,000	--	
	Site Preparation	$300,000	$176,000	$47,000	$75,000	--	
	Infrastructure	$500,000	$294,000	$79,000	$125,000	--	Estimate for sidewalks, etc.
	New Building Construction	$54,314,000	$31,014,000	$8,450,000	$14,850,000	--	Priced separately, not allocated
	Parking	$9,430,000	$4,715,000	--	--	$4,715,000	Allocated evenly (by SF)
	Indirect (Soft) Cost + Contingency	$20,342,000	$11,439,000	$2,728,000	$4,760,000	$1,415,000	Estimated at 30%
	Total Development Cost	$88,171,000	$49,568,000	$11,822,000	$20,628,000	$6,130,000	For GSF building area
	Cost per GSF	$220	$233	$207	$229	$153	Including parking
	Cost w/Condo Profit Margin	$95,606,000	$57,003,000	--	--	--	15% of TDC
	Cost per GSF	$238	$269				
	Avg hard construction cost/SF	*$159 /sf, avg. all uses*	*$180 per sf*	*Retail $120 shell; office $190 (w/Tis)*	*$165 per sf*	*Per space avg for all types: $24,800*	
C.	***Sources of Funding: Rents***						
	Annual Gross Rents	$1,020,000		$1,020,000			All commercial uses
	less Vacancy	$(71,000)		$(71,000)			Estimated at 7%
	Gross Operating Income	$949,000		$949,000			
	less Expenses	$(175,000)		$(175,000)			10%/retail rents, $6/sf office annual, $4,000/apt unit annual
	Net Operating Income	$774,000		$774,000			
	Capitalization Rate			9.00%			Long-term average
	Capitalized Rental Income	$8,600,000		$8,600,000			
	Rent Rates			*Retail:$16/sf; office:$23/sf annual*	*$1.25/sf: 60% MFI for 550 SF*		
D.	***Sources of Funding: Sales***						
	Unit Sales	$58,660,000	$58,660,000				Avg SF pricing of $372
	SAMS - 46 at $40,000	$1,840,000	$1,840,000				**Local subsidy**
	Parking - 250 @ $	--	--				Included in unit pricing
	Total Sales Revenue	$60,500,000	$60,500,000				
	less Sales Expense (6%)	$(3,630,000)	$(3,630,000)				
	Net Sales Revenue	$56,870,000	$56,870,000				
	Minus Holding Costs	$53,669,000	$53,669,000	$3,201,000	$5,041,000		80 presold, then 5/month
E.	***Sources of Funding: 4% Low Income Housing Tax Credit (LIHTC) Componen***						
	Bonds	$11,345,000			$11,345,000		Set at 55% of TC project
	Typical TIF Contribution	$6,188,000			$6,188,000		Set at 30% of total cost - **Local subsidy**
	LIHTC	$3,094,000			$3,094,000		Set at 15% of total cost
	Total	$20,627,000			$20,627,000		
F.	***Gap***						
	Non-Local Sources of Funding	$78,069,000	$51,829,000	$11,801,000	$14,439,000	$0	
		Sum of project components	*Estimated final revenue minus SAMs*	*Capitalized rental income*	*Cost minus assumed 30% local subsidy*	*City supports entire cost*	
	Cost % Supported by Above	82%	91%	73%	70%	0%	
	Funding Gap ( )	$ (20,714,000)	$ (5,174,000)	$ (3,222,000)	$ (6,188,000)	$ (6,130,000)	
	Per Unit		*$ (21,000)*		*$ (34,000)*		

This pro forma is for illustrative purposes only.
Actual project conditions will vary from estimates.
Prepared by E.D. Hovee & Company, LLC, March 27, 2007

Scenario II: Big, Phased

- Gap decreases to $15 million.
- Condo gap falls to $2.2 million, the cost of the SAM + $250,000 in holding costs. This reduction is associated with a shortened holding period for the 194 ownership units released within a single phase. Sell out period is reduced to 1.9 years.
- Residential unit mix and pricing is summarized below.

Figure 2. Scenario 2 Unit Mix & Pricing

	Number of Units	**Square Feet**	**Price/SF**	**Total Price**	**Sam Value**	**Price/SF with SAM**	**Total Price with SAM**
80% MFI							
	46	450	$246	$110,600	$40,000	$335	$150,600

	Number of Units	Square Feet	Price/SF	Total Price	Parking Price	Price/SF with Parking	Total Price with Parking
Market Rate							
	40	550	$385	$211,750	$32,000	$443	$243,750
	100	600	$380	$228,000	$32,000	$433	$260,000
	44	700	$370	$259,000	$32,000	$416	$291,000
	184	613	$379	$231,880			
Townhomes							
	20	1,200	$380	$456,000	$32,000	$407	$488,000

- The parking ratio falls to 0.68 for ownership units but 89 spaces are now allocated to the apartments (for an apartment parking ratio of 0.49). Parking is a mix of hydraulic and traditional stalls and costs an average of $44,400 per space (about 40% more than sales price).
- Total scenario gap was also significantly decreased by a reduction in retail and office components. With 26,000 square feet of retail space and no office space, the gap associated with commercial elements falls to from $3.2 million to $0.4 million. Per square foot building costs are lower in this scenario due to lack of office space (more expensive to build) and lower site costs allocation.
- The gap associated with NW Natural Gas parking falls by $0.3 million as in this scenario costs are allocated according to spaces utilized. The hybrid of parking types utilized in this scenario lowers the average construction cost per space.
- The gap associated with the tax credit apartments increases due to the allocation of 89 spaces to this use. Assuming these spaces are leased to tenants for $120 per month, the capitalized value is still only around 22% of construction costs. For this project element, gap is an input (30%) rather than an output - the gap therefore does not increase by the full cost parking construction but only by $0.5 million.
- By phase, the gap across all uses is as follows:
  - Phase I, NW Natural parking, 194 market rate condos: $6.5 million
  - Phase II, 180 apartments, 10 townhouses: $6.7 million
  - Phase III, 10 townhouses, 40 condos @ 80% MFI: $1.8 million

Block 25 Preliminary Pro Forma: Scenario 2, Big + Phased

	All Elements	For Sale	Non-housing	Tax Credit Apts	NW Parking	Comments
A. Development Program						
Retail (GSF)	16,000		16,000			
Cultural Center (GSF)	--		--			
Community Center (GSF)	--		--			
Office/Institutional (GSF)	--		--			
Residential - Rental (GSF)	90,000			90,000		
Residential - Ownership (GSF)	172,300	172,300				
Subtotal (GSF)	278,300	172,300	16,000	90,000		
Structured Parking (GSF)	82,000	40,000	--	--	40,000	
Total Building Area (GSF)	360,300	212,300	16,000	90,000	40,000	
Condos	230	230				20% @ 80% MFI, 80% market
Apartments	180			180		100% @ 60% MFI
Townhomes	20	20				market rate
Parking Ratio		0.68	-	0.49	NA	
Total Site Area (SF)	40,000					
Floor Area Ratio (FAR)	7.0					Excludes below grade parking
On-Site Parking (spaces)	389	170		89	130	
		Regular		*Hydraulic*	*Hydraulic*	
Percent of Total SF	*100%*	*66%*	*5%*	*28%*	*0%*	*For site cost allocation (by SF)*
Financial Pro Forma						
B. Development Budget						
Property Acquisition	$3,200,000	$2,121,000	$160,000	$899,000	--	Estimated at $80 per SF
Site Demolition	$85,000	$56,000	$4,000	$24,000	--	
Site Preparation	$300,000	$199,000	$15,000	$84,000	--	
Infrastructure	$500,000	$331,000	$25,000	$140,000	--	Estimate for sidewalks, etc.
New Building Construction	$47,784,000	$31,014,000	$1,920,000	$14,850,000	--	Priced separately, not allocated
Parking	$13,277,000	$5,802,000	--	$3,038,000	$4,437,000	Allocated according to spaces
Indirect (Soft) Cost + Contingency	$19,536,000	$11,857,000	$637,000	$5,711,000	$1,331,000	Estimated at 30%
Total Development Cost	$84,682,000	$51,380,000	$2,761,000	$24,746,000	$5,768,000	For GSF building area
Cost per GSF	$235	$242	$173	$275	$144	Including parking
Cost w/Condo Profit Margin	$92,389,000	$59,087,000	--	--	--	15% of TDC
Cost per GSF	$256	$278				
Avg hard construction cost/SF	*$169 /sf, avg. all uses*	*$180 per sf*	*Retail $120 shell; office $190 (w/Tis)*	*$165 per sf*	*Per space avg for all types: $34,100*	
C. Sources of Funding: Rents						
Annual Gross Rents	$384,000		$256,000	$128,000		TC Apts reflects parking only ($120/space)
less Vacancy	$(27,000)		$(18,000)	$(9,000)		Estimated at 7%
Gross Operating Income	$357,000		$238,000	$119,000		
less Expenses	$(55,000)		$(24,000)	$(31,000)		10%/retail rents, $6/sf office annual, $4,000/apt unit annual
Net Operating Income	$302,000		$214,000	$88,000		
Capitalization Rate			9.00%	*DSC: 7.2, DSCR: 1.5*		Long-term average
Capitalized Rental Income	$3,060,000		$2,378,000	$682,000		
Rent Rates			*Retail:$16/sf; office:$21/sf annual*	*Apt parking only ($120/space)*		*Apt rents: $1.25/sf: 60% MFI for 550 SF*
D. Sources of Funding: Sales						
Unit Sales	$55,514,000	$55,514,000				Avg SF pricing of $347
SAMS - 46 at $40,000	$1,840,000	$1,840,000				**Local subsidy**
Parking - 170 @ $32,000	$5,440,000	$5,440,000				
Total Sales Revenue	$62,794,000	$62,794,000				
less Sales Expense (6%)	$(3,768,000)	$(3,768,000)				
Net Sales Revenue	$59,026,000	$59,026,000				
Minus Holding Costs	$58,773,000	$58,773,000				80 presold, then 5/month
E. Sources of Funding: 4% Low Income Housing Tax Credit (LIHTC) Component						
Bonds	$13,610,000			$13,610,000		Set at 55% of TC project
Typical TIF Contribution	$7,424,000			$7,424,000		Set at 30% of total cost - **Local subsidy**
LIHTC	$3,712,000			$3,712,000		Set at 15% of total cost
Total	$24,746,000			$24,746,000		
F. Gap						
Non-Local Sources of Funding	$77,315,000	$56,933,000	$2,378,000	$18,004,000	$0	
Cost % Supported by Above	84%	96%	86%	73%	0%	
Funding Gap ( )	$ (15,047,000)	$ (2,154,000)	$ (383,000)	$ (6,742,000)	$ (5,768,000)	
Per Unit		*$ (9,000)*		*$ (37,000)*		

Block 25 Preliminary Pro Forma: Scenario 2, Big + Phased

	All Elements	For Sale	Non-housing	Tax Credit Apts	NW Parking	Comments
Phase I - NW Natural parking, market rate condos	$ (6,465,000)	$ (314,000)	$ (383,000)		$ (5,768,000)	For condos: $1.5m in holding, $1.5m in parking gap
Phase II - 10 THs, 180 apts	$ (6,742,000)			$ (6,742,000)		30% of development cost
Phase III - 10 THs, 40 80% condos	$ (1,840,000)	$ (1,840,000)				Shared Appreciation Mortages

This pro forma is for illustrative purposes only.
Actual project conditions will vary from estimates.
Prepared by E.D. Hovee & Company, LLC, March 27, 2007

Scenario III: 3/4-Block, Phased

- Gap increases to $18.2 million.
- Total ownership units decrease to 194. Sales pricing was reduced by 15% to account for adjacent social service, for both units and parking stalls. This reduction is an estimate and would likely be most influenced by design treatment of both Blanchet and condo uses (e.g., entrances should be on separate blocks, queuing should be internal to Blanchet, etc.). Pricing reduction accounts for $3.6 million in additional gap.
- Holding costs are slightly above Scenario II, as the decreased revenue stream from unit sales means the construction loan is held longer.
- The gap generated by SAMS decreases due to the smaller number of housing units (and thus affordable housing units). This scenario involves 37 rather than 46 income restricted ownership units.
- Parking ratio decreases to 0.72 in this scenario (140 spaces allocated to ownership units only). No parking was allocated to the apartments. Because parking was omitted, the apartment gap decreases by $0.4 million.

This pro forma is for illustrative purposes only.
Actual project conditions will vary from estimates.
Prepared by E.D. Hovee & Company, LLC, March 27, 2007

Block 25 Preliminary Pro Forma: Scenario 3, 3/4 Block

		All Elements	For Sale	Non-housing	Tax Credit Apts	NW Parking	Comments
A.	***Development Program***						
	Retail (GSF)	14,000		14,000			
	Cultural Center (GSF)	--		--			
	Community Center (GSF)	--		--			
	Office/Institutional (GSF)	--		--			
	Residential - Rental (GSF)	90,000			90,000		
	Residential - Ownership (GSF)	130,700	130,700				
	Subtotal (GSF)	234,700	130,700	14,000	90,000		
	Structured Parking (GSF)	72,000	40,000	--	--	40,000	
	Total Building Area (GSF)	306,700	170,700	14,000	90,000	40,000	
	Condos	184	184				20% @ 80% MFI, 80% market
	Apartments	180			180		100% @ 60% MFI
	Townhomes	10	10				market rate
	Parking Ratio		0.72	-	0.04	NA	
	Total Site Area (SF)	30,000					
	Floor Area Ratio (FAR)	7.8					Excludes below grade parking
	On-Site Parking (spaces)	278	140		8	130	
			Regular		*Hydraulic*	*Hydraulic*	
	Percent of Total SF	*100%*	*64%*	*5%*	*34%*	*0%*	*For site cost allocation (by SF)*
	Financial Pro Forma						
B.	***Development Budget***						
	Property Acquisition	$2,400,000	$1,536,000	$126,000	$810,000	--	Estimated at $80 per SF
	Site Demolition	$85,000	$54,000	$4,000	$29,000	--	
	Site Preparation	$250,000	$160,000	$13,000	$84,000	--	
	Infrastructure	$500,000	$320,000	$26,000	$169,000	--	Estimate for sidewalks, etc.
	New Building Construction	$40,056,000	$23,526,000	$1,680,000	$14,850,000	--	Priced separately, not allocated
	Parking	$9,514,000	$4,791,000	--	$274,000	$4,449,000	Allocated according to spaces
	Indirect (Soft) Cost + Contingency	$15,871,000	$9,116,000	$555,000	$4,865,000	$1,335,000	Estimated at 30%
	Total Development Cost	$68,676,000	$39,503,000	$2,404,000	$21,081,000	$5,784,000	For GSF building area
	Cost per GSF	$224	$231	$172	$234	$145	Including parking
	Cost w/Condo Profit Margin	$74,601,000	$45,428,000	--	--	--	15% of TDC
	Cost per GSF	$243	$266				
	Avg hard construction cost/SF	*$162 /sf, avg. all uses*	*$180 per sf*	*Retail $120 shell; office $190 (w/Tis)*	*$165 per sf*	*Per space avg for all types: $34,200*	
C.	***Sources of Funding: Rents***						
	Annual Gross Rents	$224,000		$224,000			All commercial uses
	less Vacancy	$(16,000)		$(16,000)			Estimated at 7%
	Gross Operating Income	$208,000		$208,000			
	less Expenses	$(21,000)		$(21,000)			10%/retail rents, $6/sf office annual, $4,000/apt unit annual
	Net Operating Income	$187,000		$187,000			
	Capitalization Rate			9.50%			Long-term average
	Capitalized Rental Income	$1,968,000		$1,968,000			
	Rent Rates			*Retail:$16/sf; office:$21/sf annual*	*$1.25/sf: 60% MFI for 550 SF*		
D.	***Sources of Funding: Sales***						
	Unit Sales	$39,217,000	$39,217,000				Avg SF pricing of $300
	SAMS - 37 at $40,000	$1,472,000	$1,472,000				**Local subsidy**
	Parking - 140 @ $27,200	$3,808,000	$3,808,000				
	Total Sales Revenue	$44,497,000	$44,497,000				
	less Sales Expense (6%)	$(2,670,000)	$(2,670,000)				
	Net Sales Revenue	$41,827,000	$41,827,000				
	Minus Holding Costs	$41,269,000	$41,269,000	$558,000			80 presold, then 5/month
E.	***Sources of Funding: 4% Low Income Housing Tax Credit (LIHTC) Component***						
	Bonds	$11,595,000			$11,595,000		Set at 55% of TC project
	Typical TIF Contribution	$6,324,000			$6,324,000		Set at 30% of total cost - **Local subsidy**
	LIHTC	$3,162,000			$3,162,000		Set at 15% of total cost
	Total	$21,081,000			$21,081,000		
F.	***Gap***						
	Non-Local Sources of Funding	$56,522,000	$39,797,000	$1,968,000	$14,757,000	$0	
	Cost % Supported by Above	76%	88%	82%	70%	0%	
	Funding Gap ( )	$ (18,175,000)	$ (5,631,000)	$ (436,000)	$ (6,324,000)	$ (5,784,000)	
	Per Unit		*$ (29,000)*		*$ (35,000)*		

Block 25 Preliminary Pro Forma: Scenario 4, 3/4 Block, Smaller

	All Elements	For Sale	Non-housing	Tax Credit Apts	NW Parking	Comments
A. Development Program						
Retail (GSF)	14,000		14,000			
Cultural Center (GSF)	--		--			
Community Center (GSF)	--		--			
Office/Institutional (GSF)	--		--			
Residential - Rental (GSF)	50,000			50,000		
Residential - Ownership (GSF)	102,300	102,300				
Subtotal (GSF)	166,300	102,300	14,000	50,000		
Structured Parking (GSF)	72,000	40,000	--	--	40,000	
Total Building Area (GSF)	238,300	142,300	14,000	50,000	40,000	
Condos	140	140				20% @ 80% MFI, 80% market
Apartments	100			100		100% @ 60% MFI
Townhomes	10	10				market rate
Parking Ratio		0.93		0.08	NA	
Total Site Area (SF)	30,000					
Floor Area Ratio (FAR)	5.5					Excludes below grade parking
On-Site Parking (spaces)	278	140	--	8	130	
		Regular		*Hydraulic*	*Hydraulic*	
Percent of Total SF	*100%*	*72%*	*7%*	*25%*	*0%*	*For site cost allocation (by SF)*
Financial Pro Forma						
B. Development Budget						
Property Acquisition	$2,400,000	$1,722,000	$169,000	$605,000	--	Estimated at $80 per SF
Site Demolition	$85,000	$61,000	$6,000	$21,000	--	
Site Preparation	$250,000	$179,000	$18,000	$63,000	--	
Infrastructure	$500,000	$359,000	$35,000	$126,000	--	Estimate for sidewalks, etc.
New Building Construction	$23,775,000	$15,345,000	$1,680,000	$6,750,000	--	Priced separately, not allocated
Parking	$9,514,000	$4,791,000	--	$274,000	$4,449,000	Allocated according to spaces
Indirect (Soft) Cost + Contingency	$10,996,000	$6,737,000	$572,000	$2,352,000	$1,335,000	Estimated at 30%
Total Development Cost	$47,520,000	$29,194,000	$2,480,000	$10,191,000	$5,784,000	For GSF building area
Cost per GSF	$199	$205	$177	$204	$145	Including parking
Cost w/Condo Profit Margin	$51,899,000	$33,573,000	--	--	--	15% of TDC
Cost per GSF	$218	$236				
Avg hard construction cost/SF	*$140 /sf, avg. all uses*	*$150 per sf*	*Retail $120 shell; office $190 (w/Tis)*	*$135 per sf*	*Per space avg for all types: $34,200*	
C. Sources of Funding: Rents						
Annual Gross Rents	$224,000		$224,000			All commercial uses
less Vacancy	$(16,000)		$(16,000)			Estimated at 7%
Gross Operating Income	$208,000		$208,000			
less Expenses	$(21,000)		$(21,000)			10%/retail rents, $6/sf office annual, $4,000/apt unit annual
Net Operating Income	$187,000		$187,000			
Capitalization Rate			9.50%			Long-term average
Capitalized Rental Income	$1,968,000		$1,968,000			
Rent Rates			*Retail:$16/sf; office:$21/sf annual*	*$1.25/sf: 60% MFI for 550 SF*		
D. Sources of Funding: Sales						
Unit Sales	$28,083,000	$28,083,000				
SAMS - 28 at $40,000	$1,120,000	$1,120,000				**Local subsidy**
Parking - 140 @ $32,000	$4,480,000	$4,480,000				
Total Sales Revenue	$33,683,000	$33,683,000				
less Sales Expense (6%)	$(2,021,000)	$(2,021,000)				
Net Sales Revenue	$31,662,000	$31,662,000				
Minus Holding Costs	$31,662,000	$31,662,000				80 presold, then 5/month
E. Sources of Funding: 4% Low Income Housing Tax Credit (LIHTC) Component						
Bonds	$5,605,000			$5,605,000		Set at 55% of TC project
Typical TIF Contribution	$3,057,000			$3,057,000		Set at 30% of total cost - **local subsidy**
LIHTC	$1,529,000			$1,529,000		Set at 15% of total cost
Total	$10,191,000			$10,191,000		
F. Gap						
Non-Local Sources of Funding	$39,644,000	$30,542,000	$1,968,000	$7,134,000	$0	
Cost % Supported by Above	76%	91%	79%	70%	0%	
Funding Gap ( )	$ (12,384,000)	$ (3,031,000)	$ (512,000)	$ (3,057,000)	$ (5,784,000)	
Per Unit		*$ (20,000)*		*$ (31,000)*		

Scenario IV:

- Gap falls to $12.4 million, the lowest of all scenarios.
- The gap decrease is associated with lower construction costs for both condos and apartments, given the lower density design associated with this scenario, and with a reduced size apartment building (100 vs. 180 units).
- Moving to a lower density construction type (wood vs. steel frame is modeled at a cost savings of $30/sf on hard construction costs for both residential product types.
- With decreased units, the total cost of the apartment building fall from $21 to $10 million. The gap falls accordingly from $6.3 to $3.1 million.

This pro forma is for illustrative purposes only.
Actual project conditions will vary from estimates.
Prepared by E.D. Hovee & Company, LLC, March 27, 2007

Appendix - Social Services Site Discussion Overview

NOTCT Social Services Siting Discussions and Process - Blanchet House and Transition Projects Inc. / Resource Access Center Overview

The first pages of Chapter III in this Strategy report briefly describe the existing facilities for Blanchet House and Transition Projects Inc., (TPI) and the planned new facility for an expanded TPI/Resource Access Center (RAC), and outline the process of determining where these future structures would be sited. The appendix section below provides additional abbreviated information on the facilities and siting process. Further detail is also available within:

- PDC's *Update on the North Old Town.Chinatown Redevelopment Strategy; Transition Project Inc./Resource Access Center siting, and Blanchet House of Hospitality siting* briefing reports number 08-12 and 08-20, dated January 23 and February 13, 2008 respectively, which both serve as comprehensive overviews of the site search process, and
- Minutes from the Old Town Chinatown Visions Committee meetings in January and February, 2008.

(Portions of this chapter's text have been appropriated from the documents noted above.)

The Blanchet House of Hospitality structure, looking south from Glisan Street and Fourth Avenue

Blanchet House of Hospitality – Expansion Proposal Site Issues

Blanchet House, currently located at 340 NW Glisan Street, has been serving meals and providing temporary lodging to Portland's homeless community since 1952, in a structure that they own. The facility houses up to 28 men who are directly involved in the meal service program, offering work / volunteer experience for these temporary residents. Blanchet House's main mission is that it is the only facility in Portland serving three meals a day, totaling between 600 – 800 meals every day, in a clean and sober environment. That they accomplish this mission in their current facility is impressive, given the space challenges. The ground floor of their existing building houses a kitchen and dining room and a very small administrative area. Food storage is accommodated in every available location, along with below ground in a limited-height basement, with relatively cramped living quarters on the upper floor -- all on a very compact 50' x50' footprint at the northwest corner of Block 25. The limited enclosed space of the building itself results in extensive queuing outside on Glisan Street and 4th Avenue.

They are in need of an expanded facility to adequately serve the population in need. The numbers that their operation will serve is not estimated to increase, but in order to internalize the queuing of their patrons, and update their kitchen and dining facility, a new building is necessary. One clear possibility is for Blanchet to expand their facility where their present one now sits – on Block 25, or another possibility is for Blanchet to relocate to a nearby block. Other privately owned sites have been considered and conversations between Blanchet House and PDC Staff and Board have moved in various directions over the years, but the general, long-term understanding shared by both entities was that Blanchet House would obtain land through PDC, which, when added to their current land area would result in a distinct ¼ block area of approximately 100'X100'.

It was also understood that pursuant to the necessary processes, tax increment financing of up to $2,000,000 would be budgeted for this purpose. PDC first included this item in the FY 05/06 Downtown Waterfront budget. It is anticipated that $2 million will be made available to Blanchet in an agreement that will require evidence of adequate funding for a facility that meets appropriate design approval standards. The business terms of the land transaction are in the process of being finalized, as one goal of the Redevelopment Strategy was to clarify the appropriate location for the future Blanchet House, and that has now been defined, as listed earlier within this report.

Study Area Overview and Potential Blanchet Expansion Scenarios

The potential parcels considered for Blanchet House's planned facility as part of the NOTCT Redevelopment Strategy are shown on the map at right. A summary of characteristics is listed below, indicating whether the site is physically capable of accommodating a reasonable footprint, property ownership issues, and other miscellaneous site issues. These were developed to inform the Stakeholders and Community Charrette and further urban design ramifications are noted.

Block P

- *Size:* Could accommodate Blanchet's preferred building footprint with potential of extra space for additional user
- *Acquisition:* Seller is not motivated – ability to acquire site is questionable
- *Development Opportunities and Constraints:* No lease or demolition constraints
- *Reason not selected:* Unable to reach agreement on acquisition terms.

Block O

- *Size:* Could accommodate Blanchet's preferred building footprint with potential of extra space for additional user.
- *Acquisition:* JBH Properties currently intends to acquire for future new development.
- *Development Opportunities and Constraints:* Need to clarify any lease implications. Building is not historic, but demolition is likely to be required to accommodate future development.
- *Reason not selected:* Unable to acquire site.

Block A&N

- *Size:* TriMet plans a spur line on the north side of the parcel with a 20' setback. Blanchet was exploring whether site can accommodate their facility's expansion needs.
- *Acquisition:* Site owned by PDC – need to clarify any agreements with Tri-Met.
- *Development Opportunities and Constraints:* Light Rail spur line may have impact, as will cost of renovating the Historic Fire Station building. Eastern edge of site is close to existing rail crossing, with access to Waterfront Park and Willamette River.
- *Reason not selected:* After consideration, Blanchet considered access to the site (particularly by pedestrians) to be a safety concern for their patrons.

Block 36

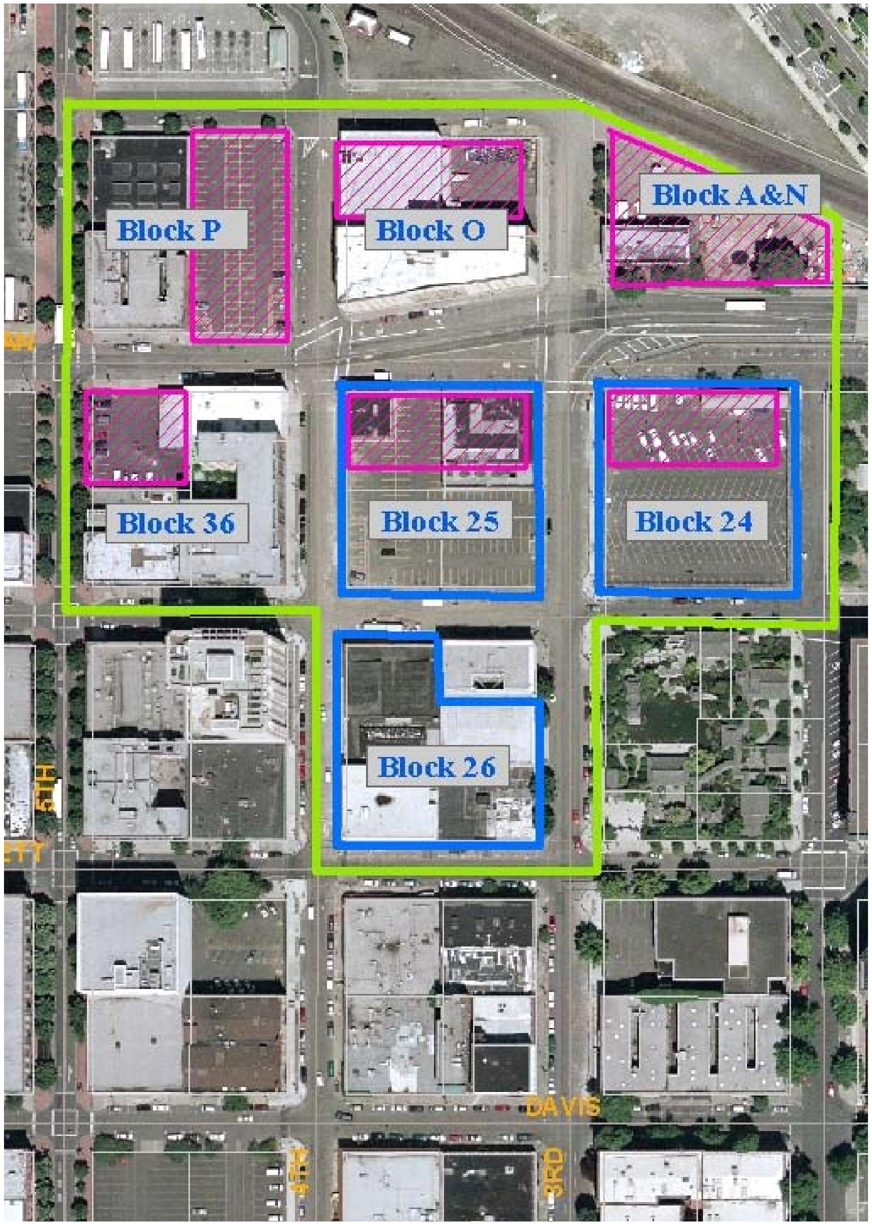
- *Size:* Need to verify if site can accommodate Blanchet's program.
- *Acquisition:* Owner is not currently motivated, due to the future potential of pedestrian-oriented retail development along the new light rail transit mall.
- *Development Opportunities and Constraints:* May require demolition of existing structure. Need to verify parking implications.
- *Reason not selected:* Unable to acquire site.

Block 24

- *Size:* Could accommodate Blanchet's preferred building footprint.
- *Acquisition:* Owned by NW Natural rate-payers and there is little incentive to selling in the near future.
- *Development Opportunities and Constraints:* Requires replacement of NW Natural parking, as well as some (high clearance) storage for maintenance vehicles.
- *Reason not selected:* Unable to acquire site.

Block 25

- *Size:* Could accommodate Blanchet's preferred building footprint.
- *Acquisition:* Owned by Blanchet, City of Portland, and PDC.
- *Development Opportunities and Constraints:* The City of Portland is obligated pursuant to a lease with NW Natural to provide for the permanent daytime use of 130 parking spaces by NW Natural on Block 25. Type-4 Land Use Review for demolition of two contributing historic structures.
- *Reason selected:* As a component of a public process in late 2007 and early 2008 separate from this Strategy, for either a stand-alone TPI/Resource Access Center or co-located facility with Blanchet House, the RAC was located at Block U, and Blanchet House was assigned the NE corner of Block 25. The Blanchet House's expansion plans have been on hold for several years awaiting site resolution, and this parcel adjacent to their existing structure allows their support services to operate uninterrupted during construction of their new facility.



North Old Town / Chinatown aerial photo indicating potential locations for Blanchet house (in magenta).

Transition Projects Inc. (TPI) and the Resource Access Center (RAC) History and Site Issues

The City of Portland and Multnomah County's *10-Year Plan to End Homelessness* stated the need to 'coordinate access across entry points to provide housing placement and direct access into key services/programs, including housing and rent assistance.' At the outset of the NOTCT Redevelopment Strategy, the City was engaged in the early stages of a process to locate an Access Center to provide services as a first point of entry to move people from homelessness to housing. A large multi-organizational group participated in a series of planning meetings to identify key service needs and model options.

TPI's current facility

TPI has been located in Old Town Chinatown since 1969 and currently leases space from Central City Concern at the 475 NW Glisan location. The relocated facility will serve primarily the same population as the current facility, homeless and very low-income adults. The current facility includes men's transitional shelter, some living assistance, support services and administrative offices. Current services include showers, voice mail, local and long distance phone services, restrooms, food boxes, mailing address and pick-up, case management and rent assistance. Although the shelter space will maintain the same number of shelter beds (90) for people transitioning from the streets to housing, it will allow for a more dignified way of living. Operational and client services will be leveraged from current staffing as well as co-located staff from other agencies who work to engage homeless people into housing or provide other essential services. For instance, the small service center has queuing that extends to the streets during operating hours because of insufficient space. This need is driving TPI to improve and enhance their existing services and interior space location and configuration to increase dignity, engagement and effectiveness for the population it serves.

TPI/RAC siting process

As the City assessed options, they determined that TPI's current community service center is a smaller scale version of the proposed RAC. TPI's facilities have been upgraded over the years; however, little more can be done to improve the current conditions which fall severely short of current needs. The City concluded that a desired RAC would best be combined with a relocated TPI.

The timeframe for identifying a location for the RAC within the NOTCT study area was accelerated due to a number of issues, including Mayor Potter's request that Commissioner Sten manage the siting of the RAC and the outcomes of the Mayor's Street Access for Everyone Committee (SAFE Committee). Commissioner Sten formally requested that PDC, the Housing Authority of Portland (HAP), and the Bureau of Housing and Community Development (BHCD) coordinate on the siting of the RAC in a memorandum dated September 19, 2007. This memorandum requested HAP to be the owner/developer of the RAC and a quantity and income-mix of housing still to be defined. Commissioner Sten identified TPI as the lead operator of the RAC. Commissioner Sten requested that PDC assist in the identification of site options, analysis of the sites, and identify funding for the RAC and associated housing. The public investment necessary for the RAC and associated housing has not been determined, though it is anticipated to be provided by the River District Urban Renewal Area.

Preliminary findings of the NOTCT Strategy included the recommendation to pursue acquisition of the half-block surface parking lot bounded by NW Glisan and NW Hoyt between NW 4th and NW 5th (Block P) as a potential location for the Blanchet House and/or the RAC. This recommendation was due in part to the desire to secure a full-block redevelopment opportunity on Block 25 for the purposes of pursuing an iconic gateway development in the hopes of incenting further revitalization of the district.

It should also be noted that redevelopment of Block 25 requires the replacement of 130 parking spaces, per a lease agreement between NW Natural and the City of Portland. The City is obligated to provide use of the parking at no cost to NW Natural during normal business hours in exchange for use of the land upon which the Classical Chinese Garden was constructed. Securing a full block development opportunity on Block 25 was also desired in order to fulfill the NW Natural parking obligation in the most efficient and therefore cost-effective manner.

Unfortunately, efforts to acquire Block P were not successful. Furthermore, the use of the historic fire station site owned by PDC at the corner of NW Glisan & NW 3rd (Block A&N), was considered and rejected by both the Blanchet House and TPI due to concerns about site access for clients of the facilities in light of the transit mall MAX alignment is to be located in front of the site and the frequency of the MAX trains.

PDC and/or TPI also explored the potential use of a number of additional sites, all of which were later deemed infeasible, unavailable, or preferable for other uses. See the chart at right for a complete list of sites considered. Due to the urgency with which the City of Portland and the Blanchet House wish to proceed with their respective projects, the City and PDC identified Block 25 as the site for these co-located uses.

However, at the request of neighborhood stakeholders, PDC reassessed the potential use of the PDC-owned block bounded by NW Hoyt and NW Irving between NW 6th and Broadway (Block U). After broad input from community stakeholders at the Old Town/Chinatown Neighborhood Association, Visions Committee, and City Council sessions, it was decided that the TPI/RAC would be located at Block U, independent of Blanchet House, which was assigned the NE corner of Block 25.

Current status of Blanchet House and TPI/RAC

The TPI/RAC facility is currently in early architectural design, on Block U. The range of services are likely to include health services, housing placement and retention support, rent and client assistance and linkages with employment, government benefits and other support programs. In addition, the expanded space will include meeting rooms, classrooms, lockers, additional shower and restroom access, medical services, kitchen space, indoor bicycle storage, on site offices/confidential space for visiting programs (employment, legal assistance, etc.). The new location will also allow for a more in-depth client outreach, providing meeting space for extended staff. The new facility is estimated to provide 17,000 to 20,000 square feet of total space, including approximately 1500 square feet of outdoor space. The relocated facility will be configured to address the on-going problem of sidewalk queuing. Above the RAC, a multi-level structure will provide additional permanent supportive housing.

Blanchet House and PDC are finalizing their land ownership negotiations and Blanchet House has recently begun early architectural programming and conceptual design.

Sites Considered	Comments
Oregon Casket Building 403 NW 5th Ave	Previously tied-up with Option by another party; Site likely not adequate for both uses; no satisfactory outcome from any preliminary discussions; discussions terminated by all parties
De Paul site 1300 SW Washington	Not available
Burger King site 707 W Burnside	Not available
Suey Sing Building 205 NW 4th	Owner evaluating redevelopment potential through PDC DOS Program; Site likely not adequate for either use
SW 3rd & Oak	Does not locate Blanchet House meal service in proximity to other compatible social services adding hardship on population served; site is not adequate for siting Access Center alone because it is ¼ block .
SW 3rd & Taylor	Does not locate Blanchet House meal service in proximity to other compatible social services adding hardship on population served; Adequacy of site for Access Center uncertain
Block 8	Included in Beam/Naito Master Plan for future redevelopment; Existing covenants restricting development of affordable housing.
Lot 5 (NW 9th & Overton)	Anticipated for multi-use family housing RFP
Blocks U & R	Development potential to be considered in future NW Broadway Corridor Study in conjunction with Union Station, 511 Building, and Post Office site
Block A&N	Concerns expressed by Blanchet and TPI regarding site access, safety and capacity
Block P	Negotiations for acquisition not successful; City could not guarantee requested development rights; Adequacy of site for both uses uncertain.
Block O	"East of Pearl" not well suited given accessibility issues, floor plate, costs for benefits received.