



MEMORANDUM

Date: November 14, 2013

To: Ken Pirie, Mike Zilis, Walker/Macy

From: Matt Brown, Loci & Lorelei Juntunen, ECONorthwest

Re: Development Assumptions and Analysis – Willamette Falls Legacy Project

Introduction

This memorandum outlines some of the key development assumptions our team used as we created and analyzed a range of development scenarios for WFLP. As we progress with the project, we will refine this memorandum and layer additional information into the analysis.

In preparing this analysis, we have built on the four core values for the site (Historic and Cultural Values, Public Access, Healthy Habitat, and Economic Development) to establish a development framework that results in a vibrant and economically feasible redevelopment. The development framework for the site provides a combination of unique development opportunities not found elsewhere in Oregon City or the region:

- Adjacency to the Willamette River and Willamette Falls, including the establishment, for the first time in many decades, of public access to the river and falls
- Connections to downtown Oregon City that integrates the Blue Heron property with downtown
- Large, efficient development parcels that have the capacity to accommodate a variety of activities
- Historic building reuse potential that creates a unique sense of identity and flexible space

The development framework also incorporates key recommendations that have been factored into this analysis. These include:

- Strengthened connections between downtown Oregon City and the Blue Heron site
- Improved public access through the site to the Willamette Falls and along the River
- Creating an attractive, high-quality pedestrian environment to strengthen active ground floor uses
- Promoting sustainable development principles, including the restoration of the Willamette River shoreline and creation of Healthy Habitat
- Establishing a unique sense of place, grounded in the site's relationship to the Willamette Falls and the unique historic and cultural heritage of the site

Key Development Assumptions

These assumptions have been established to analyze the various development scenarios currently under consideration. The purpose of the master plan process is to provide a general vision for the site rather than to narrowly define a development program that could limit future opportunity on the site; as such, our job is to make sure that the proposed zoning provides sufficient capacity to accommodate the full range of potential uses that align with the vision for the site's development and are economically viable.

The key development assumptions for the site include:

- A range of parking ratios that are reasonable given the project location and market demands. Parking ratios are based on what we believe the market will bear/respond to, and not what current code allows
- Building efficiency for most uses in order to determine the net usable/rentable area
- Job creation rates for both permanent uses on the site as well as construction activity
- Ending development values, based on rent/lease/sale assumptions. Depending on the use, there may be assumptions made about:
 - Rental rates
 - Occupancy
 - Stabilization Period
 - Cap Rates
 - Operating Expenses

These assumptions are based on an understanding of the current and projected real estate market for the Blue Heron site, and have been applied to the conceptual development framework generated by Walker/Macy and GBD. The outcome of this analysis provides an estimate of the ending development value for each parcel/building on the site as well as the range of Floor Area Ratios that are required to support the potential development.

We have not yet incorporated any assumptions about the amount of visitor parking that may be desired, nor what types of visitor/cultural attractions may be developed on site (beyond the open space and public access). What is clear is that there is a strong potential for shared parking between visitors to the falls and the employment and retail uses that may be developed at the site, because visitors tend to demand off-peak hour parking. Shared parking for apartments is possible, but will not be as efficient due to greater overlap in parking demand on weekends.

Development Scenarios

Three different development scenarios were analyzed utilizing the basic assumptions outlined above. Keeping in mind that the Master Plan application for the property is intended to provide a flexible approach to future use of the property, the intent of the scenarios is not to arrive at a specific outcome in terms of the location and types of uses on the property, but rather to illustrate the range of possibilities for the site and understand how various scenarios may play out over time, and to test economic viability of those uses.

The scenarios reflect three different areas of focus for the site. These scenarios are not mutually exclusive; it is likely that elements of each will be matched to create a preferred alternative for further analysis. Each scenario incorporates the reuse of the four primary historic structures identified on the

development framework plans (Mill O, Hawley Building, #4 Paper Machine and the De-Inking Building). Each scenario is described in greater detail below:

Scenario 1 – Residential/Mixed Use Emphasis – This scenario maximizes the amount of residential development on site, including market rate apartments, condominiums, and senior housing. Retail emphasis is on neighborhood-serving retail and services. Flex office and craft industrial is limited to the southern portion of the site, utilizing historic structures related to the open space on Blocks 3 and 4. This scenario would produce:

- 535 – 700 New Residential Units (Apartments, Condominiums, Senior Living)
- 100,000 – 130,000 SF of new office/flex office/craft industrial space
- 50,000 SF of new neighborhood-serving retail
- 35,000 SF Grocery Store
- 670,000 – 835,000 Gross Square Feet new development (not including structured parking)
- \$140M - \$220M Estimated Ending Market Value
- 600 – 735 Permanent jobs (full-time equivalent)
- 920 – 1,140 Construction jobs (full-time equivalent)

Scenario 2 – Commercial/Employment Emphasis – This scenario provides additional space for employment activity, primarily by expanding the flex-office, craft industrial and office uses into the historic buildings on the site. A limited service/business oriented hotel is included, and open space on blocks 3 and 4 continue to be emphasized. This scenario would produce:

- 290 - 350 New Residential Units (Apartments)
- 200,000 – 240,000 SF of new office/flex office/craft industrial space
- 50,000 SF of new neighborhood-serving retail
- 35,000 SF Grocery Store
- 150 – 200 Room Limited Service Hotel (Business)
- 640,000 – 770,000 Gross Square Feet new development (not including structured parking)
- \$115M - \$185M Estimated Ending Market Value
- 1,080 – 1,270 Permanent jobs (full-time equivalent)
- 860 – 1,040 Construction jobs (full-time equivalent)

Scenario 3 – Visitor Emphasis – This scenario assumes a greater emphasis on the site as a destination for visitors from across the region as well as out-of-state tourists. Increased retail along Main Street, a hotel on Block 3, and inclusion of craft industrial uses within historic buildings all reinforce the visitor emphasis. Block 9 would be open space, offsetting the placement of the hotel on Block 3. This scenario would produce:

- 390 - 490 New Residential Units (Apartments, Condominiums)
- 145,000 – 170,000 SF of new flex office/craft industrial space
- 70,000 SF of new neighborhood-serving and destination retail
- 18,000 SF Grocery Store
- 120 - 150 Room Limited Service Hotel (Visitor)
- 695,000 – 835,000 Gross Square Feet new development (not including structured parking)
- \$135M - \$215M Estimated Ending Market Value
- 850 – 965 Permanent jobs (full-time equivalent)
- 940 – 1,140 Construction jobs (full-time equivalent)

Overall Scenario Summary – Looking at the three scenarios as a whole, we can expect that the site can accommodate development that falls within the following ranges:

- 290 - 700 New Residential Units (Apartments, Condominiums, Senior Living)
- 100,000 – 240,000 SF of new office/flex office/craft industrial space
- 50,000 - 70,000 SF of new neighborhood-serving and destination retail
- 18,000 – 35,000 SF Grocery Store
- 120 - 200 Room Limited Service Hotel
- 640,000 – 835,000 Gross Square Feet new development (not including structured parking)
- \$115M - \$220M Estimated Ending Market Value
- 600 – 1,270 Permanent jobs (full-time equivalent)
- 920 – 1,140 Construction jobs (full-time equivalent)

Conclusions and Next Steps

- As the earlier Market Analysis memo made clear, new development at the site will rely on **strong public/private partnerships** and a commitment to transform the quality of the site by **improving public access to the River and Falls and creating a world-class public open space that delivers the Falls and River back to the public**. High quality open space and development on the site are mutually-supportive endeavors. Investment in creating a unique public setting at the Falls has the potential to create a new identity and sense of place not only the Blue Heron site and downtown Oregon City, but surrounding areas of West Linn and Clackamas County as well.
- Redevelopment at the site will be a long-term process. Our team views this as a **20 year plan for redevelopment**, and patience will be required. As a next step, our analysis will include assumptions about development timing, as well as prerequisites for new development.
- Approximately **1000 – 1150 parking spaces** are required to support the various development scenarios. This number may increase if additional visitor/public parking is desired (e.g., for falls access), or may be decreased if effective shared parking arrangements can be identified.
- **Visitor parking** needs should be identified and incorporated into the overall site planning effort. As part of this analysis, **shared parking opportunities** should also be identified in order to reduce the overall amount of parking on site and provide opportunities for public parking resources to catalyze redevelopment activity.
- Floor Area Ratios vary greatly, due in part to some large parcel areas (e.g., Blocks 3, 4 and 9). Looking at the more typical blocks (e.g., Blocks 1, 2, 5, 6 and 7), **FAR's range from 0.7 to 4.2**, based on net developable acreage. If zoning language is written to limit FAR based on net developable acreage, then a maximum FAR of 4.0 is appropriate, allowing for some ability to transfer FAR between sites up to a 5.0 FAR maximum. FAR's for the site do not currently include areas of above grade structured parking, which, if included, would raise the FAR ranges for the property.
- Building heights will also vary, depending on the intensity of development or whether historic buildings are reused/incorporated within the development. **A range of heights between 2 and 7**

stories would be appropriate and accommodate the variety of uses proposed for the site. This height would be consistent with existing structures on the site, remain below the elevation of the bluff, and avoid additional development costs associated with high-rise development standards.

- Redevelopment activity at the site, as noted above, will require public/private partnerships to help deliver key site development improvements. As part of evaluating the viability of potential public investment at the site, **development-supportive infrastructure costs** should be calculated for the following projects:
 - Main Street from 99E south to the Hawley Building/Turnaround;
 - Water Avenue from 99E to Main Street (via 4th or 3rd);
 - Utility upgrades and offsite improvements necessary to support the proposed range of development;
 - Off-site transportation improvements, including intersection improvements at 99E and any changes in downtown Oregon City north of the site that are required to accommodate future traffic movements; and
 - Public parking structures necessary to support visitors to the site and future development activity.