



MONTGOMERY BLOCKS DEVELOPMENT STRATEGY
Portland Development Commission August 13, 2003

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PSU Urban Center Plaza

INTRODUCTION

The **Montgomery Blocks Development Strategy** was commissioned by PDC, in cooperation with PSU, to explore options for developing the three "Montgomery Blocks." A consulting team including principals from Thomas Hacker Architects, Hobson Ferrarini Associates, Integra Realty Resources and Howard S. Wright Construction Company provided technical expertise with Portland State University in an advisory role.

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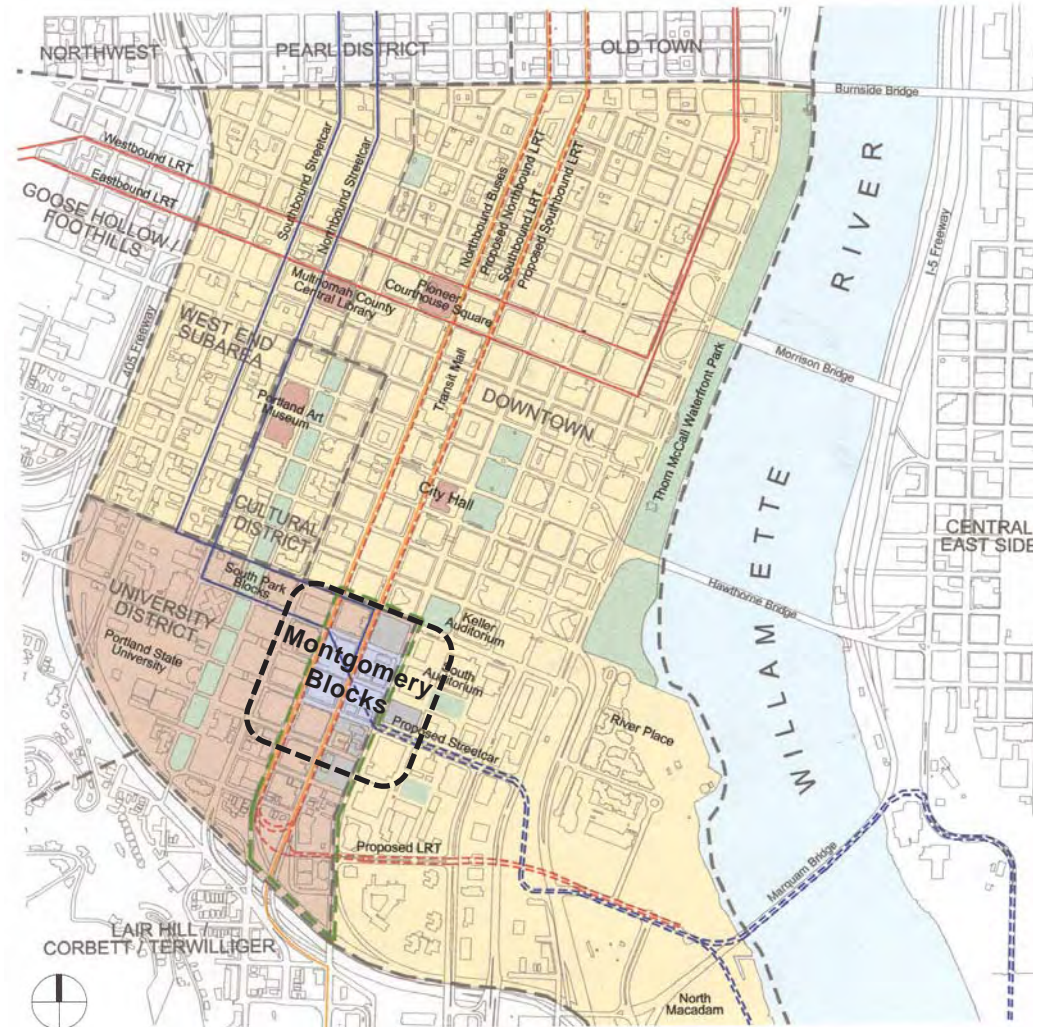
Seattle's Best Coffee at the Urban Center

EXECUTIVE SUMMARY

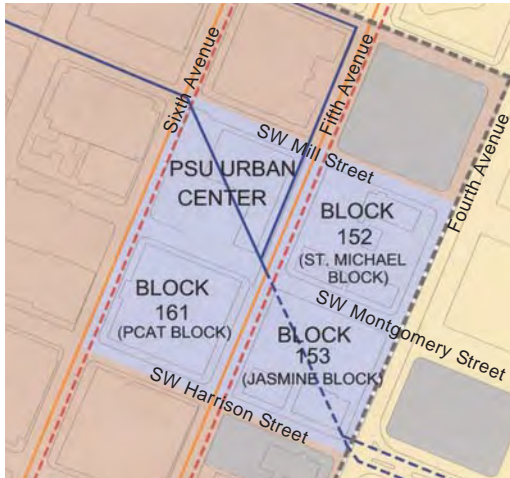
INTRODUCTION

In Fall 2002, a strategic partnership was formed between the Portland Development Commission and Portland State University to implement aspects of the 1995 University District Concept Plan. The Plan describes a vision for this district as a "vibrant, mixed-use district blending the University with the urban life of the City." Today PDC, PSU and other public and private partners have an opportunity to create a University District that attracts people to not only study but to live, work and play.

The Montgomery Blocks Development Strategy [MBDS] is the first part of a broader effort to assess the development potential of key parcels along the eastern edge of the University District, between SW 4th and 6th Avenues, and SW Market and I-405. The purpose of this analysis is to formulate strategies for developing the remaining three of four Montgomery Blocks.



Area Map, not to scale



Detail map of Montgomery Blocks

DEVELOPMENT AREA

The Montgomery Blocks include:

Block 161 ‘PCAT Block’ between SW 5th and 6th, Harrison and Montgomery,

Block 153 ‘Jasmine Block’ between SW 4th and 5th, Harrison and Montgomery, and

Block 152 ‘St. Michael Block’ between SW 4th and 5th, Montgomery and Mill.

The fourth block that fills out this quadrant is anchored by Portland State University’s School of Urban Affairs and Distance Learning Center on the University Plaza. [For a detailed map of the blocks, see page 21].

WHY HERE... WHY NOW?

Five primary issues spurred PDC’s interest in analyzing these particular blocks within the University District at this time:

1. PDC acquired 27,000 square feet of Block 153 and a 42% interest in Block 161 from PSU. With partial site control, PDC wished to explore the development potential of the blocks and determine whether additional land assembly would greatly enhance their development potential.
2. Alignment decisions on the second phase of the Portland Streetcar were being finalized in the spring of 2003. The streetcar could either go through Block 153, continuing its diagonal course from the Urban Center Plaza, or could surround the block on four sides. A decision on the alignment was delayed until PDC was able to analyze the affects of streetcar on the development potential of the block.

After several options were developed for Block 153, it was determined that the streetcar should go around the block until the block is excavated and redeveloped. After the building is built, the track could be relocated to run diagonally through the block.
3. The Church of St. Michael and the Archdiocese of Portland expressed interest in exploring development proposals for their underutilized land on Block 152 in hopes it could provide additional income to fund needed upgrades to their historic church. PDC agreed to help identify uses on Block 152 that could augment the redevelopment of Blocks 153 and 161 and provide an income stream to the church.
4. Both PSU and PDC require commercial space for office/administrative or academic space and wanted to explore the feasibility of developing shared but separately-owned space in the vicinity.
5. The South Park Blocks Urban Renewal Area will not be permitted to issue bonded indebtedness beyond 2008, limiting PDC’s ability to finance new projects in the district in the future.

PUBLIC GOALS

The Montgomery blocks lie within the South Park Blocks Urban Renewal Area which was formed in 1985. Its goals, like those in the [University District Concept Plan](#), are to create a vibrant residential neighborhood with a mix of housing types and neighborhood support services. The City's and PSU's shared goals for these particular blocks include:

1. Creating a multi-block catalyst project to activate the area and help create a healthy neighborhood.
2. Providing open market [non-student] housing.
3. Creating projects designed to accommodate light rail and streetcar with their design.
4. Ensuring excellent urban design in future developments.
5. Increasing tax-generating uses.
6. Assisting adjacent property owners to realize the development potential of their properties to the extent the above goals can also be met.

VISION

PSU's and the City's vision of integrating the University with the City began with the Urban Center and will continue with development of the Montgomery Blocks and beyond. While it is important to build on the youthful identity of the area, there is also an opportunity to add workforce housing, rental apartments/townhouses and for-sale condominiums, allowing downtown workers, faculty and staff to enjoy the amenities the district offers.

Plans to complete the University Plaza, extend the streetcar to the river, transform Montgomery Street into a tree and café-lined pedestrian way, the possible addition of light rail to serve this end of town, and the addition of a grocery and other neighborhood services will increase the district's appeal as a place to live, work and play.

The potential exists for the Montgomery Blocks to create an active new neighborhood at the south end of downtown, add to the City's housing stock, provide office and academic space, add active retail to serve the neighborhood, and catalyze new development in the University District, justifying substantial public energy and investment.



PSU Urban Center and Plaza



Montgomery Street Greenway



Pettygrove Park



Lovejoy Fountain

COST AND BENEFIT

The three Montgomery Blocks have the potential to add 850,000 square feet of new development to the University District, valued at \$97 million.

- If fully developed as recommended, the three blocks could add more than 420 housing units, 31,000 square feet of retail, 150,000 square feet of office and academic space, and 592 parking spaces to serve the district. [See chart page 12].
- The costs to develop each block range from \$31 million to \$51 million [\$126 million total].
- The amount of public investment [gap] could range between \$7 million and \$12 million per block.
- While the public investment needed to finance these blocks could be significant, the assessed value of all three blocks is expected to rise from the existing \$1.5 million to more than \$50 million, potentially generating significant new tax revenues.
- As with Museum Place, public and private investment in these blocks is likely to spur redevelopment of four privately-owned blocks in the immediate vicinity while creating the core of an active new neighborhood. [See map on page 21].

MARKET STRENGTHS

The area has attributes that make it a prime location for housing, office and retail including:

- Excellent transit and freeway access.
- Nearby greenspaces and recreation opportunities [Keller Fountain, Park Blocks, Waterfront Park, Riverplace].
- Close to downtown jobs, dining and entertainment.
- Adjacent to PSU and its amenities.
- Substantial new investment [\$200 million] underway or planned including the PSU Engineering Building, a new non-student rental housing project and the streetcar.

DEVELOPMENT CHALLENGES

In the near term there are some challenges to attracting private investment and development interest including:

- Untested market = perceived risk.
- Competitive disadvantage to more established areas in Portland [e.g., Pearl District and Riverplace].
- Will cost the same or more to build in the University District, but expected rents/sales prices will be priced lower than the Pearl and Riverplace, at least initially.
- Cost of underground parking will be high.
- Infeasible to build parking beneath street rights-of-way due to utilities, streetcar and access issues.
- Cost premium to integrate streetcar into the design.
- Land assembly required.
- Lack of neighborhood services [pharmacy, grocery, etc.].

MARKET FINDINGS

- There will be strong market support for all commercial and residential land uses, though in the near-term speculative office is not feasible [high vacancy rates].
- Housing development in this area would appeal to a number of underserved segments of the urban housing market including:
 - Young households who prefer urban living but cannot afford more sought-after neighborhoods like the Pearl District.
 - University faculty, graduates, staff and retirees who would prefer to live close to the University.
 - Downtown employees who wish to live close to their jobs.
- **Condominiums** will need to be priced lower than those in the Pearl [\$250/sf versus \$270/sf - \$300/sf] to be marketable.
- **Middle income apartments** should be priced at approximately \$1.50/sf, equivalent to rents at about 80% median family income.
- **Affordable apartments** will be needed in the area to replace existing units on the Jasmine Block. They are expected to average about \$1.06/sf in order to serve households earning 60% median family income.
- **Senior Housing** in the University District could command higher rents than Terwilliger Plaza because of its superior location, new construction and modern design. However, it would have to be priced at the top of the market because of the high cost of land and high-rise construction.
- **Office** performs well in a strong market. Projecting forward three years, office development in the area is expected to command lease rates of \$18 per square foot plus \$3 per square foot for common area pass-through charges.
- **Retail** space in this area does very well. Pizzicato, Seattle's Best Coffee and Starbucks all have their best performing stores in the University District. Lease rates for these stores average \$18 per square foot plus common area charges. Developing housing for non-students will help support additional retailers.
- **Parking** in the University District is not adequate, so the gross income generated from existing parking is high at \$1300/space/year. Excess parking spaces [not dedicated to residents or commercial users] that can be built into the developments will perform well and can help close financial gaps.

DEVELOPMENT OPTIONS

Many different development options, each with a different mix of uses, were considered.

The following options for the three blocks represent the best blend of uses and balance between public goals, urban design, market acceptance, financial feasibility and constructability, and are included for illustrative purposes. A description of the strengths and weaknesses of each option follows in the body of the report.

Block 161 - PCAT

Option 161E: 9-story building with lower-level and ground-floor retail, PSU office and academic space, general office space and above-grade parking. This option could incorporate PDC offices.

Block 153 - Jasmine

Option 153L: 14-story "L" shaped building with two levels of below-grade parking, ground floor retail, and middle income condominiums above.

Block 152 - St. Michael

Option 152C: 11-story "L"-shaped building with two levels of below grade parking, ground floor retail and office space [e.g., non-profit or health clinic space], 2nd floor office and rental apartments, and rental housing above.

	PCAT Option 161E	Jasmine Option 153L	St. Michael's Option 152C	Totals
Stories	10 ¹	14	11	
Square feet	293,000	344,000	213,000	850,000
Office / Institutional [sf] ²	139,000		19,000	158,000
Retail [sf]	14,600	11,800	5,100	31,600
Apartments			210	210
Condominiums		213		213
Parking spaces provided Excess or deficit ³	296 +150	190 -23	106 +1	592 provided +128
Total development cost	\$44 million	\$51 million	\$31 million	\$126 million

¹ An additional three floors could be added with zoning FAR bonuses if there were adequate demand for more office space.

² Includes commercial space that could be used by academic, non-profit or neighborhood services [health clinic, etc.].

³ Parking spaces in excess of or less than the spaces needed for the development program.

Options 161E and 153L contain a diversified mix of the best performing products from a financial standpoint - retail, condominiums, office and parking. In healthy economic times, office, condominiums and high quality retail provide a greater economic return than rental housing.

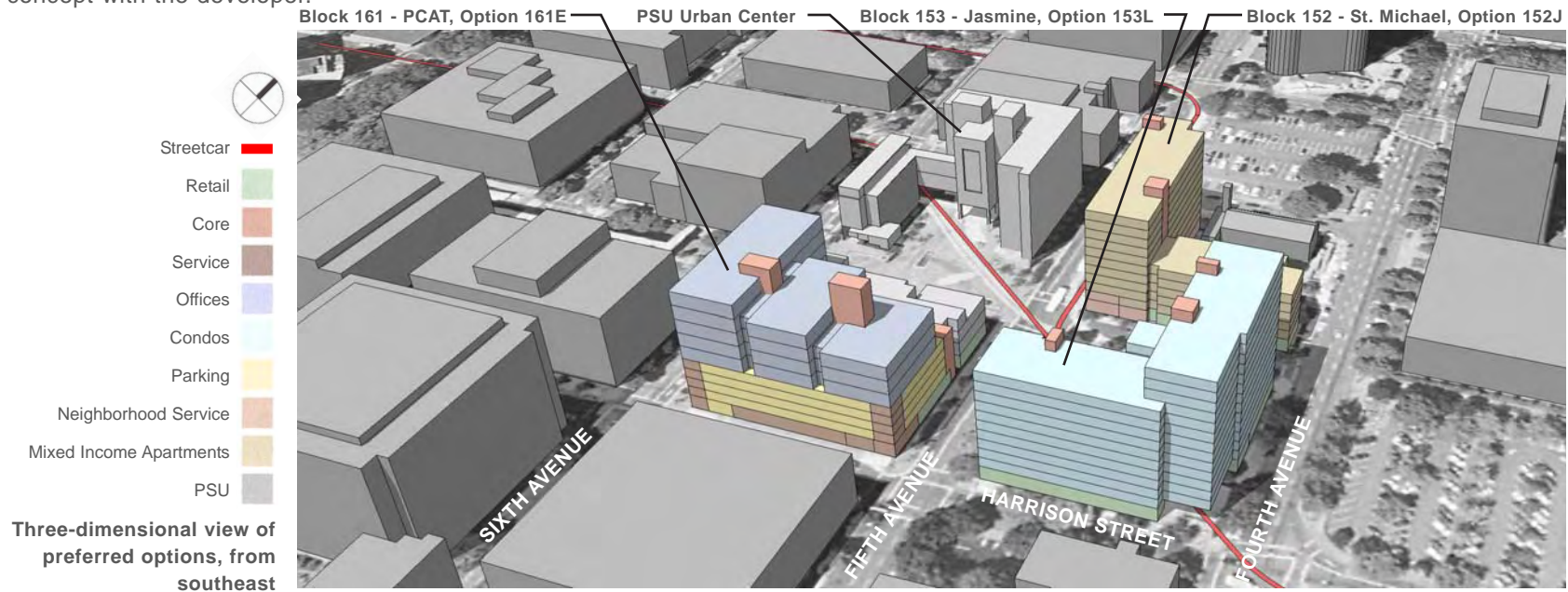
Depending on the kind of retail and the price point of the condominiums, these uses also best contribute to the primary goal for the area - creating a vibrant neighborhood that integrates the University with the City. Ownership housing and offices add people and activity to the district, and more disposable income to support the retail environment.

However, while these options perform the best financially, other public, institutional and non-profit goals need to be considered in the mix. Workforce housing geared to middle income households [80% - 150% median family income], academic and administrative space, and services needed by the community [health clinic, grocery, pharmacy, etc.] need to be carefully combined with more economic uses to keep the funding gaps lower.

Option 152C is based on meetings with the parish of St. Michael and the Archdiocese of Portland which discussed a range of redevelopment options. Their goals for the site are largely mission-driven and they are not in a position to redevelop at this time, so a detailed development program with financial information was not prepared.

While these are the current recommended options, many factors will affect the final program for the blocks including successful land assembly, availability of public funds, the interest of development partners, participation by key property owners [PSU and the Archdiocese of Portland / St. Michael], and unanticipated opportunities.

One such opportunity could be a combined congregate care/assisted living facility and PSU's Institute on Aging, which is being analyzed in response to a private development proposal. The University District could be a desirable location for senior housing because of good access to services via the streetcar and PSU amenities; however the land and the costs of high-rise construction are both high. PDC will continue to explore this concept with the developer.





South Auditorium Greenway



PSU Urban Center

RECOMMENDATIONS

Following are recommendations to advance redevelopment of the Montgomery Blocks into a multi-block, mixed-use development that will form the core of the University District neighborhood and catalyze development around it. It is recommended that:

1. PDC and PSU undertake joint development of Block 161 [PCAT] for office/academic space with retail and significant parking to serve the building and immediate area.
Summer 2003 - Spring 2006
2. PDC assemble the remainder of Block 153 [Jasmine] to accommodate the Portland streetcar and develop a mixed-use project with below-grade parking, retail and housing, including senior housing if feasible.
Fall 2004 - Spring 2007
3. PDC acquire 10,000 square feet of Block 152 [St. Michael] in preparation for its eventual redevelopment as affordable housing, neighborhood support retail and services, contingent on a development agreement with St. Michael and the Archdiocese of Portland.
Spring 2004
4. PDC/PSU undertake development analysis of properties between SW 4th and SW 6th, SW Market and I-405 in coordination with the Bureau of Planning [see map page 21].
Fall / Winter 2003
5. PDC coordinate redevelopment activities with construction of the Portland Streetcar extension to Riverplace [scheduled to be completed Summer 2005].
6. PDC and PSU actively recruit retail uses that will serve neighborhood workers and residents.
7. A retail / pedestrian spine be created along SW Montgomery Street. Active retail uses should focus between SW 4th and Broadway to create a critical mass and synergy between retailers.

MONTGOMERY BLOCKS DEVELOPMENT STRATEGY

I. PROJECT GOALS

The strategy document was commissioned by PDC to:

- Provide a vision, visual and narrative, for what this three-block area could become.
- Identify the development potential for each block.
- Analyze impacts of streetcar and light rail; make recommendations to mitigate negative impacts.
- Assess the blocks in terms of public goals, urban design, market support, constructability and feasibility.
- Recommend two or three development programs and concept designs that best reflect a balance of public goals and financial feasibility.
- Determine what steps are needed to redevelop the parcels and recommend a phasing approach.
- Compile information that will help developers determine their interest in redeveloping the parcels in partnership with PDC/PSU. This information could form the basis for a Request for Proposals for development teams for one or more blocks.
- Identify actions that are needed to proceed with redevelopment.



PSU Urban Center and University Plaza



PSU Urban Center

II. EXISTING CONDITIONS

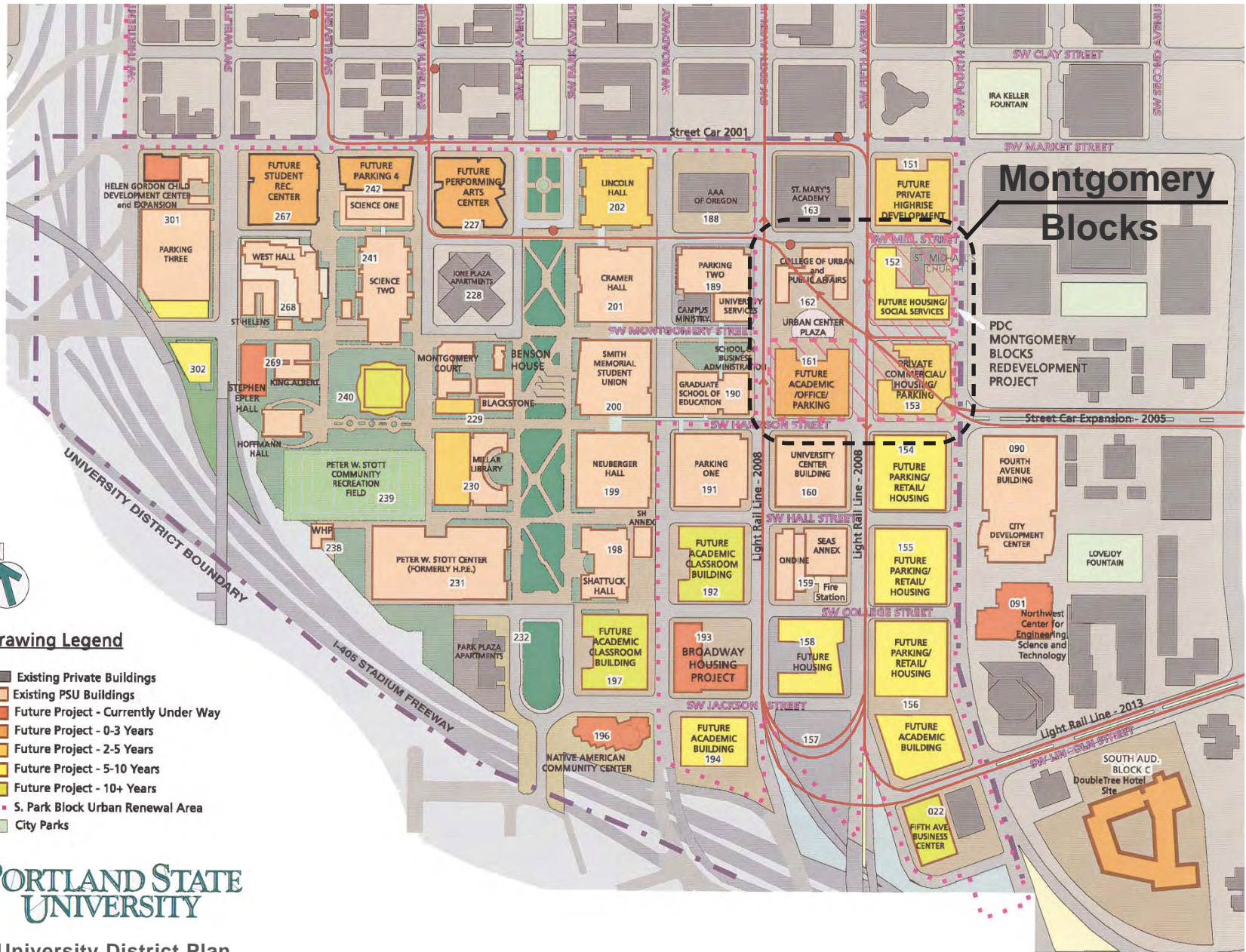
The Montgomery Blocks include three underutilized city blocks near Portland State University [PSU] on the eastern edge of the University District. PSU's College of Urban Affairs and the Distance Learning Center forms the fourth block of the quadrant.

Compared to other parts of Portland's Central City, this portion of the University District is relatively under-developed. The current landscape is dominated by surface parking lots, 1960s-era buildings [many of which are functionally obsolete and vacant], scattered restaurants and retail stores, and a few turn-of-the-century brick apartment buildings.

To address the under-utilized nature of the area, the City of Portland adopted the South Park Blocks Urban Renewal Area in 1985 and the University District Plan in 1995 [see page 17]. The goal of the Urban Renewal Plan is to create a vibrant residential neighborhood with a mix of housing types and neighborhood support services. The goal of the District Plan is to "foster the development of a distinct sub-district which has its character defined by its focus on Portland State University and shape the University District into a vital multi-cultural and international crossroads of the city which stimulates lifelong learning, collaboration with business and government and a rich cultural experience."

In support of both plans, the City of Portland through PDC, invested substantial urban renewal dollars [TIF] in the University District for capital improvements such as developing the Urban Center Plaza, funding the extension of the streetcar to PSU, moving the Simon Benson House to the PSU campus and funding middle-income housing near the campus along the South Park Blocks.

A principal component of the District Plan is the intended expansion of Portland State University eastward from Broadway to SW Fourth Avenue, south of Market Street. This neighborhood will be a vibrant mixed-use district blending the University with the urban life of the City and should include new housing, academic and classroom space, a student recreation center and a performing arts center.



Drawing Legend

- Existing Private Buildings
- Existing PSU Buildings
- Future Project - Currently Under Way
- Future Project - 0-3 Years
- Future Project - 2-5 Years
- Future Project - 5-10 Years
- Future Project - 10+ Years
- S. Park Block Urban Renewal Area
- City Parks

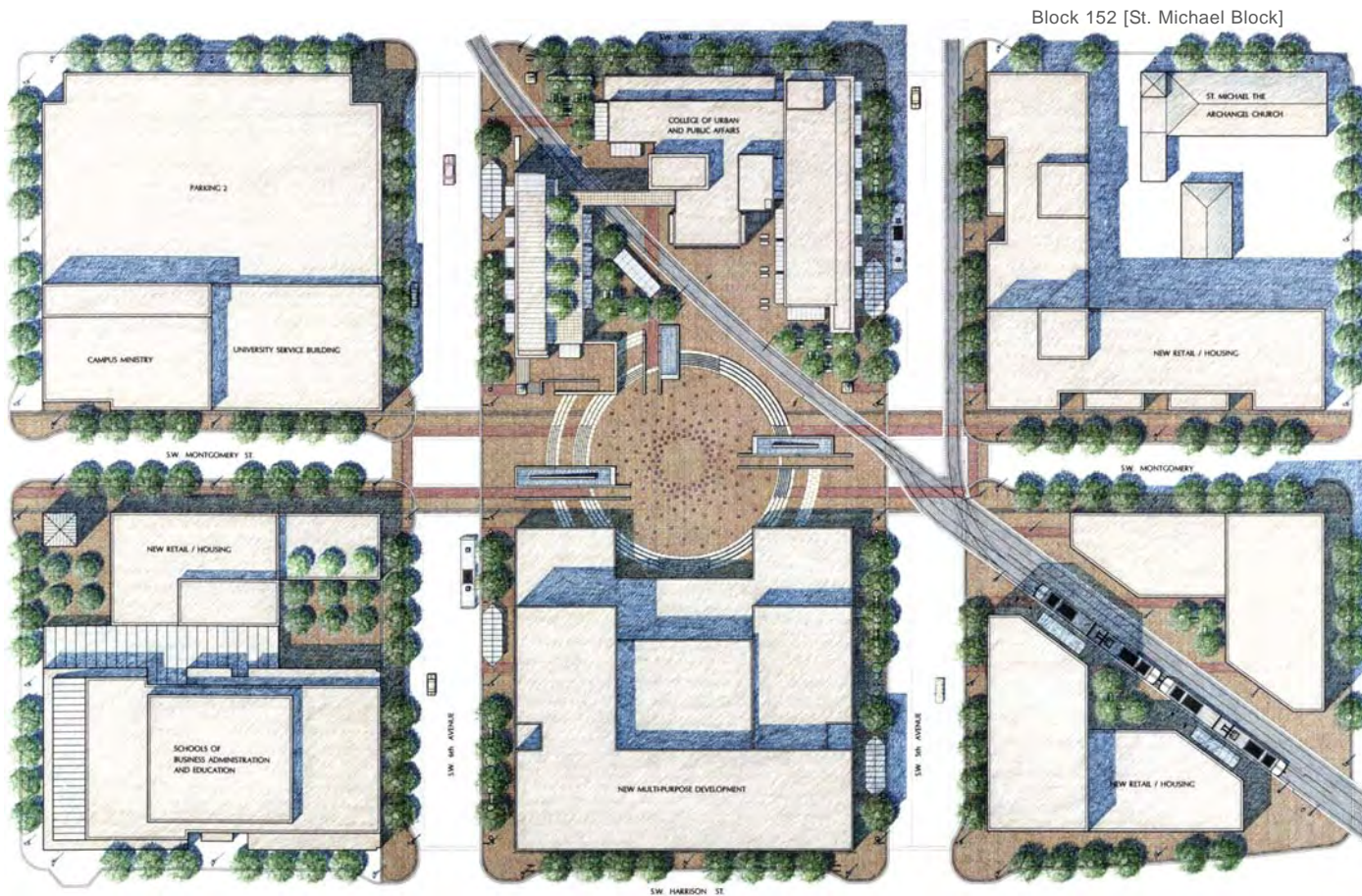
PORTLAND STATE UNIVERSITY

University District Plan

III. NEW DEVELOPMENT

Until recently, very little development had occurred in the University District. A major step toward redevelopment occurred in 2001 with the completion of the Urban Center which anchors the Montgomery Blocks. It includes the Urban Center Plaza, the seven-story College of Urban and Public Affairs and the three-story Michael DeShane Distance Learning Center.

The Urban Center was intended as a catalyst for development. The Six-Block Master Plan [see below], developed in 1996 as a part of the pre-design for the Urban Center and University Plaza, envisioned a mix of University uses, housing, commercial space and ground floor retail. It proposed a diverse urban development as the front door to the University District, a lively commercial development and key transit center. The elements of the Master Plan included housing, retail development, mixed-use and academic spaces, public spaces, transit facilities and street improvements.



Six-Block Master Plan, 1996



Since the Urban Center was completed, development interest in the University District has increased. Well over \$200 million is being or will be invested in the area in the near future including, but not limited to, the following [see map on page 21]:

- **Streetcar Extension** from PSU to River Place and North Macadam.
- **Epler Hall**, a \$9.8 million project with 130 studio apartments built above ground floor classrooms and offices. This project is located at SW 12th Avenue and Montgomery and is nearly complete [right, top].
- **Broadway Housing**, a \$49 million, mixed-use student housing project to be located at Broadway at Jackson. The project includes 384 studio apartments, 15,000 SF of ground floor retail space, and 20,000 SF of space for PSU. The project will be 10 stories tall with an exterior skin of brick and architectural metal panels. It will be ready for occupancy in 2004 [right, middle].
- **The Native American Student and Community Center** at 710 SW Jackson Street. This project is currently under construction and includes 11,000 SF of space for Native American student groups, conference, classrooms and art. This project costs approximately \$4.1 million and will be complete by September of 2003.
- **Northwest Center for Engineering, Science and Technology**, a 130,000 SF research and academic building to be located south of 1900 SW Fourth. This project is estimated to cost \$60.2 million. Construction is scheduled to begin in January 2004 and will be complete by fall of 2005. [right, bottom].
- **Helen Gordon Child Development Center Expansion and Renovation**, now under construction, is a 10,000 SF addition to the existing 1928 historic child care center at SW 12th and Market Street. This first phase will be open in Fall of 2003. The next phase, which will restore and upgrade the existing building, will begin in 2004. The total project costs approximately \$7.0 million.

These public investments are vital because public investment can lead to private investment in redevelopment areas. These public improvements will improve the area's aesthetic appeal, accessibility and community vitality, all of which will make private development more feasible.



Epler Hall

© Mithun Architects



Broadway Housing

© OTAK Architects, P.C.



NW Center for Engineering, Science & Technology

© Zimmer Gunsul Frasca Partnership



PSU Urban Center and Plaza from SW Montgomery & 5th Avenue



Portland State University

IV. AMENITIES

One of the key strengths of the University District and the Montgomery Blocks is the ability to access amenities located in the immediate area as well as in the Central City and the rest of the Portland region. Among them are:



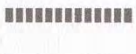



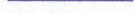

Portland State University

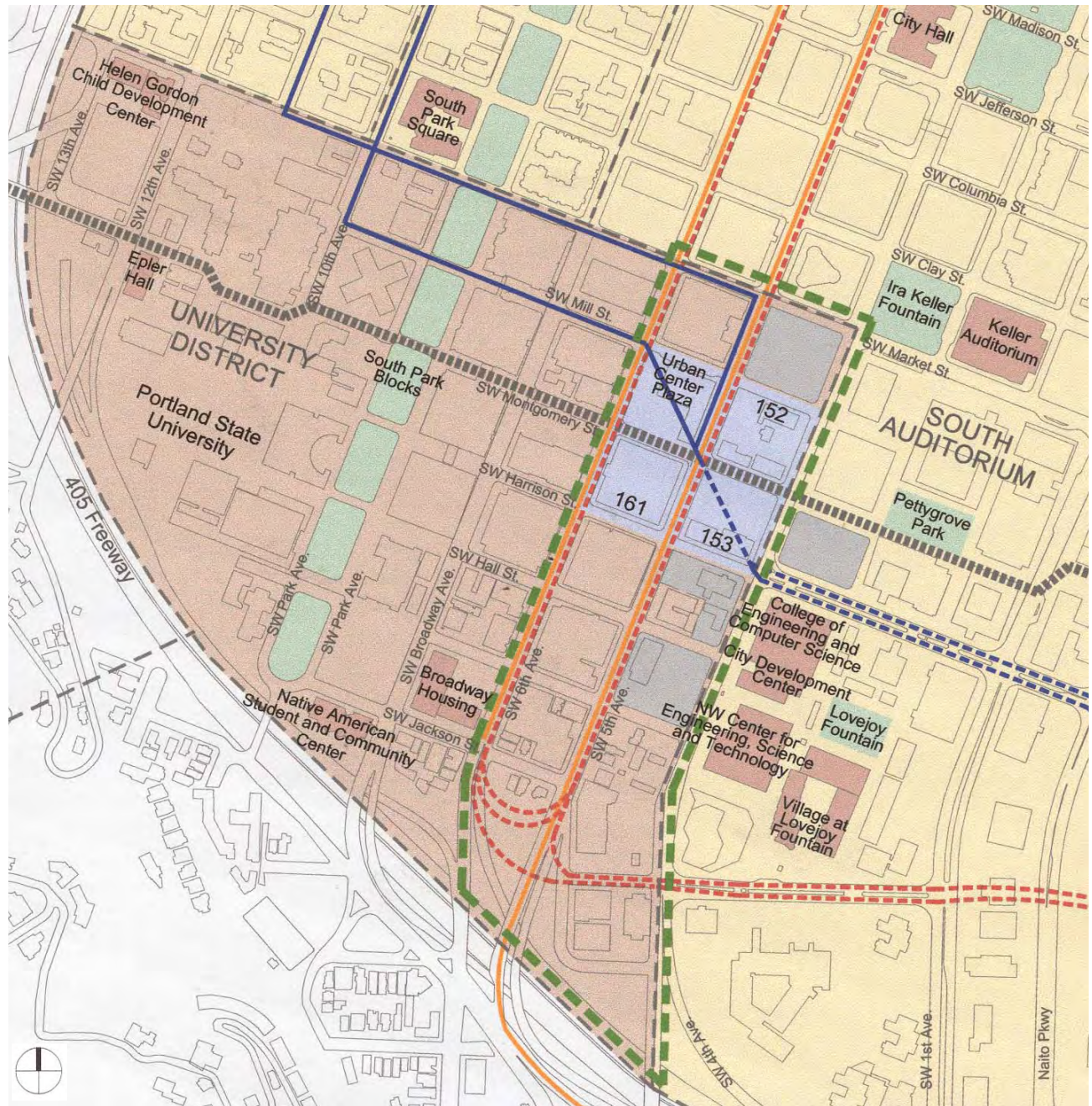
One of the most significant amenities is PSU, the fastest growing university in the state, and by some measures the largest university in Oregon. PSU's current enrollment totals 22,000 students and is expected to grow to 35,000 students by 2012, a 60% increase. In addition to providing a research library, gymnasium and performing arts center, the University offers continuing education courses that would appeal to prospective residents of the University District.

Furthermore, the profile of PSU's student body is changing. PSU is becoming less of a commuter school dominated by part-time, non-traditional students, and is attracting a greater number of full-time, traditional students. As PSU becomes a more traditional four year University, there will be increased demand for housing, retail and other services from students.

Urban Center

The Urban Center and Plaza form a nucleus for the campus, anchor the south end of downtown and are models of good urban design. This is one of the most active areas in downtown Portland due to the presence of the Portland Streetcar and transit mall, ground floor retail, cafes and a restaurant with outdoor seating, active water features and specially programmed events.

- 4th Avenue Study Area [Future] 
- Private Opportunity Sites 
- Montgomery Street Pedestrian Connection 
- Bus Route 
- Existing Light Rail 
- Proposed Light Rail 
- Existing Streetcar 
- Proposed Streetcar 



Amenities Map, not to scale



Pettygrove Park



Ira Keller Fountain

Green Spaces

Open spaces are plentiful in and near the University District [see map on page 21].

- **Montgomery Street** is designated by the City of Portland as a "pedestrian connection" and provides pedestrian access from the West Hills to the Willamette River. En route it connects several of Portland's most significant open spaces.
- **The South Park Blocks**, with their stately elm trees, are the central organizing space of the District and are some of the most desirable urban parks in the country.
- **The Urban Center Plaza** is a hub of activity and is one of the most important public plazas in the city.
- To the east, **Pettygrove Park**, a pocket park, provides a secluded oasis within the South Auditorium area with connections to **Ira Keller Fountain** to the north and **Lovejoy Fountain** to the south.
- Further to the east are direct connections to the **Tom McCall Waterfront** and the **Marina** within the **River Place Development**.

Employment & Entertainment Opportunities

The Montgomery Blocks are within easy walking distance to the greatest concentration of employment and entertainment opportunities in the region. More than 80,000 jobs exist in Portland's Central City, some of which are located in the University District and many only five or six blocks to the north in the core office area.

Cultural and entertainment venues also abound. Within walking distance of the University District are the region's preeminent cultural venues including the **Arlene Schnitzer Concert Hall**, the **Center for Performing Arts**, the **Portland Art Museum**, the **Oregon History Museum** and the **Keller Auditorium**. [See map on page 21].

Transportation / Access

The Montgomery Blocks form a superior transportation hub with freeway access, streetcar, bus and a potential light rail line within blocks. The University District is bordered by I-405, which links directly to I-5 and Highway 26, all of which provide excellent access to the rest of the region. The Urban Center Plaza is also a transit hub. The existing bus stops on Fifth and Sixth Avenues are the most active in the Tri-met system. Furthermore, the street car connects the University District to Northwest Portland and the Pearl District and the MAX light rail, which in turn provides access to the western and eastern suburbs, the Portland International Airport, and Vancouver, Washington [currently under construction].

Future transportation improvements will further enhance accessibility. The Portland Streetcar will be extended to the North Macadam District, running the alignment diagonally through the Montgomery Blocks. Tri-Met is also developing a proposal to expand light rail south, which would also run past the Montgomery Blocks, to Oregon City. [See map on page 21].

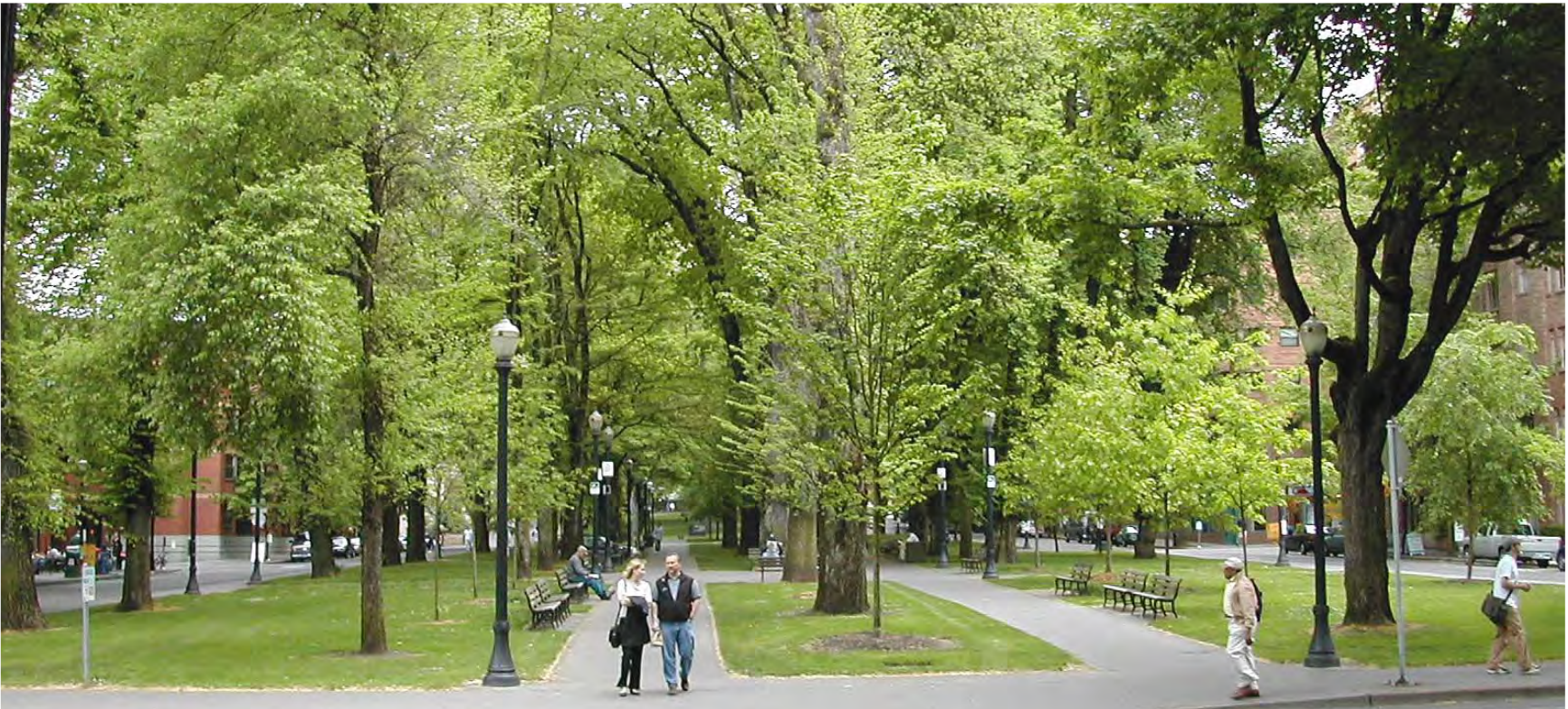


Streetcar stop at SW Mill and SW Park

VI. MARKET OVERVIEW

The Montgomery Blocks have many attributes that make them a prime location for urban housing, office and retail. This, combined with the abundance of underutilized land, create a significant number of redevelopment opportunities. In the short-term, however, there are some obstacles to attracting additional private investment. The first obstacle is perceived risk - developers do not know how a new project in this area would perform because to date there has been very little new development other than the projects associated with the University. The second obstacle is financial feasibility. Despite its many positive attributes, the University District is at a competitive disadvantage relative to more established areas of the Central City. As a result, new development in the area can be successful, but may be priced below similar development in other areas like the Pearl District.

To test the financial viability of building in the area, eight land uses were evaluated in this report. These land uses range from parking to assisted living senior housing. In general, condominiums perform best; they generate more net income per square foot than the other land uses under consideration. With some amount of public subsidy as provided elsewhere in the City, several rental scenarios also appear to be financially viable for private, for-profit developers.



South Park Blocks

Housing

Portland has one of the strongest downtown housing markets in the nation. This is the result of careful planning, significant public and private investment, and changing lifestyles and demographic trends, including:

- smaller households which do not need or, in some cases, want large detached suburban homes. Currently, approximately 2/3 of all households have only one or two persons.
- fewer families with children. By 2020, married couples with children are expected to account for only 28.2% of total households, while married couples without children will represent 40.0% of US households.
- less discretionary time. Two working adults per household and longer working hours has created a growing market for convenience, including smaller homes that require less maintenance and quick access to restaurants and other services.
- an older population base. As the 83 million Baby Boomers continue to age, there will be a significant increase in "empty nester" households. This group will be the fastest growing segment of the population over the next twenty years, the oldest of which have just begun to retire.

In 2000, Money Magazine named Portland the best big city in the country because of its "easy-to-stroll blocks, superb light rail network and streetcar system making it a cinch to get around, cultural amenities, unparalleled natural beauty and abundant recreational opportunities." Because of the attractiveness of Portland's downtown, the vast majority of new housing projects have performed well.

Housing development in the University District would appeal to a number of underserved segments of the urban housing market in Portland. The largest target market includes PSU students, faculty and recent graduates who would naturally prefer to live close to work and/or school.

Another target market segment are households who prefer urban living but are not able to afford more sought after neighborhoods like the Pearl District.



South Auditorium Greenway



South Auditorium Condominium Tower

Condominiums

The condominium market in downtown Portland is extremely strong with most projects pre-selling up to 70% of their total units and prices appreciating at nearly 5% per annum for the last five years. However, no new condominiums have been built in the University District, making this an underserved and untested market.

The Pearl District is currently the most established and unarguably the most desirable residential neighborhood in downtown Portland because of its abundance of restaurants, galleries and high quality merchants. These attributes are not common in the University District. As a result, for condominiums to be attractive, they will have to be less expensive than the Pearl District.

At the time this analysis was completed, condominiums in the Pearl District were selling for an average price of \$270 per square foot. Relative to this benchmark, condominiums in the University District are expected to be marketable if they are priced at approximately \$250 per square foot. In the current market, this pricing strategy would be compelling for potential residents, particularly younger buyers who are priced out of the Central City homeownership market, as prices on planned construction now approach or exceed \$300 per square foot.

Middle Income Apartments

There are several market rate apartments located in and around the University District. The three best examples are South Park Square, Essex House and Village at Lovejoy Fountain [see map on page 25]. The rental rates in these projects range from \$1.30 to \$1.50 per square foot. Of the three, the closest comparable is Village at Lovejoy Fountain, not only because it is newer, but also because it is located within four blocks of the Montgomery Blocks. Rents for the market rate units at the Village at Lovejoy Fountain average \$1.46 per square foot, based on an average unit size of 824 square feet.

The recommended rents for new construction in this area average \$1.50 per square foot, a slight premium from existing rents, reflecting the fact that it will be newer. The recommended unit size is smaller to accommodate middle income renters. Based on the most recent income levels released by HUD, the proposed rents are affordable to households earning approximately 80% of the median area income.

Rents at this level will be affordable to an underserved segment of the market - people who cannot afford rents in new apartments located in the more desirable parts of the Central City, but who make too much to qualify for a subsidized apartment.



Village at Lovejoy Fountain



South Auditorium Condominium



Village at Lovejoy Fountain



South Auditorium Condominium

Affordable Apartments

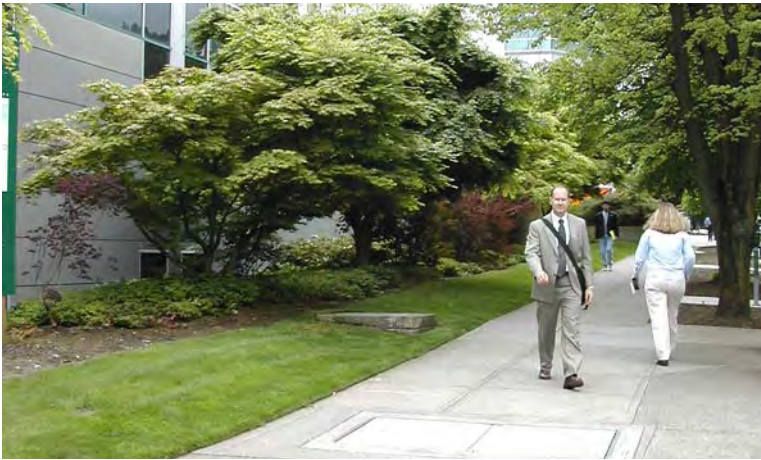
Affordable apartments are defined as rental housing that receives financial assistance from the government to help cover the cost of construction, typically Section 42 tax credits. In exchange for this assistance [subsidy], developers of affordable projects are required to keep rental rates at levels dictated by HUD, which are below market rate and nearly always affordable to households at or below 60% of median area income.

Although affordable projects are scattered throughout the Central City, the government's involvement in this market has standardized rental rates, product designs and unit sizes. For example, Pearl Court, which is located in the heart of the Pearl District, rents at levels similar to Collins Circle, which is in Goose Hollow, an inferior location that otherwise would command lower rents. Given the lack of variation in this market, affordable housing that could be built on the Montgomery Blocks is expected to be similar in size and price to the market average - approximately \$1.06 per square foot for households earning 60% of median family income.

Senior Housing

The University District is a desirable location for senior housing because of the ability to access nearby amenities and Good Samaritan Hospital via the streetcar. Proximity to PSU will be particularly attractive to seniors who have ample leisure time and a desire to stay active. Although this is a good location, the high land cost and the high cost of high-rise construction would necessitate pricing senior housing at this location at the top of the market, creating market risk. This risk is accentuated by the fact that no new senior housing has been developed in the Central City in many years.

The closest comparable to a senior housing project that could be located on one of the Montgomery Blocks would be Terwilliger Plaza, an older project built in 1962 located just outside the Central City. It is a continuing care community with 218 congregate care units that average \$1090 in rent, with a \$115,000 entrance fee. These costs entitle residents to daily meals, housekeeping, and assistance as their care needs advance. Senior housing in the University District could command higher rents for a comparable service package, due to superior location, new construction and modern design.



City Development Center, 1900 SW 4th Avenue



South Auditorium Office Building

Office

The Office market in downtown Portland is the largest and historically one of the best performing office markets in the Portland/Vancouver metropolitan area. From a marketing perspective, office space in downtown has several advantages:

- It is in the most accessible part of the region, with all major highways and transit routes linking to the area.
- This area has the highest concentration of businesses that facilitate business-to-business interaction.
- This area has the greatest concentration of amenities sought by businesses and their employees, including restaurants, retail and hotels.

Office development already exists in and around the University District, including several Class A buildings. The existence of these buildings demonstrates office development is viable in the University District. However, due to the current recession, the office market in downtown Portland is overbuilt. According to Norris Beggs & Simpson the current vacancy rate is 17%, compared to a 7% vacancy rate that signifies a healthy market.

Given these conditions, speculative office development is not recommended in the near future. In the near term, office development should only be pursued if a long-term [5 to 10 years minimum] pre-lease agreement is obtained. Given attributes of the University District, office development in the area is expected to command lease rates of \$18 per square foot, plus \$3.00 per square foot for common area pass-through charges.

Academic Space

Many of the development scenarios for the Montgomery Blocks contain a significant amount of space for Portland State University. Although in the financial analysis PSU's space is treated as "normal" rental income, much like office or retail space, in reality PSU would probably finance, own and operate this space independently. In this case the developer would build the space for PSU on a fee basis.

Retail

Despite being one of the heaviest trafficked parts of Downtown Portland, with over 5 million trips to the PSU campus each year, there is relatively little high-quality retail space in the University District. As a result, what little retail exists performs very well. For example, Starbucks, Seattle's Best Coffee and Pizzicato all have their best performing stores in the University District. Lease rates for these stores average \$18 per square foot plus common area charges. These lease rates are assumed for the Montgomery Blocks development options.

The only current problem for potential retailers is the need to rely on students, who have limited means and are in the area mainly from fall to spring and on weekdays. However, this impediment will change as more non-student housing is developed in the University District. As more retail development occurs, retail space should be concentrated, preferably along SW Montgomery Street, to create a critical mass and synergy between retailers.

Parking

Parking space is the least financially viable land use when considered in isolation but is necessary to support residential and commercial uses. In order to provide sufficient parking at a reasonable cost, two parking options were considered:

- Below-grade parking is optimal from an urban design perspective because it allows ground-floor retail and more office and/or residential space on upper floors. However, it is considerably more expensive to build than above-grade parking.
- Structured above-ground parking is more cost-effective than below-grade parking but is less aesthetically appealing and limits the amount of space for other land uses.

The development scenarios for the Montgomery Blocks include both below and above-grade parking and considered costs, constructability and urban design issues.

It is important to note that excess parking [spaces not dedicated to residents or commercial users] in the University District will perform better than may be expected. The University District does not have an adequate number of parking spaces, and as a result, PSU currently generates an average of almost \$1,300 per space per year in revenue from the parking structures it operates. Income is high because there is a high demand for short-term student parking and parking spaces leased by the hour generate more revenue than monthly leases.



Urban Center Seattle's Best Coffee



Urban Center Pizzicato

VI. URBAN DESIGN VISION

The Montgomery Blocks, centered on the PSU Urban Center, offer the possibility of enhancing the integration of Portland State University with the City. A mix of University and private uses including housing, commercial office space and ground floor retail, will create a dynamic urban place that will advance PSU's Motto "Let Knowledge Serve the City." At the same time it will give a unique character to this underdeveloped area of the central city. The diagonal of the streetcar movement through two blocks, the bus transit stops and the prospect of future light rail on Fifth and Sixth Avenues make the Montgomery Blocks and the Urban Center a gateway into downtown Portland and the primary point of arrival for Portland State University.

In order to develop the Montgomery Blocks into a coherent whole that enhances the relationship between the City and the University several key urban design goals were identified:

Active Retail

Ground floor retail should be maximized in general but particularly concentrated on Montgomery Street and Fifth and Sixth Avenues. Ground floor retail extending outward from the University Plaza will help knit the existing plaza into the pedestrian experience of the district. [See diagram page 31].

Institutional Identity

Completion of University Plaza should include a visible University, or institutional presence, with an entrance directly from the Plaza. [See diagram page 31].

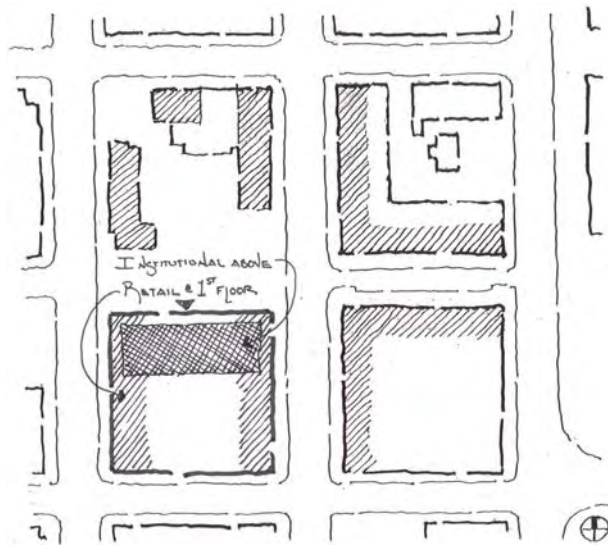
Streetwall

Consistent with the intentions of the Portland Central City Plan, the Montgomery Blocks should be developed to reinforce the street wall as much as possible, especially on the north/south avenues and at the southern edge of the project along Harrison Street. The street wall will be necessarily eroded by the intervention of the diagonal streetcar alignment. In reference to the design of the Urban Center, this may be articulated with masonry facades defining the street wall, and open, largely glass facades on the interior of the blocks and facing the open spaces. [See diagram page 31].

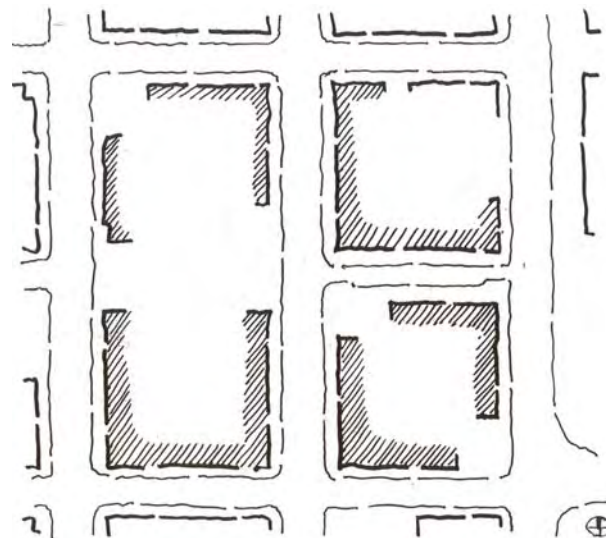
Building Massing

The goal of creating a unified identity for the Montgomery Blocks suggests that the building massing and architecture should relate closely to the Urban Center and University Plaza. The building massing should be varied, and asymmetrical. A stepped massing should be developed with respect for the shadows on the open spaces and to preserve views. Block 161/PCAT, specifically, should present a low mass on the University Plaza, related to the height of the Distance Learning Center [west wing of the Urban Center]. The bulk of the building should be concentrated on the southern half of the block, casting its shadow on the northern, lower section [the PSU section, see discussion of institutional identity above].

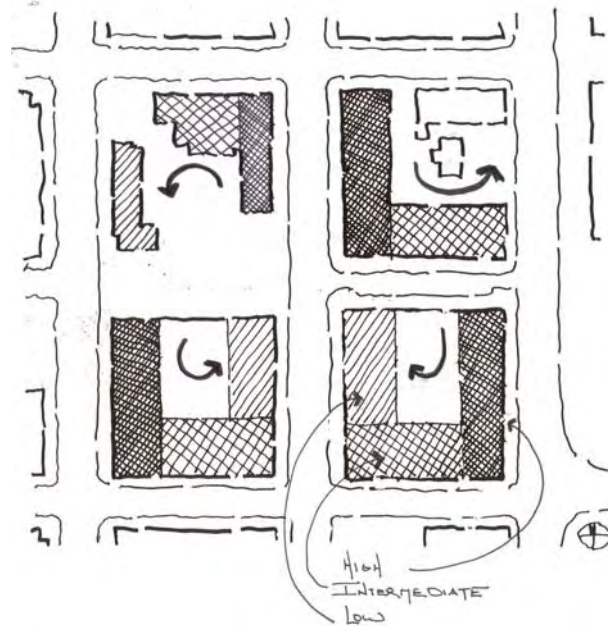
The dynamic character of the Urban Center is attributable, in part, to its rotated stepping form in response to the diagonal of the Streetcar. The massing of the Montgomery Blocks could reference the Urban Center with complementary dynamic rotating stepping forms. The stepping of the building on Block 152/St Michaels should also consider the relationship with the existing Church and Parish House. [See diagram page 31].



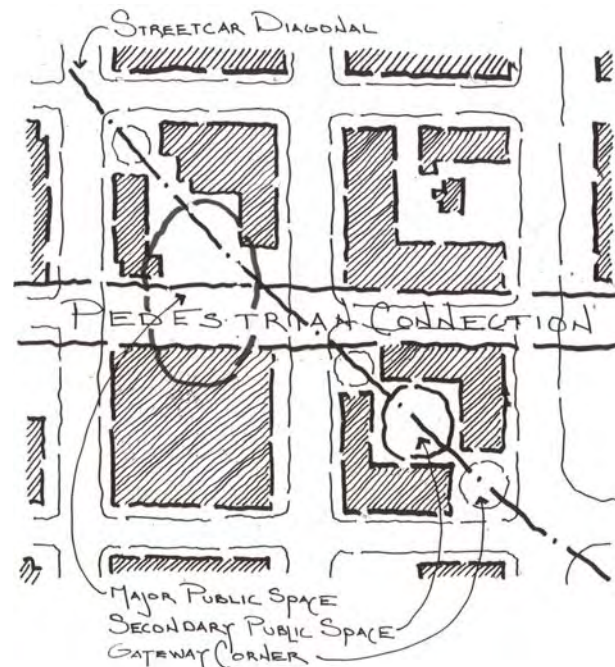
Active Retail and Institutional Diagram



Streetwall Diagram



Building Massing Diagram



Open Space Diagram

Open Space

The development of the Montgomery Blocks offers the opportunity to create open spaces that serve the residents, students and office workers of the District. The open spaces act as attractive destinations for people who come to the district and serve as connective tissue to unite the district. The opportunities for urban space are identified as follows:

Montgomery Street Enhancements

Montgomery Street is identified as a pedestrian connection from the West Hills to the Willamette River extending through the South Park Blocks, the University Plaza, and the South Auditorium District. In the design of the Six-Block Master Plan, 1996 [see page 18] siting the Urban Center, Montgomery Street was proposed to be an enhanced pedestrian way, leading from Fourth Avenue to the South Park Blocks. This concept is still valid. The street should feature widened sidewalks with ground floor retail, specialty pavement and a denser placement of specialty street trees. The street could be narrowed to one lane of traffic, eastbound, and one lane of parking. Retaining one lane of traffic will increase visibility to retail shops and allow drop-offs at building entrances, while providing wider sidewalks for cafés and the tree canopy. [See diagram page 33].

The paving and street furniture should relate to the University Plaza and Bus Mall. Specialty lighting should be designed, with the intent that it would extend from Sixth Avenue to the South Park Blocks in the future. A signaled light should be provided at 4th Avenue to facilitate a safe crosswalk into the South Auditorium District. Modifications to SW Montgomery Street will require analysis by the City's Office of Transportation for feasibility and funding.

Major Public Open Space

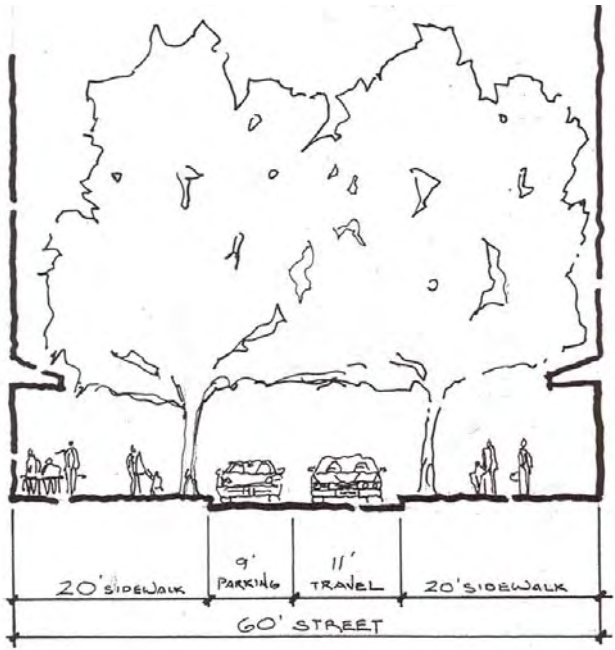
The completion of the University Plaza is a primary goal and opportunity of the project. The south wall of the plaza, replacing the bland façade of the PCAT Building, should be aligned symmetrically about the centerline of Montgomery Street (approximately 8' south of the current property line), and step back in the center to allow for the circular pattern of the plaza to complete itself at its smallest dimension [the back of the radial soldier course of the steps]. Finishes and details should match the existing plaza materials.

Secondary Public Open Space

The major open space of the University Plaza should be complemented by a smaller plaza at the interior of Block 153, bisected by the diagonal alignment of the streetcar. This plaza should be more intimate than the University Plaza and the surrounding buildings should be designed to contain this space as much as possible and distinguish it from the larger University Plaza. The paving materials and details should relate to the pallet established by the Urban Center, to reinforce the overall unity of the project.

Gateway Plaza

The diagonal alignment of the streetcar is an unusual event in the regular block structure of Portland. As such, the 45-degree turn from Harrison Street into Block 153 has the opportunity to mark the entrance into downtown Portland for riders of the streetcar. The southeast corner of Block 153 should be developed as an entrance plaza, sized to accommodate the track and driver visibility for oncoming traffic on Fourth Avenue [when heading south]. Development of this plaza could also facilitate connections to future developments to the south and west of the site. The materials and details of this small plaza should reference the palette of the University Plaza as it serves as an entrance into the project. [See diagram page 31].



Section at Montgomery Street Pedestrian Connection



South Park Blocks Retail

VII. DEVELOPMENT OPTIONS

Dozens of different development options with varying combinations of land uses were considered, including office, retail, condominiums, middle and lower income rental housing, grocery stores, academic, neighborhood services such as health clinics, and parking. Site configurations included high, medium and low-rise options and above and below-grade parking.

The following options for the three blocks represent the best blend of uses and balance between public goals, urban design, market acceptance, financial feasibility and constructability, and are included for illustrative purposes. A description of the strengths and weaknesses of each option follows the description of each option.

Block 161 - PCAT

Option 161E: 9-story building with lower-level and ground-floor retail, PSU office and academic space, general office space and above-grade parking. This option could incorporate PDC offices.

Block 153 - Jasmine

Option 153L: 14-story "L" shaped building with two levels of below-grade parking, ground floor retail, and middle income condominiums above.

Block 152 - St. Michael

Option 152C: 11-story "L"-shaped building with two levels of below grade parking, ground floor retail and office space [e.g., non-profit or health clinic space], 2nd floor office and rental apartments, with rental apartments on floors 3 through 11.

Options 161E and 153L contain a diversified mix of the best performing products from a financial standpoint - retail, condominiums, office and parking. In healthy economic times, office, condominiums and high quality retail provide a greater economic return than rental housing.

Depending on the kind of retail and the price point of the condominiums, these uses also best contribute to the primary goal for the area - creating a vibrant neighborhood that integrates the University with the City. Ownership housing and offices add people and activity to the district and more disposable income to support the retail environment.











However, while these options perform the best financially, other public, institutional and non-profit goals need to be considered in the mix. Workforce housing, academic and administrative space, and services needed by the community [health clinic, grocery, pharmacy, etc.] need to be carefully combined with more economic uses to keep the funding gaps lower.

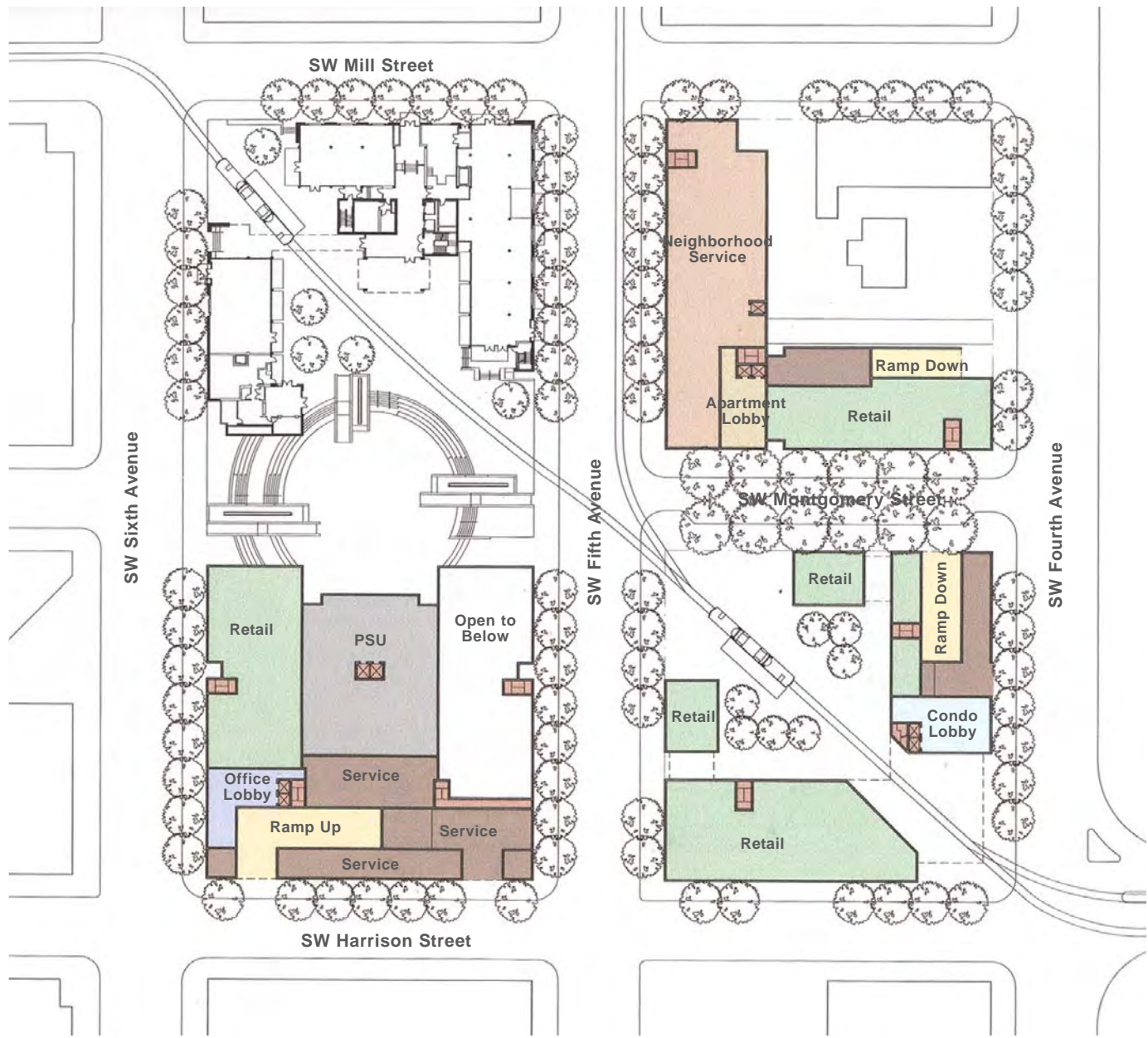
While these are the current recommended options, many factors will affect the final program for the blocks including successful land assembly, financial feasibility, the interest of development partners, participation by key property owners [PSU and the Archdiocese of Portland], and unanticipated opportunities.

One such opportunity could be a combined congregate care/assisted living facility and PSU's Institute on Aging, which is being analyzed in response to a private development proposal. The University District could be a desirable location for senior housing because of good access to services via the streetcar and PSU amenities; however the land and the costs of high-rise construction are both high. PDC will continue to explore this concept with the developer.

Option 152C [St. Michael] is based on meetings with the parish of St. Michael and the Archdiocese of Portland. Their goals for the site are largely mission-driven and they are not in a position to redevelop at this time so a detailed development program with financial information was not prepared.

Ground Floor Plan of Recommended Options
not to scale

- 
- Retail 
- Core 
- Service 
- Offices 
- Condos 
- Parking 
- Neighborhood Service 
- Mixed Income Apartments 
- PSU 



DEVELOPMENT OPTIONS SUMMARY

	PCAT Option 161E	Jasmine Option 153L	St. Michael⁵ Option 152C	Totals
Stories	10 ¹	14	11	
Area	293,000 sf	344,000 sf	213,000 sf	850,000 sf
Office / Institutional area ²	139,000 sf		19,000 sf	158,000 sf
Retail area	14,600 sf	11,800 sf	5,100 sf	31,600 sf
Apartments			210	210
Condominiums		213		213
Parking spaces provided	296	190	106	592 provided
Excess or deficit ³	+147	-23	+1	+128
Total development cost	\$44 million	\$51 million	\$31 million	\$126 million
Total project value	\$35 million ⁴	\$47 million		
Percent	78%	87%		
Private	\$31 million ⁴	\$45 million		
Percent	71%	87%		
Gap	\$12.9 million ⁴	\$6.8 million		
Percent	29%	13%		

¹ An additional three floors could be added with zoning FAR bonuses, if there were adequate demand for more office space.

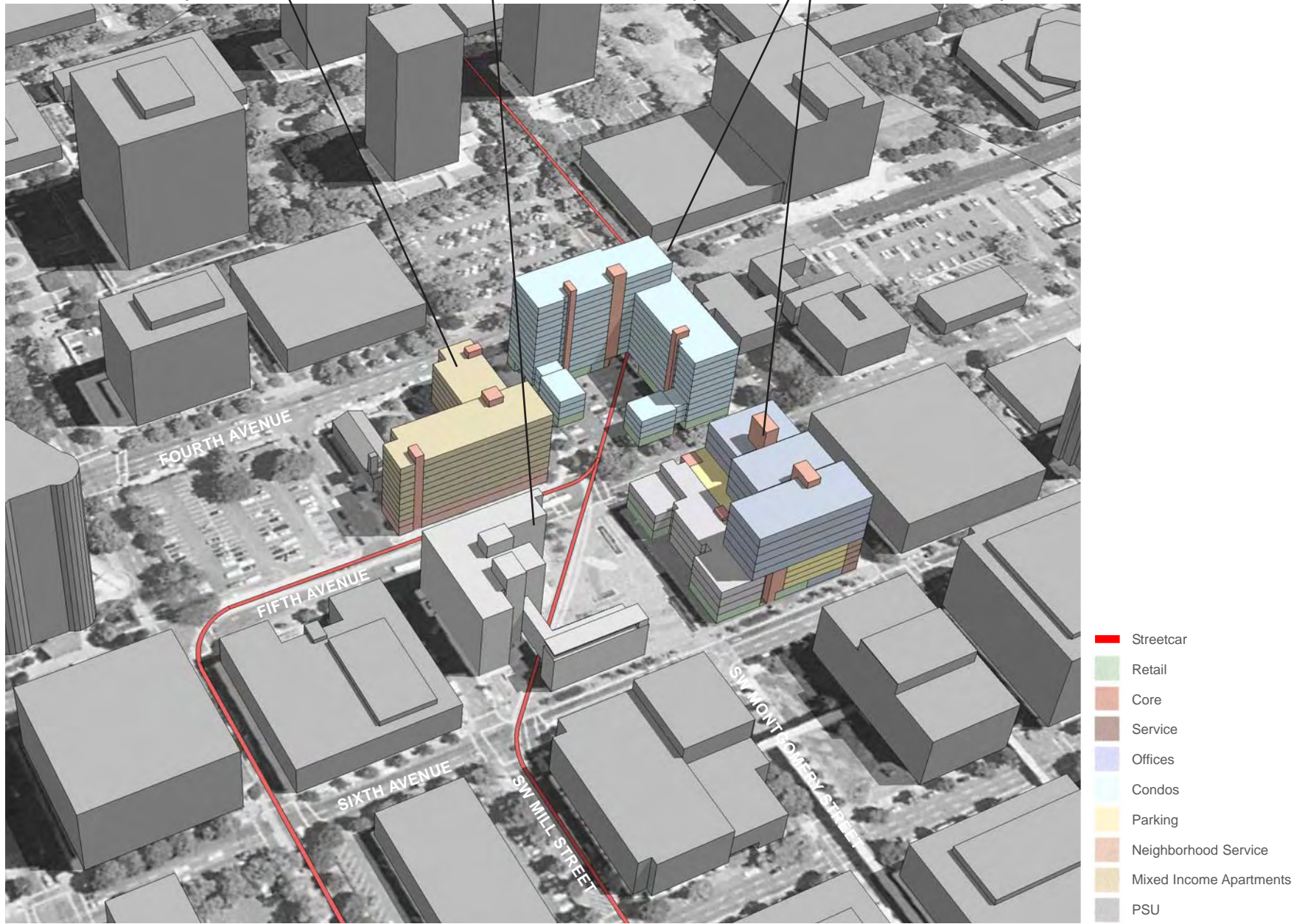
² Includes commercial space that could be used by academic, non-profit or neighborhood services (health clinic, etc.)

³ Parking spaces in excess of or less than the spaces needed for the development program.

⁴ Analysis is based on conventional financing. If building is publicly built / owned / operated, this scenario is expected to perform substantially better.

⁵ Detailed financial analysis not performed for St. Michael Block.

Block 152 - St. Michael, Option 15 PSU Urban Center Block 153 - Jasmine, Option 153L Block 161 - PCAT, Option 161E



Three-dimensional view of preferred options, from northwest

BLOCK 161 [PCAT BLOCK]

Description and Current Uses

Block 161 is bound by the bus mall on Fifth and Sixth Avenues on the east and west, the University Plaza on the North and Harrison Street on the South. The block slopes down approximately 16' from southwest to northeast. It is currently occupied by the Portland Center for Advanced Technology [PCAT], a part of Portland State University. PCAT includes classrooms and offices on the first floor organized around an internal courtyard. The basement houses parking, additional classrooms and offices. The block is jointly owned by Portland State University and the Portland Development Commission.

Zoning Potential

Block 161 is zoned CXd, Central Commercial, with a design overlay. It has a maximum floor area ratio of 6:1 which can be increased with bonuses up to 9:1. This translates into a range of 240,000 to 360,000 square feet of development potential above grade. The maximum height is 125' which can be increased with bonuses to as much as 170', or with the Housing Bonus, up to 200'. In addition to the Housing Bonus, other potential bonuses include the Day Care Bonus, Rooftop Gardens Bonus, Percent for Art Bonus and the Eco-Roof Bonus. The site is subject to Design Review and will be required to meet the requirements of the Central City Plan.

Vision

Block 161 faces the Urban Center and offers the opportunity to complete the University Plaza. The lower floors facing the Plaza should have a strong institutional character clearly identified as a University use, preferably with an entrance on the Plaza. Active ground floor retail should face both Fifth and Sixth Avenues and as much as possible, Harrison Street, where the need for vehicular and service access must be accommodated and mitigated. The building above must be designed to minimize shadows on the Plaza with most of its bulk on the south. Architecturally, the building may relate to the Urban Center with strong masonry walls on the street sides and an open frame with infill glass and metal panel on the interior of the block, facing north.

Recommended Option

Five options were studied with varied land uses including two-level retail, condominiums, a grocery store, market rate rental housing, office and condominium combinations, and academic space. The option outlined in this report is **Option 161E**, a ten-story building with office, academic, retail and above-grade parking spaces. As proposed, the building would be jointly developed and owned by PSU and PDC. [For additional options considered, see Appendix B.]



View from SW Hall & Sixth Avenue, looking north



View from SW Harrison & Sixth Avenue, looking northeast



View from SW Harrison & Sixth Avenue, looking east



View from SW Harrison & Sixth Avenue, looking north

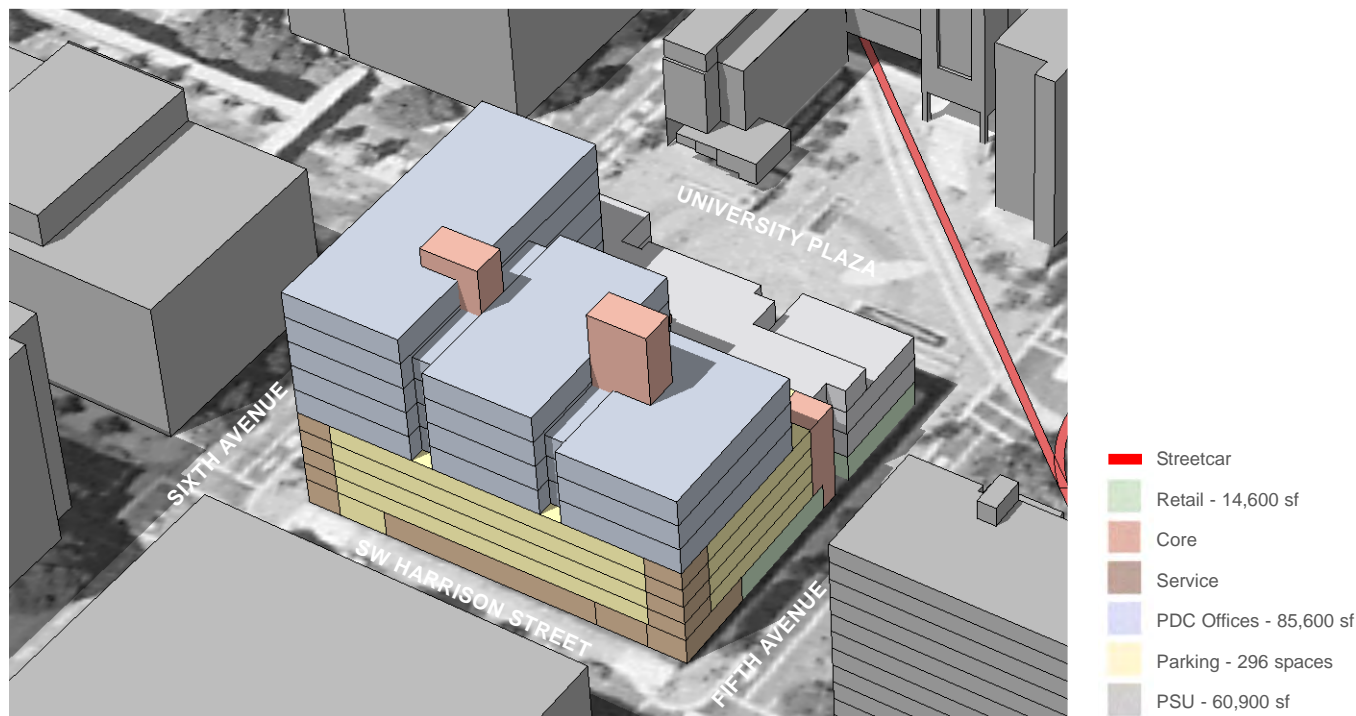
PROGRAM DESCRIPTION FOR OPTION 161E

Option 161E is a ten story, 293,000 square foot office building facing the Urban Center Plaza. The northern portion of the building [facing the plaza] is devoted exclusively to PSU, which reinforces the institutional character of the Urban Center Plaza and the surrounding neighborhood. The main entrance to PSU's space is located on the Plaza. The building provides 7,900 square feet for an auditorium for PSU on the first floor and 18,600 square feet for classrooms on the lower level. 34,400 square feet for PSU offices is on floors 2-4 facing the Urban Center Plaza.

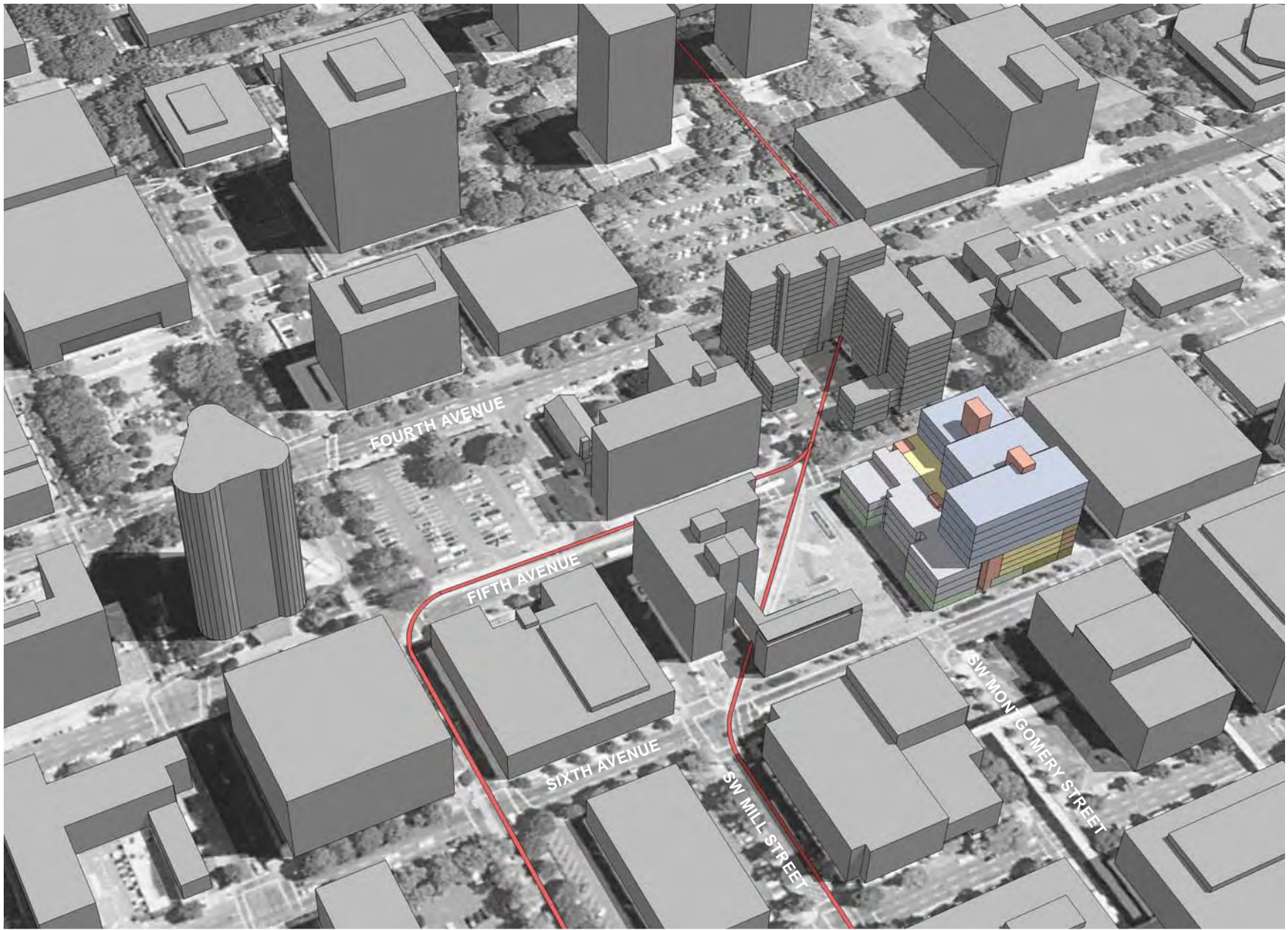
14,600 square feet of active ground floor retail faces Fifth and Sixth Avenues. On Fifth Avenue, the retail space is accessed from the northeast corner of the site and from the Urban Center Plaza. Due to the slope of the site, these retail spaces have extra tall ceilings. Retail space on Sixth Avenue is accessed along the entire length of the site.

Above grade parking, accessed from Harrison Street, is located on floors 2-5 on the south side of the block. The building provides 296 spaces. The retail space, PSU and PDC only require 149 spaces, leaving an additional 147 spaces that can be used as undedicated or short-term parking.

85,600 square feet of office space for the Portland Development Commission, and/or other public entities, is located on floors 6-10. Three tower-like pieces complement the scale of the Urban Center and reduce the mass of the building. Varying roof heights provide multiple opportunities for roof terraces from PSU's space and the offices.



Option 161E from the southeast



Option 161E from the northwest

FEASIBILITY SUMMARY FOR OPTION 161E

Public Benefits

Option 161E will produce considerable public benefits by providing needed administrative/office space for PDC, PSU and others. A shared building will provide the opportunity to build on and strengthen the partnership between PSU and PDC. The benefits of combining the City's urban renewal implementing agency with the University are significant. Sharing of space and technology could lead to opportunities for urban research, student and faculty interaction, idea exchange and collaboration between the City and University.

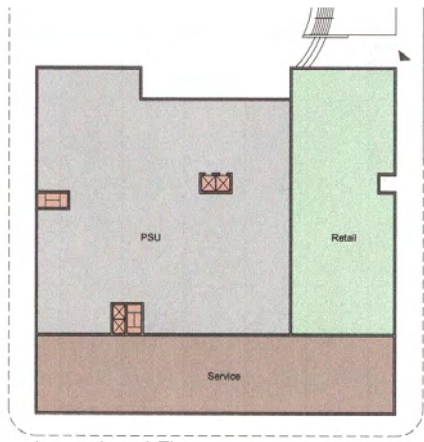
Financial Feasibility

Total Cost:	\$44.6 million
Estimated Value:	\$34.9 million
Value / Cost:	78%
Funding Gap:	\$12.9 million
Percent Gap Financing:	29%

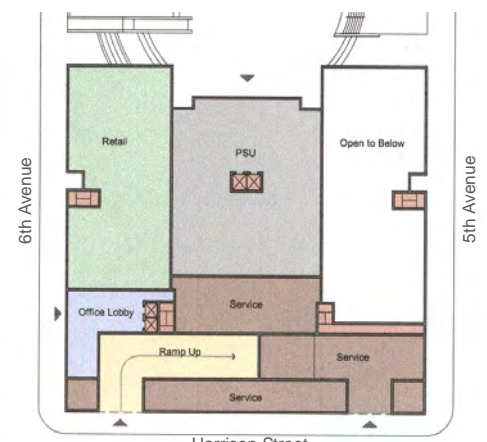
These figures are based on very preliminary estimates of conventional financing terms and space needs. A focused predevelopment analysis is needed that explores the public financing tools available to PDC and PSU if the block were developed, owned and operated by these two institutions. An analysis of programming needs could result in shared space and design efficiencies that will affect the financial performance of this option.

Market Feasibility

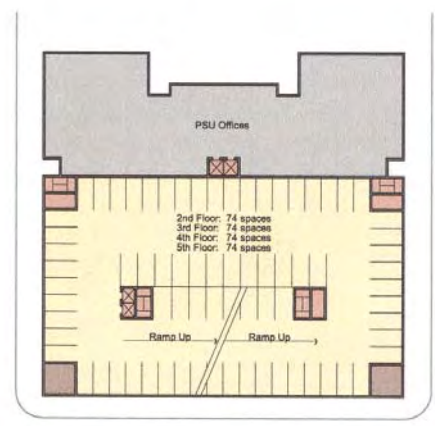
The project proposed for Block 161 would be a build-to-suit office for PDC and PSU, which are credit-worthy entities with access to tax exempt bond financing and other public financing tools. As a result, there is essentially no market risk. There is also the option to build an additional three floors of office space [65,000 sf], using zoning bonuses, if there is adequate office demand.



Lower Level Floor



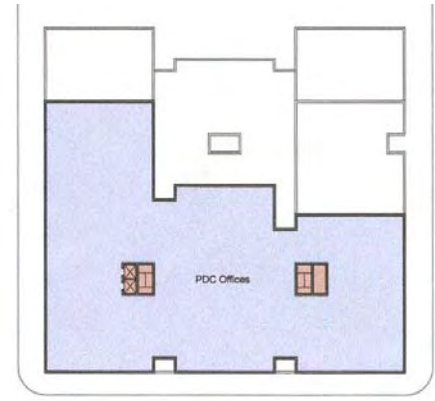
1st Floor



North: 2nd - 4th Floors
South: 2nd - 5th Floors

- Retail - 14,600 sf
- Core
- Service
- PDC Offices - 85,600 sf
- Parking - 296 spaces
- PSU - 36,150 sf

0 20' 40' 80'



6th - 8th Floors



9th - 10th Floors

Option 161E plans

BLOCK 153 [JASMINE BLOCK]

Description and Current Uses

Block 153 is bound on the west by Fifth Avenue which has Bus Mall improvements on the opposite side of the street, Fourth Avenue on the East, Montgomery Street on the North and Harrison Street on the South. The block slopes up approximately 12 feet from the southwest to the northeast. It is currently occupied by a surface parking lot on the north side, a small three-story, wood frame, walk-up apartment building on the southwest corner, and the Jasmine Tree Restaurant on the southeast corner. The parking lot is owned by the Portland Development Commission. The southern portion of the block is in private ownership and would need to be acquired to accommodate the streetcar and to create an efficient development footprint.

Zoning Potential

Block 153 is zoned RXd, high density, multi-dwelling with a design overlay. It has a maximum floor area ratio of 6:1 which can be increased with bonuses up to 9:1. With acquisition of the southern portion of the block this translates into a range of 240,000 to 360,000 square feet of development potential above grade. The maximum height is 125' which can be increased with bonuses to as much as 170'. Potential bonuses include the Middle-income Housing Bonus, Day Care Bonus, Rooftop Gardens Bonus, Percent for Art Bonus and the Eco-Roof Bonus. The site is subject to Design Review and will be required to meet the requirements of the Central City Plan.

Vision

Block 153 straddles the streetcar tracks and offers the opportunity to create an intimately scaled courtyard, complementary to the larger, more open, University Plaza. In addition to accommodating the streetcar, this smaller plaza reinforces a natural diagonal pedestrian movement between the Urban Center and transit stops, and the University space on Fourth Avenue. The one block section of Montgomery Street between Blocks 153 and 152, should be enhanced with widened sidewalks to encourage the development of sidewalk cafés and reinforce the street as part of a pedestrian connection between the West Hills and the river. Architecturally, this building may also relate to the Urban Center by implementing strong masonry walls with simple openings facing the streets and an open frame with an infill of glass and metal facing the courtyard. Projecting bay windows, modeled on the north-facing bay of the Urban Center could be used to further articulate the building volume and provide an amenity to the residents.

Recommended Option

More than a dozen scenarios were studied for this block, including one and two levels of below grade parking and six, eleven and 14-story, L-shaped buildings. Program elements studied included ground floor retail, senior independent and assisted living facilities, condominiums, rentals, office and middle and lower income rentals. **Option 153L**, the recommended option, includes two levels of below grade parking, ground floor retail and thirteen floors of moderately-priced [\$250/sf] condominiums.



View from SW Hall & Fifth Ave, looking northeast



View from the Urban Center Plaza, looking southeast



View from SW Harrison & Fifth Ave, looking northeast



View from SW Harrison & Fifth Ave, looking north

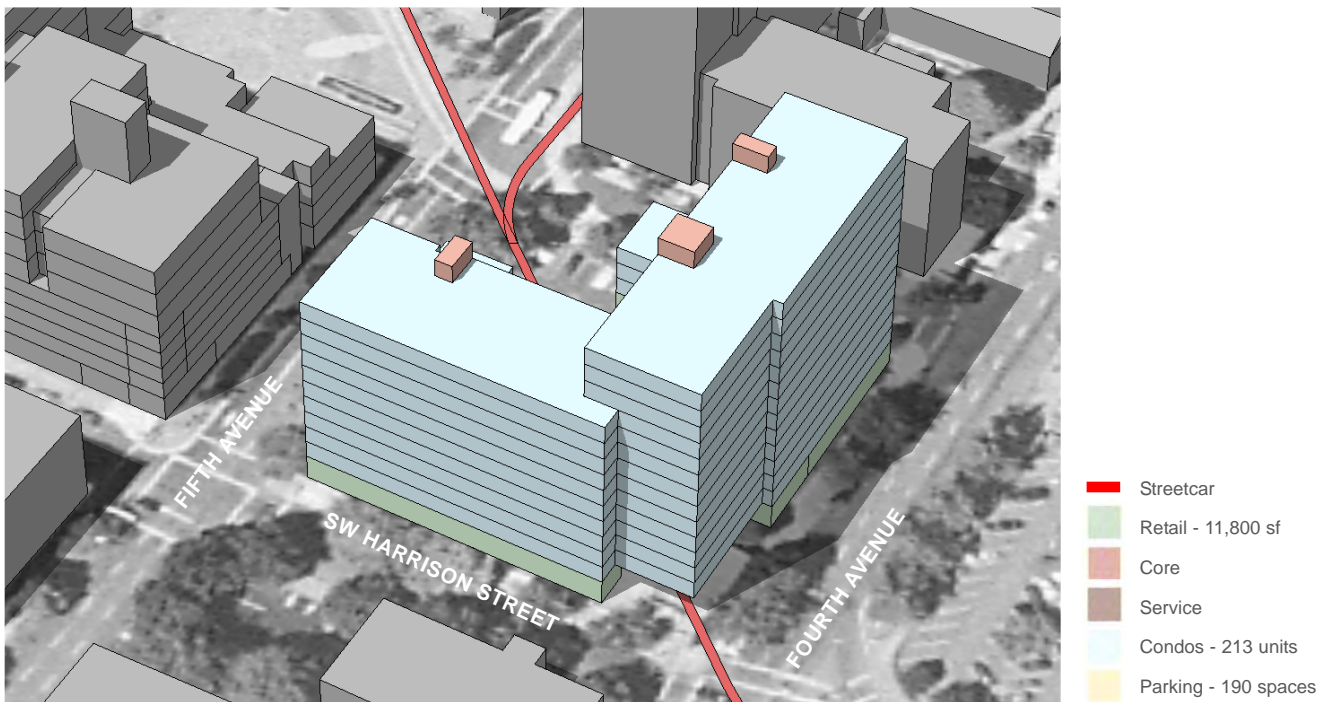
PROGRAM DESCRIPTION FOR OPTION 153L

Option 153L an L-shaped, fourteen story, 344,000 square foot condominium building spanning the streetcar tracks. The L-shaped plan of the building creates an intimately scaled courtyard that complements the larger Urban Center Plaza. Bus, streetcar and future light rail transportation are directly accessible from the site.

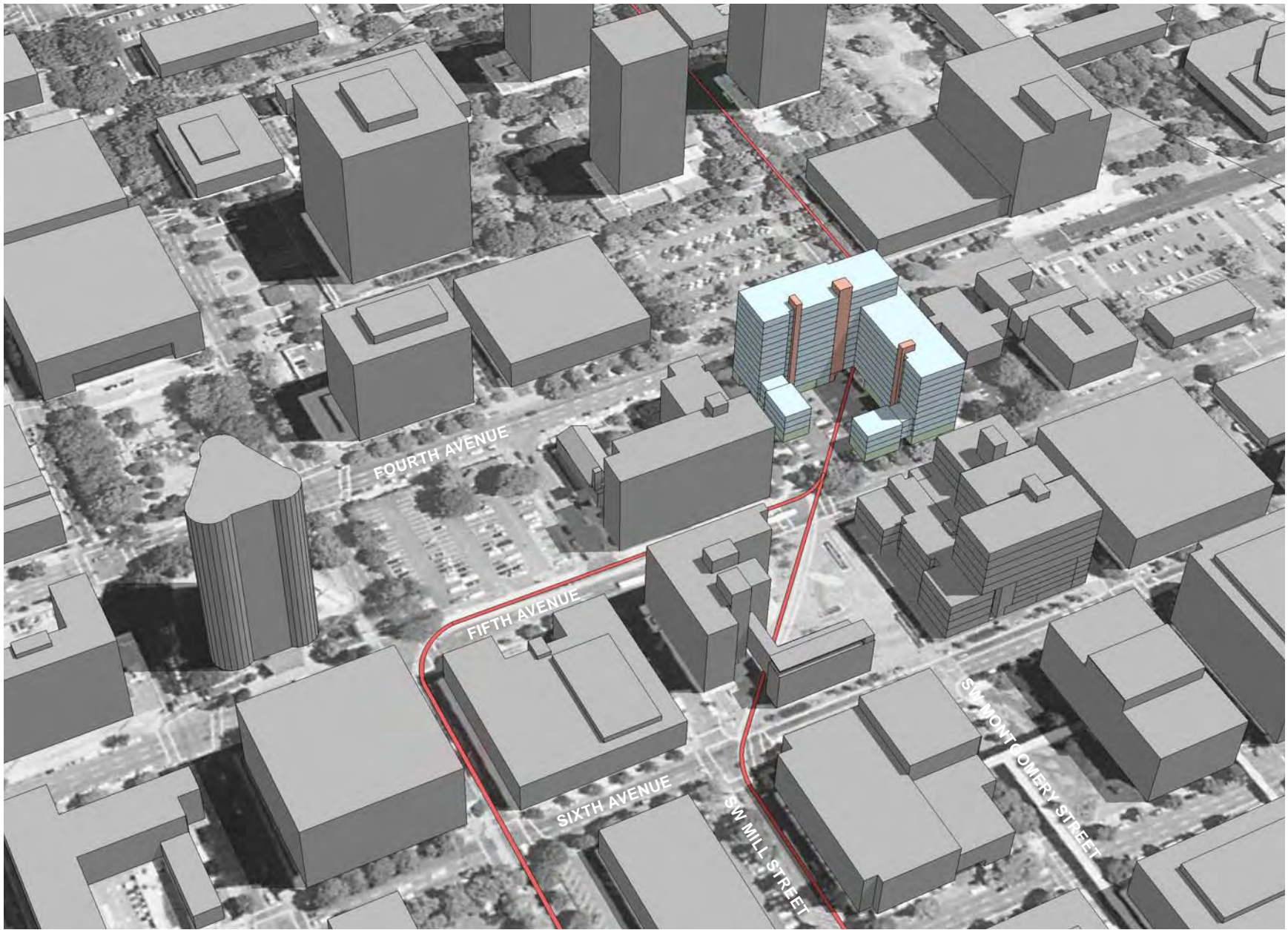
11,800 square feet of active ground floor retail faces Fifth Avenue, Harrison Street, Montgomery Street and the plaza at the center of the site. This retail space will complement the existing retail in the Urban Center and the diagonal alignment of the two sites will allow easy movement between the two shopping areas. Montgomery Street has been named a 'pedestrian connection' in the City of Portland's Central City Plan making retail space on this street a vital part of that connection. The street will have extra-wide sidewalks to accommodate outdoor cafes and larger numbers of pedestrians. On-street parking will provide easy access.

Two levels of below grade parking, accessed from Montgomery Street, provide 190 parking spaces for the condominiums.

213 condominiums occupy floors 2-14. There are [23] studio, [109] 1-bedroom and [81] 2-bedroom units. They will have views of the river, the west hills and/or the plaza below. The condominiums will increase the residential population of the neighborhood, resulting in more activity during evenings and weekends, and more customers for restaurants and shops.



Option 153 from the southeast



Option 153L from the northwest

FEASIBILITY SUMMARY FOR OPTION 153L

Public Benefits

There are many good reasons to build ownership housing in this area. Two goals of the University District Plan are to activate the area and to provide a range of housing options that would appeal to non-students as well as students. This option increases the residential population, resulting in more activity in the area during evenings and weekends. It also provides more affordable condominiums for younger and middle income families who wish to live downtown but can't afford Pearl District housing prices, tapping into a potentially deep market of University faculty, staff and downtown workers that prefer the amenities this area offers.

Ownership housing provides a measure of stability to a neighborhood and increases the City's tax base. Finally, homeowners generally have more discretionary income and can support the financial health of the neighborhood by frequenting the retail and service establishments nearby.

Financial Feasibility

Total Cost:	\$51.4 million
Estimated Value:	\$46.9 million
Value / Cost:	91%
Funding Gap:	\$6.8 million
Percent Gap Financing:	13%

Option 153L is expected to be the most economically and financially viable option, able to attract private financing for 88% of total development costs. This is not surprising given that it consists primarily of condominiums, which have been the most popular type of new construction in the Central City in recent years. Condominiums are cheaper to build than commercial space, yet sell for more on a per-square-foot basis.

Market Feasibility

Currently the apartment market is not as strong as the condominium market as evidenced by above normal vacancy rates. Condominiums would entail no exceptional marketing risks. They are a very popular product type. New projects typically presell 70% or more of their units, indicating a supply-constrained market. Although the University District is not an established condominium market, prices have been discounted to reflect this. As a result, condominiums should easily achieve sales targets of 30% presales. However, there is always a risk in bringing 200+ condominium units to the market at one time, particularly in an emerging market area.

Condominiums in the University District are expected to be marketable if they are priced at approximately \$250 per square foot as compared to \$300 per square foot for new products in the Pearl District.

Special Design Challenges

Block 153 is enhanced by its proximity to the University Plaza, because of the confluence of bus, streetcar and future light rail transportation as well as the activity of events in the plaza. The extension of the streetcar to the east diagonally through the block, with the south bound stop in the center of the block, has great potential to bring people to the site. Diagonal pedestrian movement through the site is further enhanced because it connects the Urban Center with the PSU facilities in the 4th Avenue Building and the future Engineering School beyond.

The streetcar alignment presents challenges as well. In the short term, a temporary alignment, which will restrict construction access, is proposed on Montgomery Street and Fourth Avenue. The diagonal alignment has implications for building configuration and construction cost, especially as it relates to below grade parking. Through an agreement with Portland Streetcar, Inc., it was agreed that the diagonal alignment will not be built through the Jasmine Block until after the block is excavated and below-grade parking is built.



Basement & Sub-basement Plan



1st Floor Plan



2nd - 4th Floor Plans



5th - 11th Floor Plans



12th - 14th Floor Plans

- Retail - 11,800 sf
- Core
- Service
- Condos - 213 units
- Parking - 190 spaces



Option 153L plans



View from SW Mill, looking south



View from Urban Center Plaza, looking northeast



View from Fifth Avenue, looking east

BLOCK 152 [ST. MICHAEL BLOCK]

Description and Current Uses

Block 152 is bound on the west by Fifth Avenue which has Bus Mall improvements on the opposite side of the street, Fourth Avenue on the East, Market Street on the North and Montgomery Street on the South. The block slopes up approximately 15 feet from the southwest to the northeast. Block 151 is occupied by St. Michael Church and Parish House and a surface parking lot on the north portion of the block. The southern 50' of the block, fronting Montgomery Street, is occupied by the Value Inn, a two-story wood frame Motel. The northern part of the site is owned by the Archdiocese of Portland; the southern part is in private ownership and would need to be acquired.

Zoning Potential

Block 152 is zoned RXd, high density, multi-dwelling with a design overlay. It has a maximum floor area ratio of 6:1, which can be increased with bonuses up to 9:1. The site area controlled by the Archdiocese is 30,000 sf and the Church and Parish House occupy approximately 7500 square feet. With acquisition of the motel site the total potential of the block ranges from 232,500 to 352,500 square feet above grade, depending on bonuses. The maximum height is 125' which can be increased with bonuses to as much as 170'. Potential bonuses include the Middle-income Housing Bonus, Day Care Bonus, Rooftop Gardens Bonus, Percent for Art Bonus and the Eco-Roof Bonus. The site is subject to Design Review and will be required to meet the requirements of the Central City Plan.

Vision

Block 152 facing the proposed "skinny street" of Montgomery Street, should provide active retail on the ground floor. The building massing should be taller on Fifth Avenue and shorter on Montgomery Street to emphasize the major avenue, reduce the scale on the side-street, increase the amount of morning light into St. Michael and maximize the possibility of river views from the upper stories. With its prominent position on the University Plaza, the building should complement the architecture of the Urban Center, and emphasize its verticality on its southwest corner with a projecting bay window or other feature. Care should be taken to modulate the scale of the building as a backdrop for St. Michael as seen from the northeast.

Recommended Option

Various development options for Block 152 were explored, including a mixed-use building with ground floor retail uses, space for non-profit and neighborhood services [health clinic, campus ministry, etc.], academic space, senior housing and lower income apartments. However, the major property owner of the block [the Archdiocese of Portland] is not in a position to redevelop at this time. The following development scenario meets some of the Archdiocese's mission-driven goals, but it has not been evaluated in detail for financial feasibility.

Option 152C, the recommended option, accommodates retail, space for non profit or office use, and affordable apartments.



View from Fifth Avenue & Montgomery, looking north

PROGRAM DESCRIPTION FOR OPTION 152C

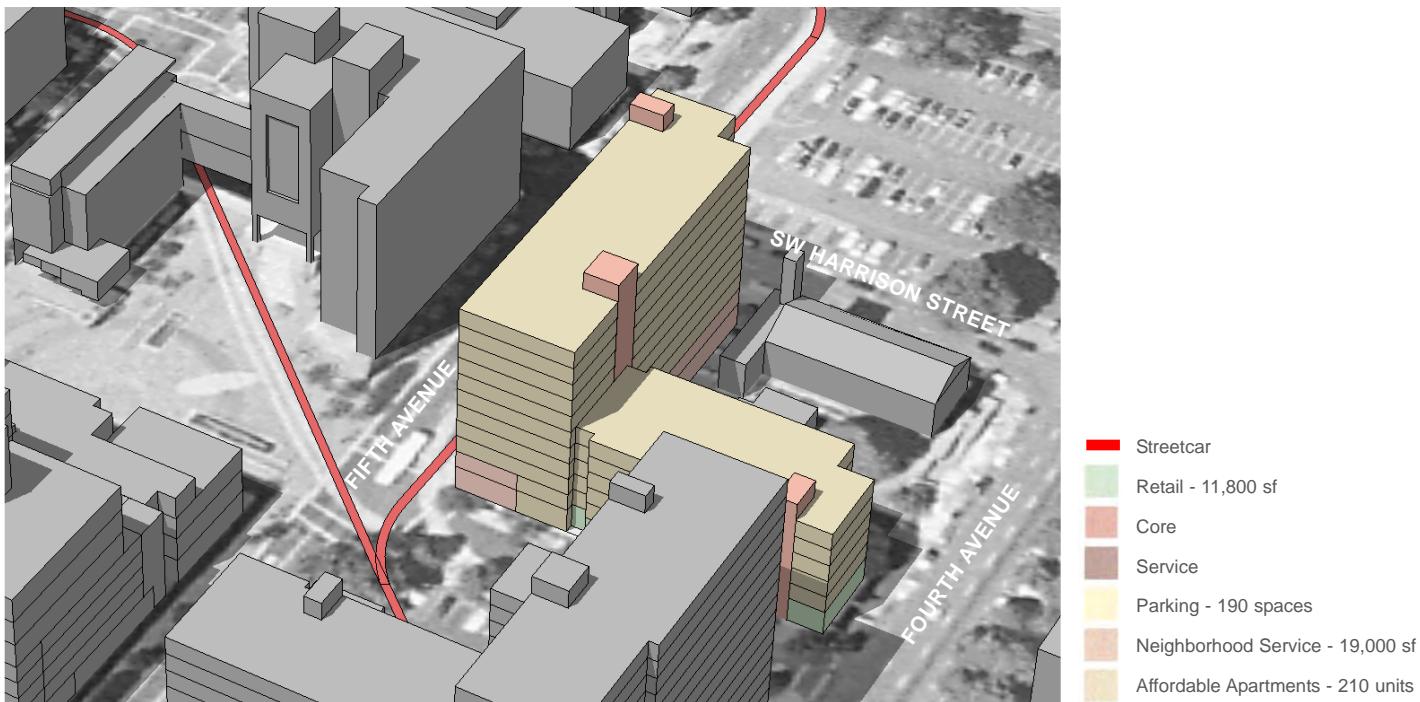
Option 152C is the preferred development option for Block 152. It is an L-shaped eleven story, 213,000 square foot mixed-use building sharing a block with St. Michael's Church and Parish House. It is sited on the west and south sides of the block.

5,100 square feet of active ground floor retail faces Montgomery Street. Like Block 153, the retail space for this option will be a vital part of the Montgomery Street 'pedestrian connection.' The street will have extra-wide sidewalks to accommodate outdoor cafes and larger numbers of pedestrians. On-street parking will provide easy access.

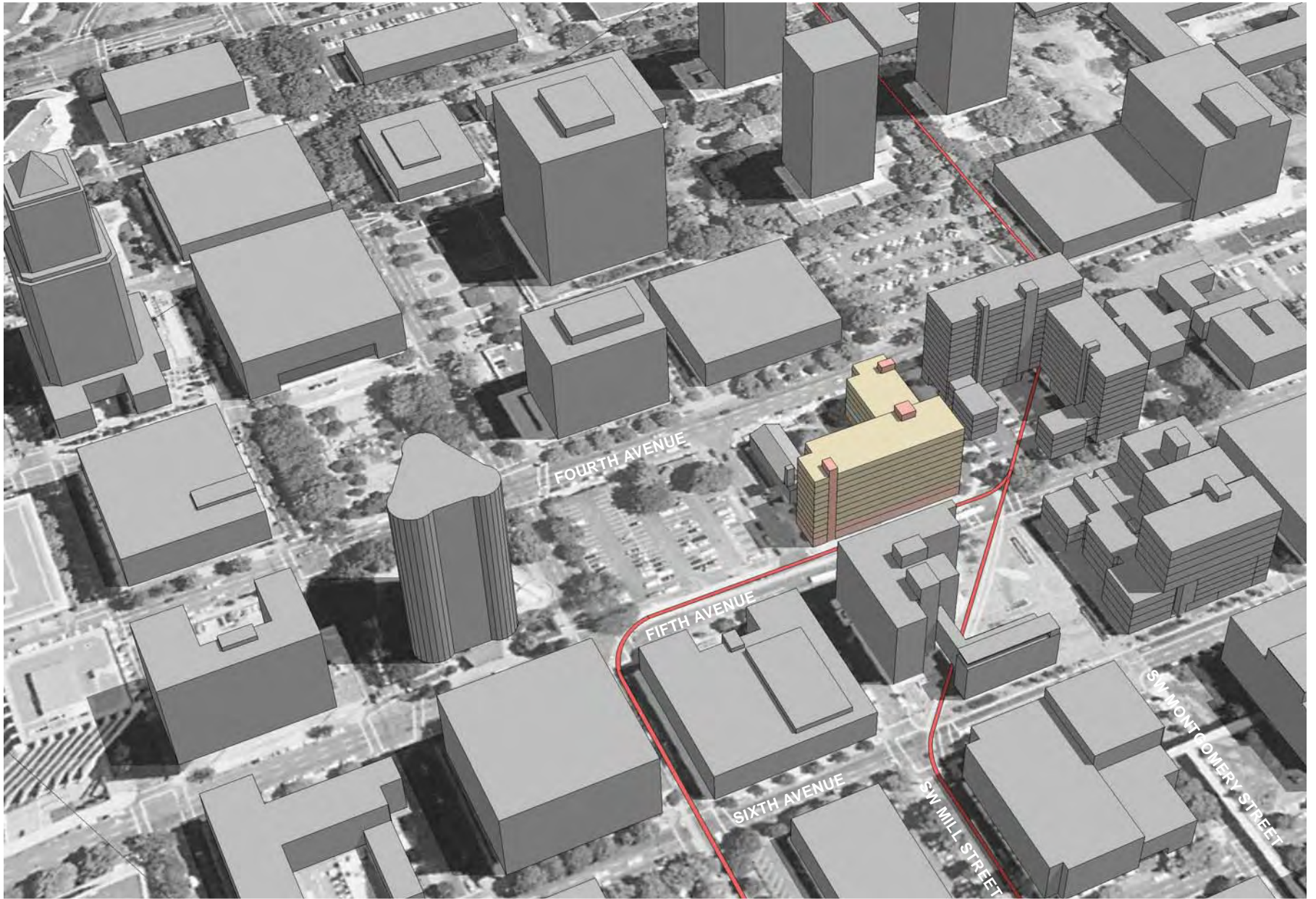
Two levels of below grade parking, accessed from Fourth Avenue, provide 106 parking spaces.

19,000 square feet for a non-profit or neighborhood service is split between the ground and second floors with access from Fifth Avenue. This space can provide a much needed service for the increased number of residents expected to inhabit the area.

210 affordable apartments occupy floors 2-11. There are [89] studio, [89] 1-bedroom and [32] 2-bedroom apartments. Each apartment has a view of the river, the west hills and/or St. Michael Church below. The apartments will increase the residential population of the neighborhood, resulting in more activity during evenings and weekends.



Option 152C from the southeast



Option 152C from the northwest

FEASIBILITY SUMMARY FOR OPTION 152C

Public Benefits

Option 152C reflects the City's commitment to the goal of increasing affordable rental housing in the Central City. It contains 210 rental units affordable to families earning at or below 60% of the region's median family income. It also promotes the goal of mixed use development by including ground floor retail and a small amount of office space. Finally, if the Jasmine Block redevelops, there will be a need to replace its existing lower income apartments somewhere within the Central City. Block 152 may be an opportune location for replacement housing.

Financial Feasibility

Given prevailing land prices and achievable rents at this location, affordable housing is not financially viable, even with low income housing tax credits. Hence a substantial public investment would be needed to accomplish this important public policy goal.

Market Feasibility

Option 152C will involve some market risk. On the one hand, affordable housing historically performs well, because it is priced comparably to older properties and yet is new, modern construction. However, the combination of a weak economy and overbuilding in the Central City has resulted in a weak market. Hence, the lease-up period could be slow. But over the long term, affordable apartments should perform well.

Special Design Challenges

Block 152 is enhanced by its proximity to the University Plaza and access to transit. With the development of Block 153, Montgomery Street can provide a rich pedestrian experience. The Church of St Michael is a wonderful visual amenity for a development on the south and west portions of the block.

If the Archdiocese is interested in redeveloping the St. Michael property, it is important that the motel site be acquired. Combining the southern portion of the block [motel site] with the St. Michael parking lot will improve the character of the block and Montgomery Street, allow for development of more efficient floor plates and provide access to parking from Fourth Avenue. Conversely, the motel site could not be redeveloped to a higher use independent of the Church property because its narrow width would not permit windows on its entire north side.

Concern over the compatibility of the scale of a proposed development with the existing church and the difficulty of providing adequate on-site parking, due to the "L"-shaped configuration of the available buildable site, will make it difficult to maximize the zoning potential of the site.

The shape and size of the site limits the number of parking spaces that can be provided and makes them more costly to build. A large portion of the parking area needs to be dedicated to ramps and circulation. This problem, however, can be partially overcome if parking for the commercial uses is sited elsewhere within the three blocks.



Basement Plan



1st Floor Plan



2nd Floor Plan



3rd - 5th Floor Plans



6th - 11th Floor Plans

- Retail - 11,800 sf
- Core
- Service
- Parking - 190 spaces
- Mixed Income Apartments - 210 units
- Neighborhood Service - 19,000 sf



Option 152C plans



PSU Urban Center and Streetcar

VIII. RECOMMENDATIONS

Following are recommendations to advance redevelopment of the Montgomery Blocks into a multi-block, mixed-use development that will form the core of the University District neighborhood and catalyze development around it. It is recommended that:

1. PDC and PSU undertake joint development of Block 161 [PCAT] for office/academic space with retail and significant parking to serve the building and immediate area.
2. PDC assembles the remainder of Block 153 [Jasmine] to accommodate Portland Streetcar and develop a mixed-use project with below-grade parking, retail and housing, including senior housing if feasible.
3. PDC acquire 10,000 square feet of Block 152 [St. Michael Block] in preparation for its eventual redevelopment as affordable housing, neighborhood support retail and services, contingent on a development agreement with St. Michael/Archdiocese of Portland.
4. PDC/PSU undertake development analysis of properties between SW 4th and SW 6th, SW Market and I-405 in coordination with PSU and Bureau of Planning.
5. PDC coordinate redevelopment activities with construction of Portland Streetcar extension to Riverplace [scheduled to be completed Summer, '04].
6. PDC and PSU actively recruit retail uses that will serve neighborhood workers and residents.
7. Create a retail/pedestrian spine along SW Montgomery Street. Active retail uses should focus between SW 4th and Broadway to create a critical mass and synergy between retailers.

IX. NEXT STEPS / SCHEDULE

Priority Order:

- 1. PDC/PSU undertake joint development of Block 161 [PCAT] for office / academic space.**
 - Refine development program Summer 2003
 - Partnership agreement w/ PSU Fall 2003
 - Solicit developer Fall 2003
 - Select architect Winter 2003
 - Design Winter 2003 - Fall 2004
 - Construction Summer 2004 - Spring 2006
- 2. PDC/PSU undertake development analysis for properties along SW 4th Avenue between SW Market and I-405.**
 - Development analysis Fall 2003
- 3. PDC assembles remainder of Block 153 [Jasmine] to accommodate Portland Streetcar and redevelop block for mixed income housing, retail and possibly academic uses.**
 - Define development program Fall 2003
 - Assemble property Fall 2003 - Spring 2004
 - Solicit development proposals Spring 2004
 - Design Fall 2004
 - Construction Winter 2005 - Spring 2007
- 4. PDC acquires 10,000 square feet of Block 152 [St. Michael's] in preparation for its eventual redevelopment as housing, neighborhood support and retail, contingent on development agreement with Archdiocese. Timing undetermined.**
 - Acquire land
 - Select development team
 - Design
 - Construction



Existing view of Block 153 [Jasmine] from Urban Center Plaza



Proposed view of Block 153 [Jasmine] from Urban Center Plaza

APPENDIX A
FINANCIAL ANALYSIS OF RECOMMENDED OPTIONS

**SUMMARY OF FINANCIAL PROJECTIONS BY BLOCK
MONTGOMERY BLOCKS**

7/30/2003

	Block 153	Block 161
	<u>Option L</u>	<u>Option E</u>
<u>Value</u>		
Total Project Cost	\$51,402,908	\$44,570,821
Total Project Value ^{1/}	\$46,873,624	\$34,877,847
Value-Cost Ratio	0.91	0.78
Net Operating Income ^{2/}	\$300,605	\$3,139,006
<u>Financing</u>		
Loan Amount	\$33,023,116	\$26,158,385
Percent Debt Financing	64%	59%
Maximum Equity ^{3/}	\$11,590,908	\$5,463,608
Percent Equity Financing	23%	12%
Funding Gap	\$6,788,884	\$12,948,828
Percent Gap Financing	13%	29%
Total Financing	\$51,402,908	\$44,570,821
<u>Financial Performance</u>		
Net Cash Flow ^{4/}	\$104,644	\$1,092,722
Return on Assets ^{5/}	2.8%	7.0%
Return on Private Equity ^{6/}	20.0%	20.0%

1/ Based on capitalized value of net rental income in Year 1 (assuming a stabilized vacancy rate), plus present value of net sales proceeds from condominiums (where applicable).

2/ Includes only net income from rental property, and hence is lower for alternatives that include condominiums.

3/ Maximum equity a private entity could invest while realizing the targeted 20% return on equity.

4/ Stabilized net income less debt service, year 1.

5/ Net income divided by project cost.

6/ Reflects minimum return needed to entice developers, but results in reduced equity contribution and funding gap that must be filled by public funds.

**CONSTRUCTION COSTS AND FINANCING ASSUMPTIONS
BLOCK 153 - OPTION L**

7/30/2003

	Retail	Condominiums	Parking	Total
PROGRAM SUMMARY				
Leasable S.F./Units ^{1/}	16,950	213	190	N/A
Gross S.F.	16,950	247,350	80,000	344,300

DEVELOPMENT COST				
Land Value	\$196,921	\$2,873,657	\$929,422	\$4,000,000
Development Costs ^{2/}				
Construction - Tower & Parking	\$1,396,486	\$26,570,307	\$4,800,000	\$32,766,792
<i>Per Square Foot</i>	\$82.39	\$107.42	\$60.00	\$95.17
Sitework, Frontage, Foundation	\$98,828	\$1,442,183	\$466,443	\$2,007,453
<i>Per Square Foot</i>	\$5.83	\$5.83	\$5.83	\$5.83
Tenant Improvements	\$339,000	\$0	\$0	\$339,000
<i>Per Square Foot</i>	\$20.00	\$0.00	\$0.00	\$0.98
Total Hard Costs	\$1,495,313	\$28,012,489	\$5,266,443	\$35,113,245
Contingency (5%)	\$74,766	\$1,400,624	\$263,322	\$1,755,662
Soft Costs (30%)	\$449,000	\$8,404,000	\$1,580,000	\$10,534,000
Total Construction Cost	\$2,019,079	\$37,817,114	\$7,109,765	\$47,402,908
Total Project Cost	\$2,216,000	\$40,690,770	\$8,039,187	\$51,402,908

OPERATIONS				
Rental Income				
Lease Type	NNN	N/A	Gross	
Lease Rate/Sales Price ^{3/}	\$18.00	\$236,737	\$231	
Recapture of Operating Expense ^{3/}	\$3.50	N/A	\$0	
Vacancy Allowance	5%	N/A	5%	
Stabilized Effective Gross Income	\$346,204	N/A	\$41,631	\$387,835
Operating Expenses				
Operating Expense ^{3/}	\$4.50	N/A	\$58	N/A
Tax Abatement		(\$20,522)		N/A
Total Operating Expenses	\$76,275	N/A	\$10,956	\$87,231
Stabilized Net Operating Income	\$269,929	N/A	\$30,676	\$300,605
Sales Velocity				
Annual Absorption	0	6	0	
Percent Preleased(Sold)	100%	30%	100%	
Escalation Rate				
Rent	2%	2%	2%	2%
Expenses	2%	2%	2%	2%

**CONSTRUCTION COSTS AND FINANCING ASSUMPTIONS
BLOCK 153 - OPTION L**

7/30/2003

	Retail	Condominiums	Parking	Total
FINANCING				
Stabilized Net Operating Income	\$269,929	N/A	\$30,676	\$300,605
Capitalization Rate	9.0%	9.0%	9.0%	9.0%
Estimated Project Value	\$2,999,208	\$43,533,574	\$340,842	\$46,873,624
Debt ^{4/}	\$518,213	\$30,518,078	\$1,879,967	\$33,023,116
Debt Service	\$40,538	\$2,387,329	\$147,064	\$195,961
Stabilized Cash Flow ^{5/}	\$229,391	N/A	-\$116,388	\$104,644
Required Equity	\$1,697,788	\$10,172,693	\$6,159,220	\$8,207,099
PERFORMANCE				
Value-to-Cost Ratio	1.35	1.07	0.04	0.31
Return on Initial Equity (Stabilized)	13.5%	68.3%	-1.9%	1.3%
Net Present Value				
8%	\$2,125,390	\$2,248,782	n/a	-\$6,463,038
10%	\$1,169,596	\$2,049,800	n/a	-\$6,899,054
12%	\$596,119	\$1,604,818	n/a	-\$7,160,663

1/ Leasible space expressed in square feet for office, in units for apartments, and in parking spaces for parking structure.

2/ Costs from Howard S. Wright Construction, which were for three years out, were deflated by 2% per year for three years to current dollars to make them consistent with the lease rates and expenses, which are in current-year dollars.

3/ Lease rates and recapture expressed per-square-foot per year for office, per unit per month for apartments, and per space per year for parking. See EXHIBIT 2.14 for derivation of parking revenues and expenses.

Operating expenses are per square foot per year for commercial, per unit per year for residential.

Sales price reflects the value of the tax abatement. See EXHIBIT 2.25 for average price per unit.

4/ Total debt calculated for whole project assuming maximum 75% loan-to-value ratio, maximum 75% loan-to-cost ratio, minimum 1.25 debt-coverage ratio. Pro rata share of debt allocated to each land use based on cost. Assumes interest rate of 6.0% and term of 25 years.

5/ Equals net operating income minus debt service.

Source: Howard S. Wright Construction, Thomas Hacker Architects, Integra Realty, and Hobson Ferrarini Associates

**PRO FORMA CASH FLOW ANALYSIS
BLOCK 153 - OPTION L**

8/11/2003

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Retail											
Income											
Gross Possible Income (GPI)	\$0	\$364,425	\$371,714	\$379,148	\$386,731	\$394,465	\$402,355	\$410,402	\$418,610	\$426,982	\$435,522
Less: Vacancy Allowance	\$0	\$18,221	\$18,586	\$18,957	\$19,337	\$19,723	\$20,118	\$20,520	\$20,930	\$21,349	\$21,776
Equals: Effective Gross Income (EGI)	\$0	\$346,204	\$353,128	\$360,190	\$367,394	\$374,742	\$382,237	\$389,882	\$397,679	\$405,633	\$413,746
Operating Expenses	\$0	\$76,275	\$77,801	\$79,357	\$80,944	\$82,563	\$84,214	\$85,898	\$87,616	\$89,368	\$91,156
Net Operating Income	\$0	\$269,929	\$275,327	\$280,834	\$286,451	\$292,180	\$298,023	\$303,984	\$310,063	\$316,265	\$322,590
Parking											
Income											
Gross Possible Income (GPI)	\$0	\$43,823	\$44,699	\$45,593	\$46,505	\$47,435	\$48,384	\$49,351	\$50,338	\$51,345	\$52,372
Less: Vacancy Allowance	\$0	\$2,191	\$2,235	\$2,280	\$2,325	\$2,372	\$2,419	\$2,468	\$2,517	\$2,567	\$2,619
Equals: Effective Gross Income (EGI)	\$0	\$41,631	\$42,464	\$43,313	\$44,180	\$45,063	\$45,964	\$46,884	\$47,821	\$48,778	\$49,753
Operating Expenses	\$0	\$10,956	\$11,175	\$11,398	\$11,626	\$11,859	\$12,096	\$12,338	\$12,585	\$12,836	\$13,093
Net Operating Income	\$0	\$30,676	\$31,289	\$31,915	\$32,553	\$33,204	\$33,869	\$34,546	\$35,237	\$35,942	\$36,660
Consolidated Cash Flows											
Combined Net Income	\$0	\$300,605	\$306,617	\$312,749	\$319,004	\$325,384	\$331,892	\$338,530	\$345,300	\$352,206	\$359,250
Debt Service	\$0	\$195,961	\$195,961	\$195,961	\$195,961	\$195,961	\$195,961	\$195,961	\$195,961	\$195,961	\$195,961
Net Cash Flow	\$0	\$104,644	\$110,656	\$116,788	\$123,043	\$129,423	\$135,931	\$142,569	\$149,339	\$156,245	\$163,289
Estimated Equity											
Estimated Property Value	\$0	\$3,340,051	\$3,406,852	\$3,474,989	\$3,544,488	\$3,615,378	\$3,687,686	\$3,761,439	\$3,836,668	\$3,913,402	\$3,991,670
Less: Loan Balance	\$2,505,038	\$2,603,573	\$2,576,845	\$2,548,379	\$2,518,062	\$2,485,776	\$2,451,390	\$2,414,770	\$2,375,769	\$2,334,233	\$2,289,997
Equals: Estimated Equity	\$43,096,103	\$736,477	\$830,007	\$926,610	\$1,026,426	\$1,129,603	\$1,236,296	\$1,346,670	\$1,460,900	\$1,579,169	\$1,701,673
Capital Expenses	\$10,712,137	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Loan Draws	\$2,505,038	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subsidies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Flow-Annual	-\$8,207,099	\$104,644	\$110,656	\$116,788	\$123,043	\$129,423	\$135,931	\$142,569	\$149,339	\$156,245	\$163,289
Return on Equity		1.28%	1.35%	1.42%	1.50%	1.58%	1.66%	1.74%	1.82%	1.90%	1.99%
Net Present Value	(\$4,692,037)										
Internal Rate of Return	-3.9%										

**DISTRIBUTION OF UNITS
BLOCK 153
OPTIONS J, L
8/11/2003**

	Option J				Option L			
	Studio	1 Bed	2 Bed	Total/ Average	Studio	1 Bed	2 Bed	Total/ Average
Condominiums - Units	17	79	57	153	23	109	81	213
Condominiums - Price	\$150,000	\$181,300	\$282,000	\$215,338	\$150,000	\$181,300	\$282,000	\$216,215
Market Rate Apartments - Units	0	0	0	0	0	0	0	0
Market Rate Apartments - Rent	\$670	\$950	\$1,300	\$0	\$670	\$950	\$1,300	\$0
Affordable Apartments - Units	0	0	0	0	0	0	0	0
Affordable Apartments - Rent	\$520	\$580	\$700	\$0	\$520	\$580	\$700	\$0

**DISTRIBUTION OF PARKING SPACES
BLOCK 153
OPTIONS J, L
8/11/2003**

	Option J				Option L			
	Condo		Public ^{1/}	Total/ Average	Condo		Public ^{1/}	Total/ Average
	Base	Extra			Base	Extra		
Total Spaces	153	0	33	186	190	0	0	190
Annual Revenue per Space	n/a	n/a	\$1,300	\$231	n/a	n/a	\$1,300	\$0
Operating Expenses per Space	n/a	n/a	\$325	\$58	n/a	n/a	\$325	\$0
Net Operating Income per Space	n/a	n/a	\$975	\$173	n/a	n/a	\$975	\$0

1/ Public space: Income potential is based on information from PSU.

CONSTRUCTION COSTS AND FINANCING ASSUMPTIONS

BLOCK 161 - OPTION E

8/11/2003

	Retail/ Service	FSU Space	Office	Parking	Total
PROGRAM SUMMARY					
Marketable Space ^{1/}	34,800	60,910	74,333	296	N/A
Gross S.F.	34,800	60,910	87,450	102,870	286,030
DEVELOPMENT COST					
Land Value	\$574,261	\$1,005,123	\$1,443,079	\$1,697,537	\$4,720,000
Development Costs ^{2/}					
Construction - Tower & Parking	\$3,054,402	\$4,327,150	\$8,308,830	\$6,646,354	\$22,336,736
Per Square Foot	\$87.77	\$71.04	\$95.01	\$64.61	\$78.09
Sitework, Frontage, Basement	\$146,847	\$257,024	\$369,016	\$434,084	\$1,206,972
Per Square Foot	\$4.22	\$4.22	\$4.22	\$4.22	\$4.22
Tenant Improvements	\$696,000	\$2,314,580	\$3,323,100	\$0	\$5,975,170
Per Square Foot	\$20.00	\$38.00	\$38.00	\$0.00	\$20.89
Total Hard Costs	\$3,897,249	\$6,898,754	\$12,000,946	\$7,080,439	\$29,518,877
Contingency (5%)	\$194,862	\$344,938	\$600,047	\$354,022	\$1,475,944
Soft Costs (30%)	\$1,169,000	\$2,070,000	\$3,600,000	\$2,124,000	\$8,856,000
Total Construction Cost	\$5,261,111	\$9,313,692	\$16,200,993	\$9,558,461	\$39,850,821
Total Project Cost	\$5,835,373	\$10,318,814	\$17,644,072	\$11,255,997	\$44,570,821
OPERATIONS					
Rental Income					
Lease Type	NNN	NNN	NNN	Gross	
Lease Rate/Sales Price ^{3/}	\$18.00	\$16.83	\$16.83	\$1,102	
Recapture of Operating Expense ^{3/}	\$3.50	\$3.50	\$3.50	\$0	
Vacancy Allowance	5%	5%	5%	5%	
Stabilized Effective Gross Income	\$710,790	\$1,176,385	\$1,435,621	\$309,900	\$3,632,696
Operating Expenses					
Operating Expense ^{3/}	\$4.50	\$4.50	\$4.50	\$29	N/A
Tax Abatement		(\$2.07)	(\$2.07)		N/A
Total Operating Expenses	\$156,600	\$148,011	\$180,628	\$8,450	\$493,689
Stabilized Net Operating Income	\$554,190	\$1,028,374	\$1,254,993	\$301,450	\$3,139,006
Sales Velocity					
Annual Absorption	0	0	0	0	
Percent Preleased	100%	100%	100%	100%	
Escalation Rate					
Rent	2%	2%	2%	2%	2%
Expenses	2%	2%	2%	2%	2%

CONSTRUCTION COSTS AND FINANCING ASSUMPTIONS

BLOCK 161 - OPTION E

8/11/2003

	Retail/ Service	PSU Space	Office	Parking	Total
FINANCING					
Stabilized Net Operating Income	\$554,190	\$1,028,374	\$1,254,993	\$301,450	\$3,139,006
Capitalization Rate	9.0%	9.0%	9.0%	9.0%	9.0%
Estimated Project Value	\$6,157,667	\$11,426,378	\$13,944,364	\$3,349,439	\$34,877,847
Debt ^{4/}	\$3,424,750	\$6,056,059	\$10,355,215	\$6,606,087	\$26,158,385
Debt Service	\$267,907	\$473,746	\$810,054	\$516,772	\$2,046,285
Stabilized Cash Flow ^{5/}	\$286,283	\$554,628	\$444,938	-\$215,323	\$1,092,722
Required Equity	\$2,410,623	\$4,262,755	\$7,288,857	\$4,649,910	\$18,412,436
PERFORMANCE					
Value-to-Cost Ratio	1.06	1.11	0.79	0.30	0.78
Return on Initial Equity (Stabilized)	11.9%	13.0%	6.1%	-4.6%	5.9%
Net Present Value					
8%	\$2,360,761	\$4,981,051	\$126,781	-\$8,238,627	-\$200,409
10%	\$1,167,915	\$2,670,099	\$5,561,728	-\$7,341,448	-\$4,753,416
12%	\$452,208	\$1,283,528	\$4,449,383	-\$6,803,140	-\$7,485,220

1/ Marketable space expressed in square feet for PSU retail and office, in units for apartments and condominiums, and in parking spaces for parking structure.

2/ Costs from Howard S. Wright Construction, which were for three years out, were deflated by 2% per year for three years to current dollars to make them consistent with the lease rates and expenses, which are in current-year dollars.

3/ Lease rates and recapture expressed per-square-foot per year for retail and office, per unit per month for apartments, and per space per year for parking. Condominium sale prices are listed per unit. See EXHIBIT 2.14 for derivation of parking revenues and expenses. at public parking facilities. Operating expenses are per square foot per year for commercial, per unit per year for residential.

4/ Total debt calculated for whole project assuming maximum 75% loan-to-value ratio, maximum 75% loan-to-cost ratio, minimum 1.25 debt-coverage ratio. Pro rata share of debt allocated to each land use based on cost. Assumes interest rate of 6.0% and term of 25 years.

5/ Equals net operating income minus debt service.

Source: Howard S. Wright Construction, Thomas Hacker Architects, Integra Realty, and Hobson Ferrarini Associates

**PRO FORMA CASH FLOW ANALYSIS
BLOCK 161 - OPTION E**

8/11/2003

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Retail/											
Income											
Gross Possible Income (GPI)	\$0	\$748,200	\$763,164	\$778,427	\$793,996	\$809,876	\$826,073	\$842,595	\$859,447	\$876,636	\$894,168
Less: Vacancy Allowance	\$0	\$37,410	\$38,158	\$38,921	\$39,700	\$40,494	\$41,304	\$42,130	\$42,972	\$43,832	\$44,708
Equals: Effective Gross Income (EGI)	\$0	\$710,790	\$725,006	\$739,506	\$754,296	\$769,382	\$784,770	\$800,465	\$816,474	\$832,804	\$849,460
Operating Expenses	\$0	\$156,600	\$159,732	\$162,927	\$166,185	\$169,509	\$172,899	\$176,357	\$179,884	\$183,482	\$187,151
Net Operating Income	\$0	\$554,190	\$565,274	\$576,579	\$588,111	\$599,873	\$611,871	\$624,108	\$636,590	\$649,322	\$662,308
PSU Space											
Income											
Gross Possible Income (GPI)	\$0	\$1,238,300	\$1,263,066	\$1,288,328	\$1,314,094	\$1,340,376	\$1,367,184	\$1,394,527	\$1,422,418	\$1,450,866	\$1,479,883
Less: Vacancy Allowance	\$0	\$61,915	\$63,153	\$64,416	\$65,705	\$67,019	\$68,359	\$69,726	\$71,121	\$72,543	\$73,994
Equals: Effective Gross Income (EGI)	\$0	\$1,176,385	\$1,199,913	\$1,223,911	\$1,248,389	\$1,273,357	\$1,298,824	\$1,324,801	\$1,351,297	\$1,378,323	\$1,405,889
Operating Expenses	\$0	\$148,011	\$150,972	\$153,991	\$157,071	\$160,212	\$163,416	\$166,685	\$170,018	\$173,419	\$176,887
Net Operating Income	\$0	\$1,028,374	\$1,048,941	\$1,069,920	\$1,091,319	\$1,113,145	\$1,135,408	\$1,158,116	\$1,181,278	\$1,204,904	\$1,229,002
Office											
Income											
Gross Possible Income (GPI)	\$0	\$1,511,180	\$1,541,403	\$1,572,231	\$1,603,676	\$1,635,750	\$1,668,465	\$1,701,834	\$1,735,870	\$1,770,588	\$1,806,000
Less: Vacancy Allowance	\$0	\$75,559	\$77,070	\$78,612	\$80,184	\$81,787	\$83,423	\$85,092	\$86,794	\$88,529	\$90,300
Equals: Effective Gross Income (EGI)	\$0	\$1,435,621	\$1,464,333	\$1,493,620	\$1,523,492	\$1,553,962	\$1,585,041	\$1,616,742	\$1,649,077	\$1,682,059	\$1,715,700
Operating Expenses	\$0	\$180,628	\$184,241	\$187,925	\$191,684	\$195,518	\$199,428	\$203,416	\$207,485	\$211,634	\$215,867
Net Operating Income	\$0	\$1,254,993	\$1,280,093	\$1,305,694	\$1,331,808	\$1,358,445	\$1,385,613	\$1,413,326	\$1,441,592	\$1,470,424	\$1,499,833

**PRO FORMA CASH FLOW ANALYSIS
BLOCK 161 - OPTION E
8/11/2003**

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Parking											
Income											
Gross Possible Income (GPI)	\$0	\$326,210	\$332,734	\$339,389	\$346,177	\$353,100	\$360,162	\$367,365	\$374,713	\$382,207	\$389,851
Less: Vacancy Allowance	\$0	\$16,311	\$16,637	\$16,969	\$17,309	\$17,655	\$18,008	\$18,368	\$18,736	\$19,110	\$19,493
Equals: Effective Gross Income (EGI)	\$0	\$309,900	\$316,097	\$322,419	\$328,868	\$335,445	\$342,154	\$348,997	\$355,977	\$363,097	\$370,359
Operating Expenses	\$0	\$8,450	\$8,619	\$8,791	\$8,967	\$9,147	\$9,329	\$9,516	\$9,706	\$9,901	\$10,099
Net Operating Income	\$0	\$301,450	\$307,478	\$313,628	\$319,901	\$326,299	\$332,825	\$339,481	\$346,271	\$353,196	\$360,260
Consolidated Cash Flows											
Combined Net Income	\$0	\$3,139,006	\$3,201,786	\$3,265,822	\$3,331,139	\$3,397,761	\$3,465,717	\$3,535,031	\$3,605,731	\$3,677,846	\$3,751,403
Debt Service	\$0	\$2,046,285	\$2,046,285	\$2,046,285	\$2,046,285	\$2,046,285	\$2,046,285	\$2,046,285	\$2,046,285	\$2,046,285	\$2,046,285
Net Cash Flow	\$0	\$1,092,722	\$1,155,502	\$1,219,537	\$1,284,854	\$1,351,477	\$1,419,432	\$1,488,746	\$1,559,447	\$1,631,561	\$1,705,118
Estimated Equity											
Estimated Property Value	\$0	\$34,877,847	\$35,575,404	\$36,286,912	\$37,012,650	\$37,752,903	\$38,507,962	\$39,278,121	\$40,063,683	\$40,864,957	\$41,682,256
Less: Loan Balance	\$26,158,385	\$25,681,604	\$25,176,215	\$24,640,504	\$24,072,649	\$23,470,724	\$22,832,682	\$22,156,359	\$21,439,456	\$20,679,538	\$19,874,026
Equals: Estimated Equity	\$18,412,436	\$9,196,243	\$10,399,189	\$11,646,408	\$12,940,001	\$14,282,180	\$15,675,279	\$17,121,762	\$18,624,228	\$20,185,419	\$21,808,230
Capital Expenses	\$44,570,821	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Loan Draws	\$26,158,385	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subsidies	\$12,948,828	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Flow-Annual	-\$5,463,608	\$1,092,722	\$1,155,502	\$1,219,537	\$1,284,854	\$1,351,477	\$1,419,432	\$1,488,746	\$1,559,447	\$1,631,561	\$1,705,118
Return on Equity		20.00%	21.15%	22.32%	23.52%	24.74%	25.98%	27.25%	28.54%	29.86%	31.21%
Net Present Value	\$12,590,408										
Internal Rate of Return	37.7%										

**DISTRIBUTION OF UNITS
BLOCK 161
OPTIONS A THROUGH D**

	Option A				Option B			
	Studio	1 Bed	2 Bed ^{1/}	Total/ Average	Studio	1 Bed	2 Bed ^{1/}	Total/ Average
Condominiums - Units	33	79	52	164	22	37	24	83
Condominiums - Price	\$150,000	\$181,300	\$282,000	\$206,931	\$150,000	\$181,300	\$282,000	\$202,122
Market Rate Apartments - Units	0	0	0	0	23	60	12	95
Market Rate Apartments - Rent	\$670	\$950	\$1,300		\$670	\$950	\$1,300	\$926

	Option C				Option D			
	Studio	1 Bed	2 Bed ^{1/}	Total/ Average	Studio	1 Bed	2 Bed ^{1/}	Total/ Average
Condominiums - Units	11	49	30	90	0	0	0	0
Condominiums - Price	\$150,000	\$181,300	\$282,000	\$211,041	\$150,000	\$181,300	\$282,000	\$0
Market Rate Apartments - Units	0	0	0	0	0	0	0	0
Market Rate Apartments - Rent	\$670	\$950	\$1,300	\$0	\$670	\$950	\$1,300	\$0

1/ Equals base price of \$269,500, plus \$12,500, reflecting expectation that half of buyers of two-bedroom units will buy an extra parking space for \$25,000.

**DISTRIBUTION OF PARKING SPACES
BLOCK 161
OPTIONS A THROUGH E
8/11/2003**

	Option A					Option B				
	Condo Base	Extra	Rented ^{2/}	Public ^{3/}	Total/ Average	Condo Base	Extra	Rented ^{2/}	Public ^{3/}	Total/ Average
Total Spaces	164	0	100	4	268	83	0	76	129	288
Annual Revenue per Space	n/a	n/a	\$1,083	\$1,300	\$424	n/a	n/a	\$1,083	\$1,300	\$868
Operating Expenses per Space	n/a	n/a	\$0	\$325	\$5	n/a	n/a	\$0	\$325	\$146
Net Operating Income per Space	n/a	n/a	\$1,083	\$975	\$419	n/a	n/a	\$1,083	\$975	\$723

	Option C					Option D				
	Condo Base	Extra ^{1/}	Office	Public ^{3/}	Total/ Average	Condo Base	Extra	Office ^{2/}	Public ^{3/}	Total/ Average
Total Spaces	90	15	69	102	276	0	0	221	34	255
Annual Revenue per Space	n/a	n/a	\$1,083	\$1,300	\$751	n/a	n/a	\$1,083	\$1,300	\$1,112
Operating Expenses per Space	n/a	n/a	\$0	\$325	\$120	n/a	n/a	\$0	\$325	\$43
Net Operating Income per Space	n/a	n/a	\$1,083	\$975	\$631	n/a	n/a	\$1,083	\$975	\$1,069

	Option E					Option E (Open Space)				
	Condo Base	Extra	Office ^{2/}	Public ^{3/}	Total/ Average	Condo Base	Extra	Office ^{2/}	Public ^{3/}	Total/ Average
Total Spaces	0	0	270	26	296	0	0	150	146	296
Annual Revenue per Space	n/a	n/a	\$1,083	\$1,300	\$1,102	n/a	n/a	\$1,083	\$1,300	\$1,190
Operating Expenses per Space	n/a	n/a	\$0	\$325	\$29	n/a	n/a	\$0	\$325	\$160
Net Operating Income per Space	n/a	n/a	\$1,083	\$975	\$1,074	n/a	n/a	\$1,083	\$975	\$1,030

2/ Revenue based on monthly rent of \$95 per space, less 5% vacancy allowance.

3/ Public space is leased to the general public. Income potential is based on information from PSU.

APPENDIX B
ALTERNATE OPTIONS

PROGRAM DESCRIPTION FOR OPTION 161A

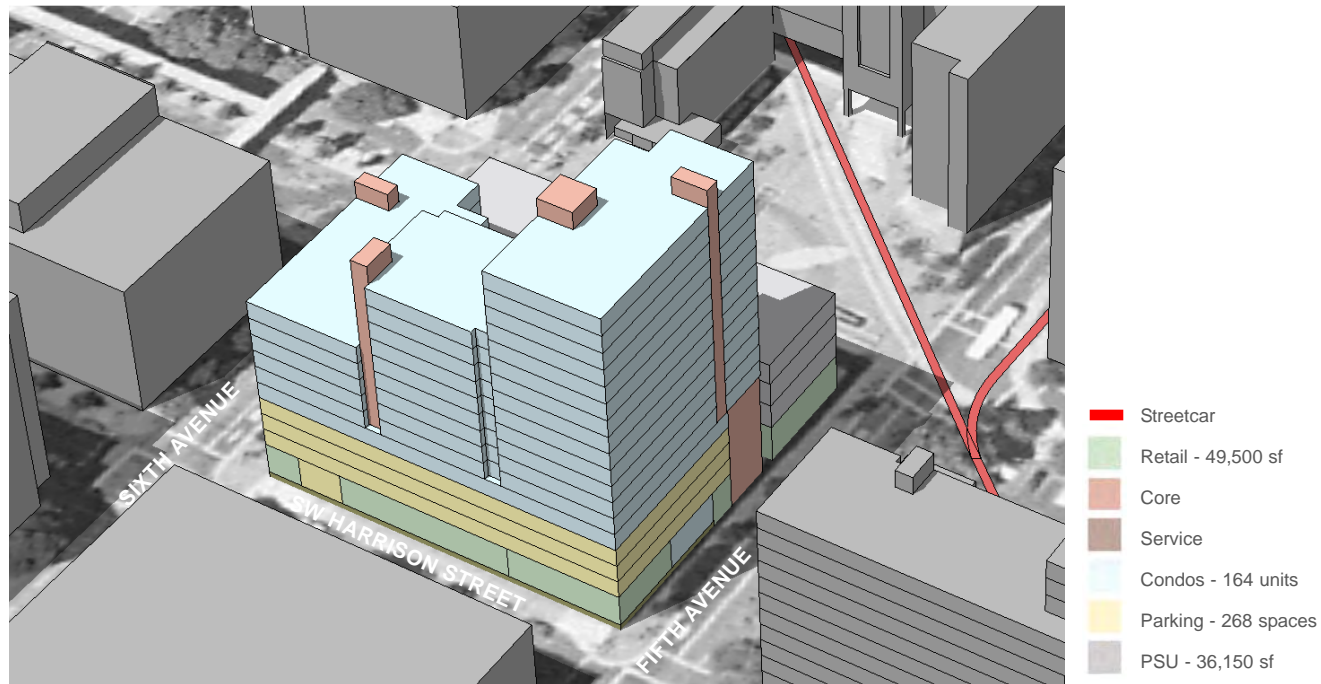
Option 161A is a nineteen story, 386,400 square foot mixed-use building facing the Urban Center Plaza.

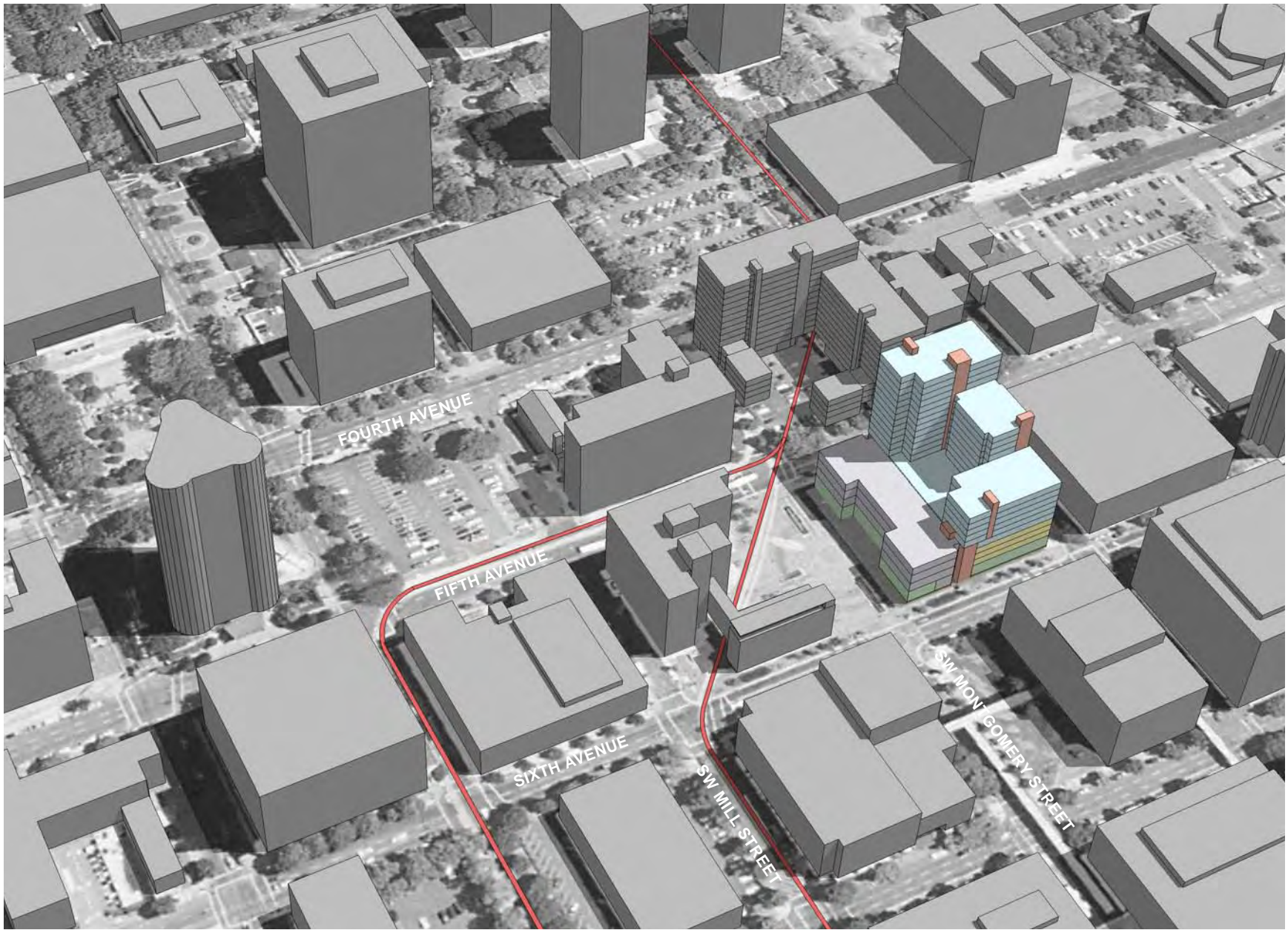
The first floor and lower level are occupied by a grocery store. While this would be a much needed amenity for the neighborhood, locating a grocery store adjacent to the Urban Center Plaza does not reinforce the urban design vision. An institutional space [preferably for PSU] should be located on the plaza to reinforce the institutional / public nature of this area. Additional retail space is located on Sixth Avenue. Service access for the grocery store and retail space is located on Harrison Street.

The northern portion of the building [facing the plaza] on levels 2-4 is occupied by 36,150 square feet of office space for PSU, which helps reinforce the institutional character of the Urban Center Plaza. The main entrance to this space, however, is on Sixth Avenue. The more ideal location for the entrance is from the Plaza, but the area occupied by the grocery store does not allow it. This option also does not provide any space for classrooms or a large auditorium for PSU, space which is much needed by the University.

Above grade parking, accessed from Harrison Street, is located on floors 2-5 on the south side of the block. The building provides 268 spaces, exceeding the requirement of 264 spaces for the retail space, PSU and condominiums.

164 condominiums occupy floors 6-19. There are [33] studio, [79] 1-bedroom and [52] 2-bedroom apartments. Each apartment has a view of the river, the west hills and/or the Plaza below. The condominiums will increase the residential population of the neighborhood, resulting in more activity during evenings and weekends.





Option 161A from the northwest

FEASIBILITY SUMMARY FOR OPTION 161A

Public Benefits

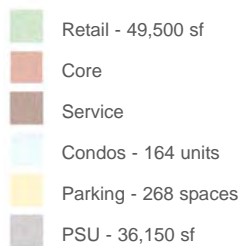
The public benefits for Option 161A are significant. The building will provide 43,000 square feet of academic space to accommodate PSU's planned expansion as well as 164 condominiums which will stimulate the retail market and stabilize the population base. Additionally, condominiums bring higher-income consumers to the area who have more discretionary income to purchase goods and services. Finally, new homeowners will move less often than the renters who dominate the area currently, creating more stability in the local population.

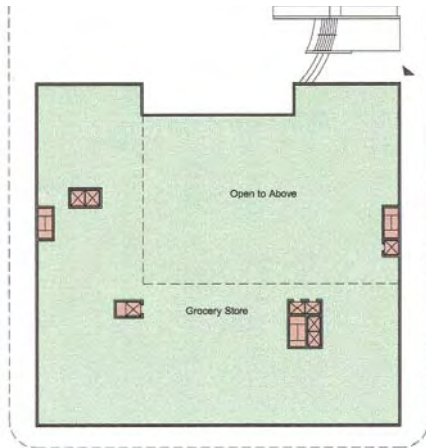
Financial Feasibility

Total Cost	\$50.3 million
Percent Private Financing	84% to 89%
Percent Gap Financing	
without tax abatement	16%
with tax abatement	11%

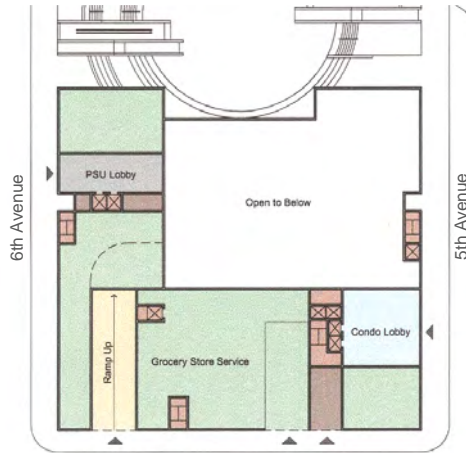
Market Feasibility

Option 161A is not recommended over 161E since it has condominiums rather than offices. Condominiums are more risky and an unproven product in this area.

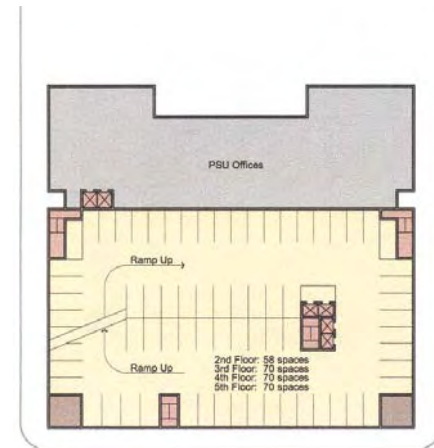




Lower Level



1st Floor



North: 2nd - 4th Floors
South: 2nd - 5th Floors



6th - 10th Floors



11th - 14th Floors



15th - 19th Floors

Option 161A plans

PROGRAM DESCRIPTION FOR OPTION 161B

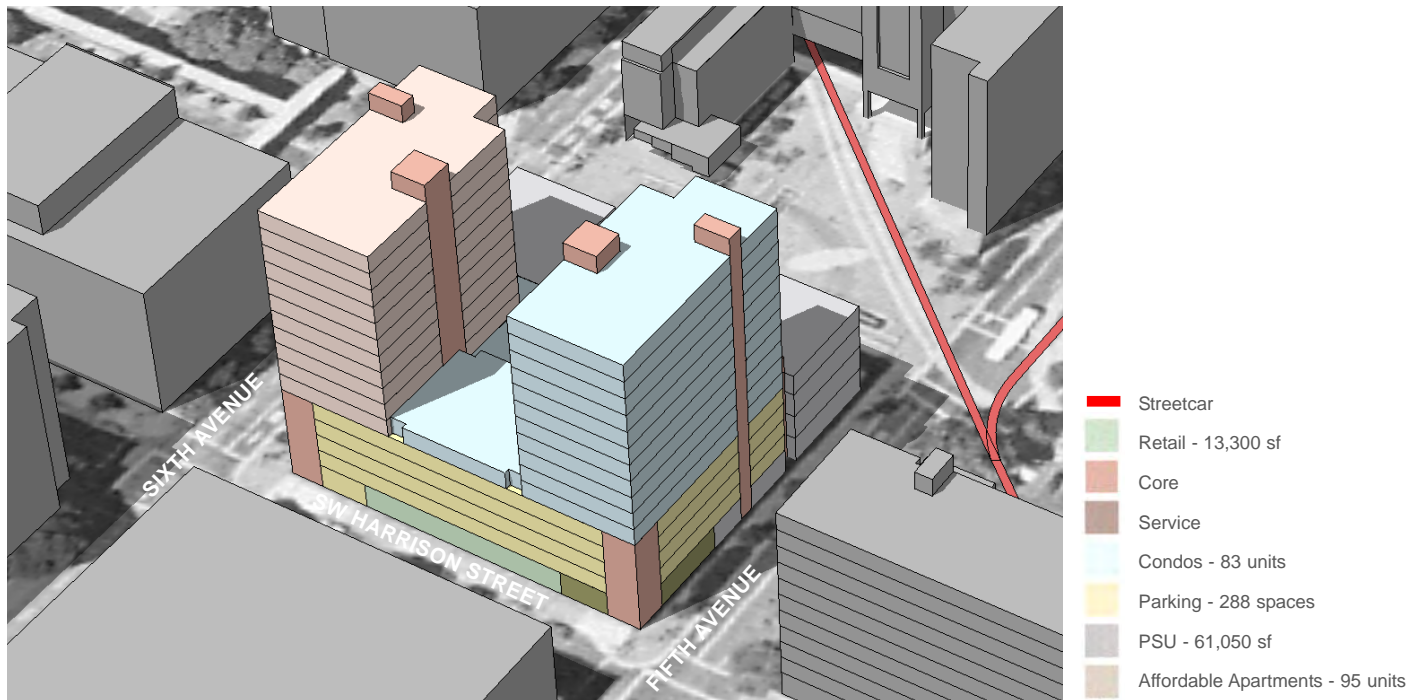
Option 161B is a seventeen story, 383,850 square foot mixed-use building facing the Urban Center Plaza.

The northern portion of the building [facing the plaza] is devoted exclusively to PSU, which reinforces the institutional character of the Urban Center Plaza and the surrounding neighborhood. The main entrance to PSU's space is located on the Plaza which further activates the plaza with institutional / public activity. The building provides 7,900 square feet for an auditorium for PSU on the first floor and 18,750 square feet for classrooms on the lower level. 34,400 square feet for PSU offices is on floors 2-4 facing the Urban Center Plaza.

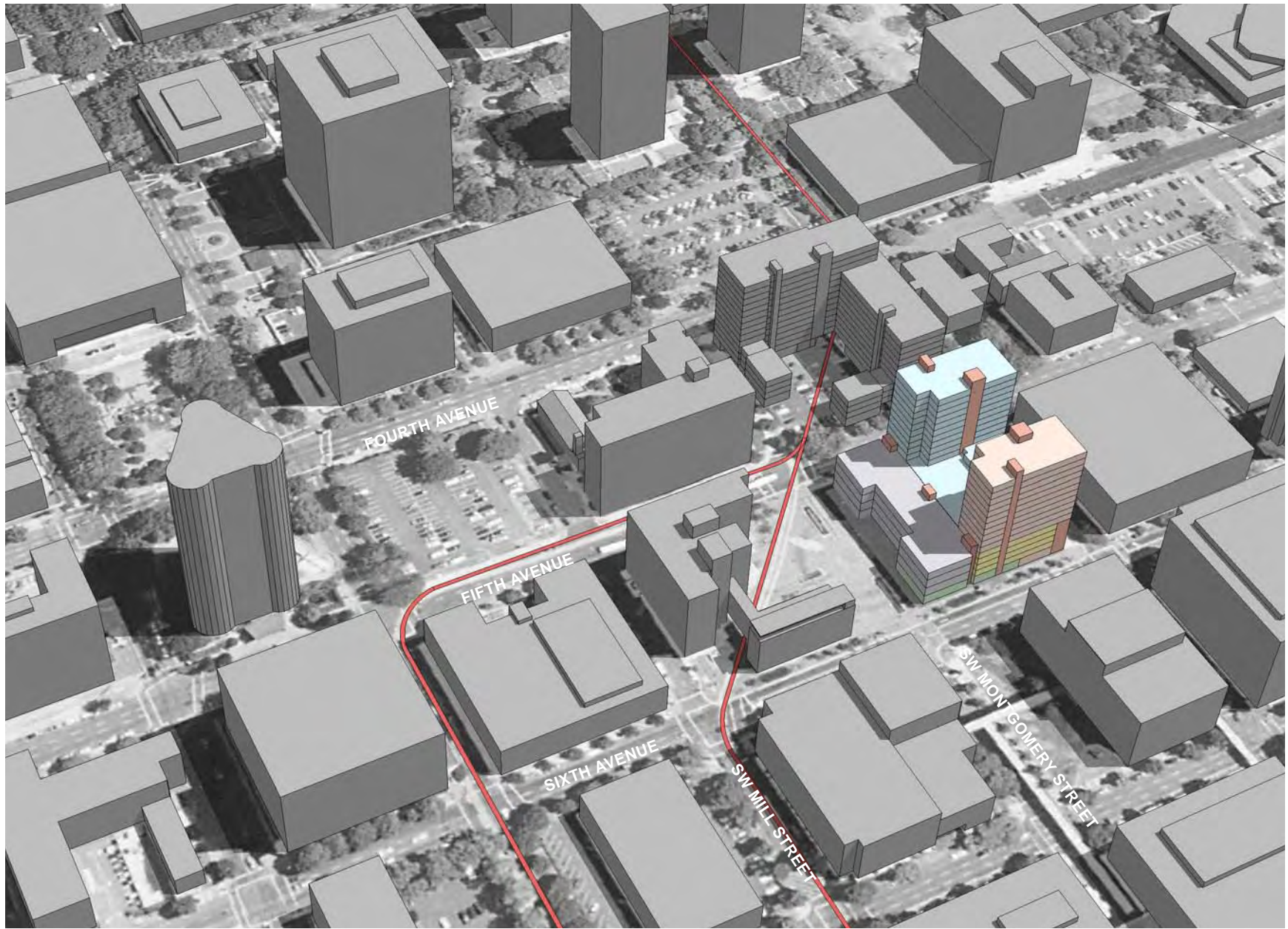
13,300 square feet of active ground floor retail faces Fifth and Sixth Avenues. On Fifth Avenue, the retail space is accessed from the northeast corner of the site and from the Urban Center Plaza. Due to the slope of the site, these retail spaces have extra tall ceilings. Retail space on Sixth Avenue is accessed along the entire length of the site.

Above grade parking, accessed from Harrison Street, is located on floors 2-5 on the south side of the block. The building provides 288 spaces. The retail space, PSU and the housing only require 159 spaces, leaving an additional 129 spaces that can be used as pay-parking.

83 condominiums occupy floors 6-17 in the east tower. There are [22] studio, [37] 1-bedroom and [24] 2-bedroom condos. 95 affordable apartments [rentals] occupy floors 6-17 in the west tower. There are [23] studio, [60] 1-bedroom and [12] 2-bedroom apartments. Each condo/apartment has a view of the river, the west hills and/or the Plaza below. The condominiums and apartments will increase the residential population of the neighborhood, resulting in more activity during evenings and weekends.



Option 161B from the southeast



Option 161B from the northeast

FEASIBILITY SUMMARY FOR OPTION 161B

Public Benefits

The public benefits for Option 161B are similar to 161A. The building will provide 61,050 square feet of academic space to accommodate PSU's planned expansion. It provides 83 condominiums and 95 affordable apartments which will stimulate the retail market and stabilize the population base.

Condominiums bring higher-income consumers to the area who have more discretionary income to purchase goods and services and new homeowners will move less often than the renters who dominate the area currently, creating more stability in the local population. It is not as strong an option as 161A in that half of the residential units are rentals, and renters typically have less discretionary income than homeowners.

Financial Feasibility

Total Cost	\$50.3 million
Percent Private Financing	73% to 79%
Percent Gap Financing	
without tax abatement	27%
with tax abatement	21%

Market Feasibility

Option 161B entails a similar market risk to Option 161A in that condominiums are a risky and an unproven product in this area. Additionally, 161B suffers because it includes rental housing and the apartment market is not as strong as the condominium market as is evidenced by above normal vacancy rates.

PROGRAM DESCRIPTION FOR OPTION 161D

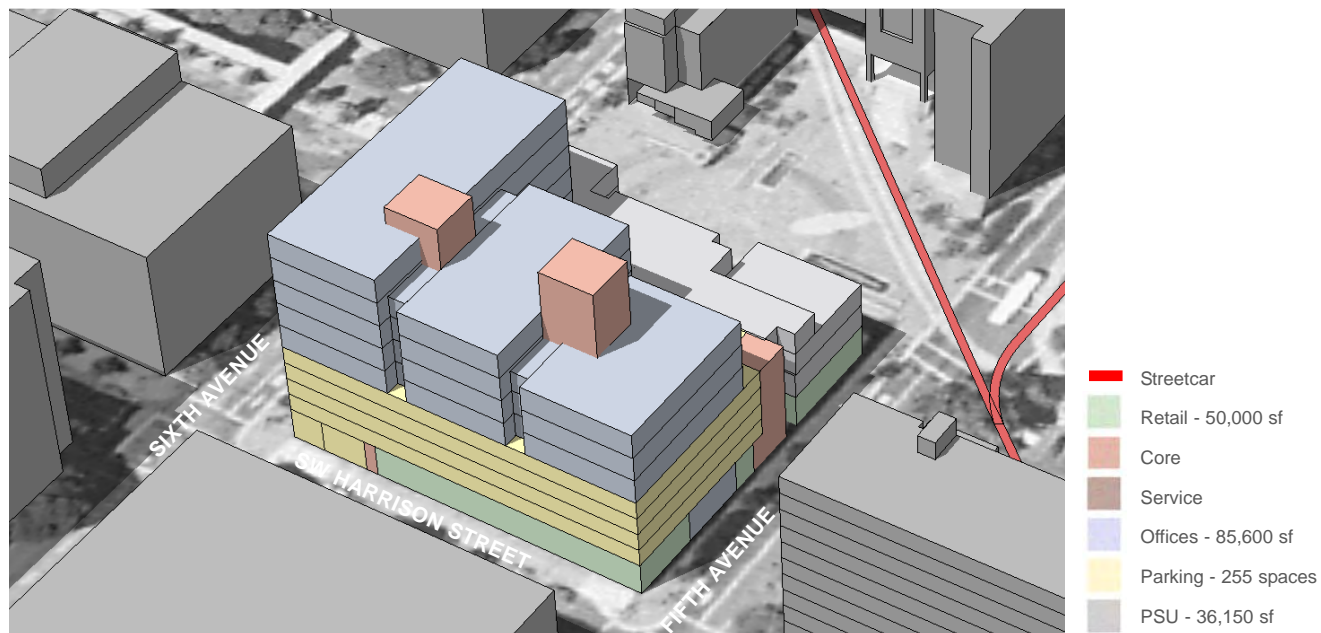
Option 161D a ten story, 293,000 square foot office building facing the Urban Center Plaza.

The first floor and lower level are occupied by a grocery store. While this would be a much needed amenity for the neighborhood, locating a grocery store adjacent to the Urban Center Plaza does not reinforce the urban design vision. An institutional space [preferably for PSU] should be located on the plaza to reinforce the institutional / public nature of this area. Additional retail space is located on Sixth Avenue. Service access for the grocery store and retail space is located on Harrison Street.

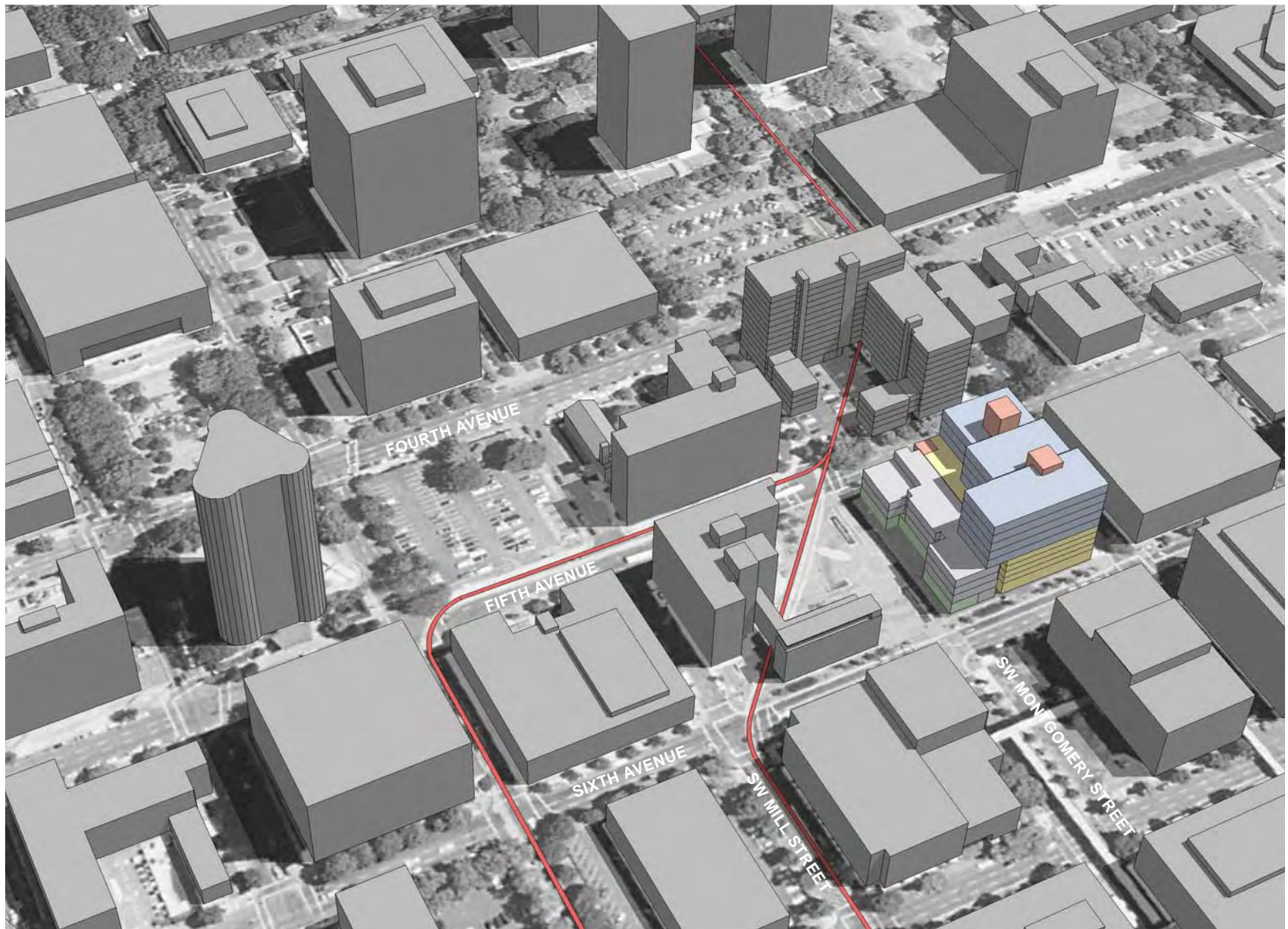
The northern portion of the building [facing the plaza] on levels 2-4 is occupied by 36,150 square feet of office space for PSU, which helps reinforce the institutional character of the Urban Center Plaza. The main entrance to this space, however, is on Sixth Avenue. The more ideal location for the entrance is from the Plaza, but the area occupied by the grocery store does not allow it. This option also does not provide any space for classrooms or a large auditorium for PSU, space which is much needed by the University

Above grade parking, accessed from Harrison Street, is located on floors 2-5 on the south side of the block. The building provides 255 spaces. The retail space, PSU and offices require 186 spaces, leaving an additional 69 spaces that can be used as pay-parking.

85,600 square feet of office space for the Portland Development Commission is located on floors 6-9. Three tower-like pieces compliment the scale of the Urban Center and reduce the mass of the building. Varying roof heights provide multiple opportunities for roof terraces from PSU's space and the offices.of the neighborhood, resulting in more activity during evenings and weekends.



Option 161D from the southeast



Option 161D from the northwest

FEASIBILITY SUMMARY FOR OPTION 161D

Public Benefits

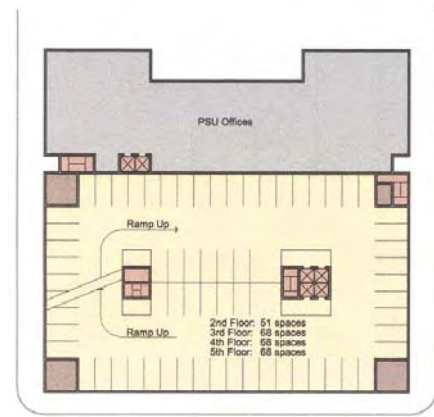
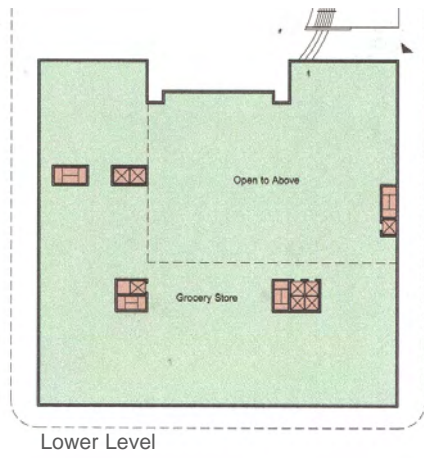
The public benefits associated with Option 161D are less than Options 161A and B. Option D provides significantly less academic space for PSU. Additionally, there is no residential development, which is desirable to create vitality during the evenings and on weekends.

Financial Feasibility

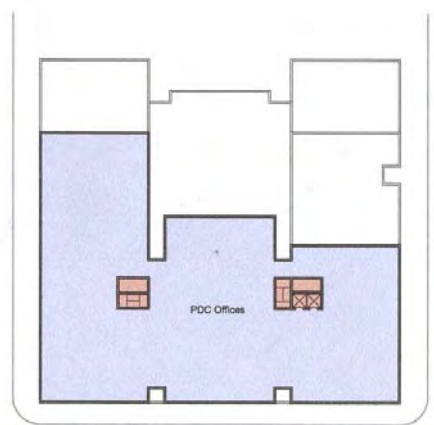
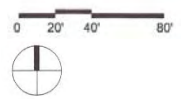
Total Cost	\$36.7 million
Percent Private Financing	67%
Percent Gap Financing	
without tax abatement	33%
with tax abatement	33%

Market Feasibility

This option is the same as Option 161E, except that this option has a grocery store instead of additional PSU space. As of the time of this study, a grocery store tenant could not be found. Otherwise, the market feasibility of this option is the same as 161E.



- Retail - 50,000 sf
- Core
- Service
- Offices - 85,600 sf
- Parking - 255 spaces
- PSU - 36,150 sf



Option 161D plans

PROGRAM DESCRIPTION FOR OPTION 153J

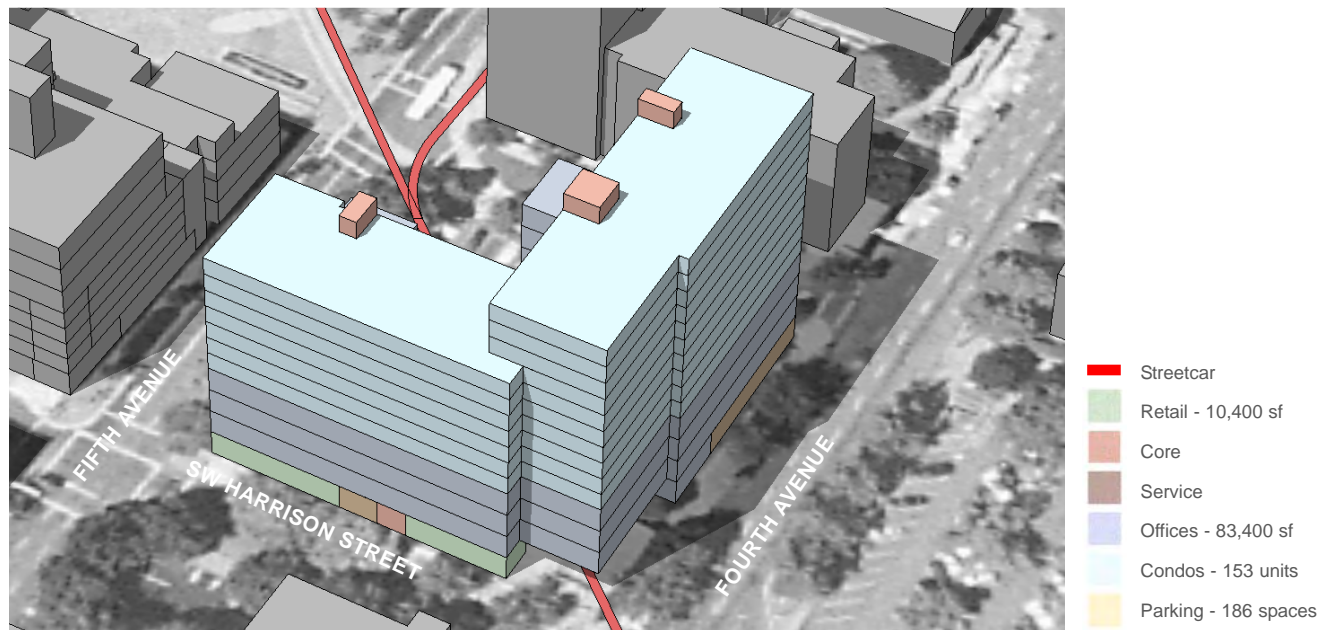
Option 153J is a L-shaped, fourteen story, 357,300 square foot condominium and office building spanning the streetcar tracks. The L-shaped plan of the building creates an intimately scaled courtyard that complements the larger Urban Center Plaza. Bus, streetcar and future light rail transportation are directly accessible from the site.

10,400 square feet of active ground floor retail faces Fifth Avenue, Harrison Street, Montgomery Street and the plaza at the center of the site. This retail space will complement the existing retail in the Urban Center and the diagonal alignment of the two sites will allow easy movement between the two shopping areas. Montgomery Street has been named a 'pedestrian connection' by the City of Portland's Central City Plan making retail space on this street a vital part of that connection. The street will have extra-wide sidewalks to accommodate outdoor cafes and larger numbers of pedestrians. On-street parking will provide easy access.

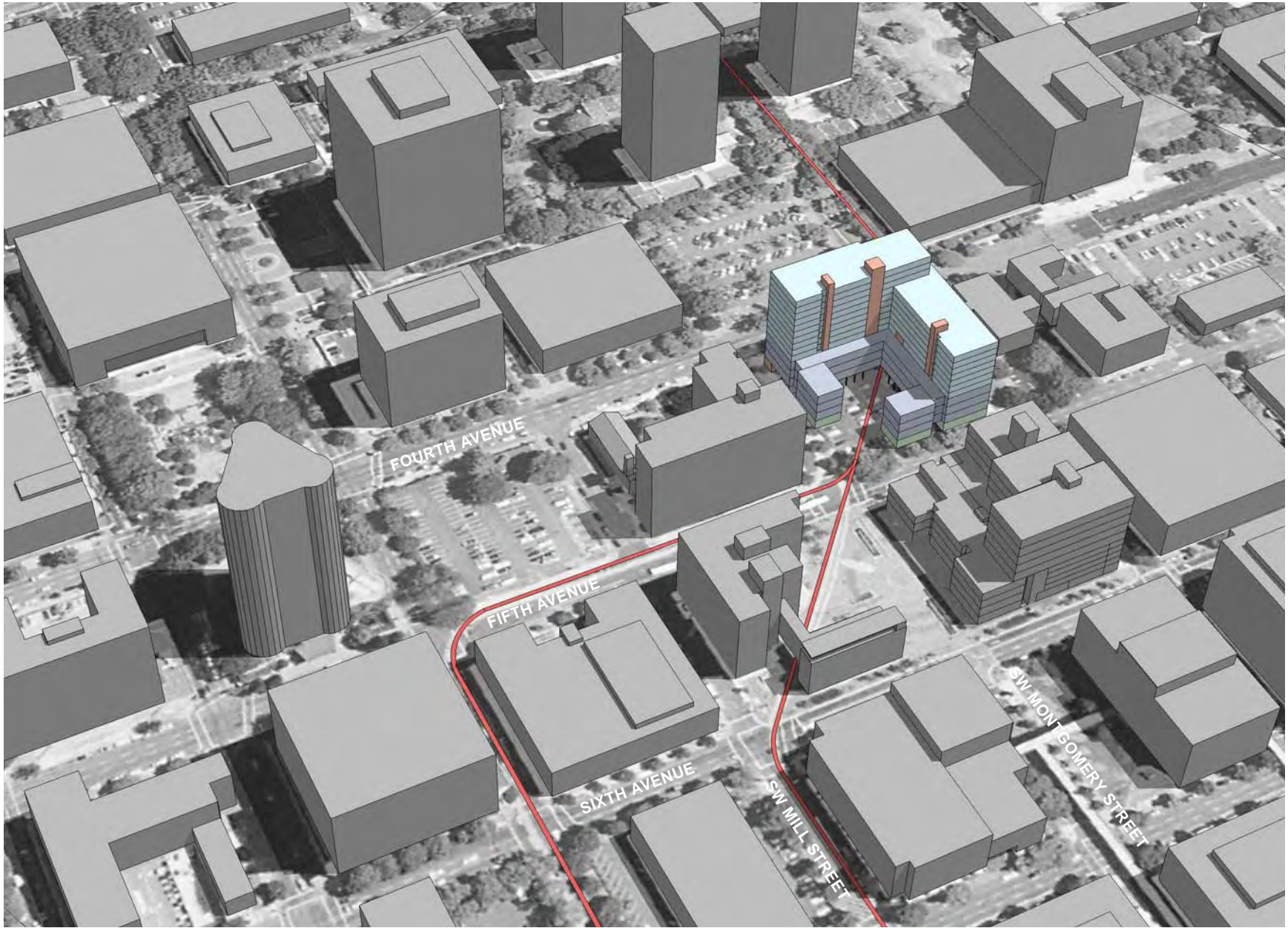
Two levels of below grade parking, accessed from Montgomery Street, provide 186 parking spaces for the condominiums. 237 parking spaces are required to accommodate the offices and condominiums, resulting in a deficit of 51 parking spaces.

There is 83,400 square feet of spec office space on floors 2-4. The entry to the office space is from Montgomery Street, contributing to the active pedestrian feel of the street.

153 condominiums occupy floors 5-14. There are [17] studio, [79] 1-bedroom and [57] 2-bedroom apartments. The condominiums will have views of the river, the west hills and/or the plaza below. The condominiums will increase the residential population of the neighborhood, resulting in more activity during evenings and weekends.



Option 153J from the southeast



Option 153J from the northwest

FEASIBILITY SUMMARY FOR OPTION 153J

Public Benefits

Option 153J brings 153 condominiums to the neighborhood, increasing the population base and activating the area at night and on weekends.

Financial Feasibility

Total Cost	\$51.8 million
Percent Private Financing	79% to 83%
Percent Gap Financing	
without tax abatement	21%
with tax abatement	17%

Market Feasibility

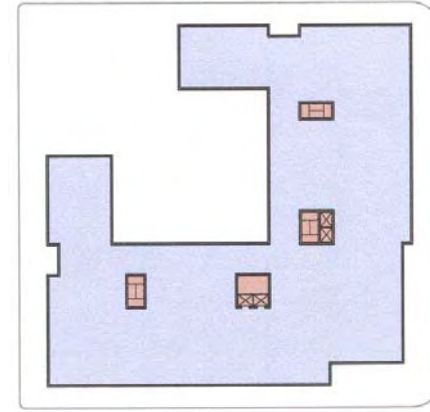
Option 153J suffers in that the market for office space is weaker than the market for condominiums.



Basement Plan



1st Floor



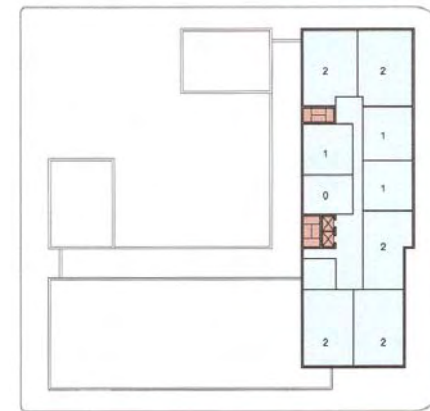
2nd Floor

- Retail - 10,400 sf
- Core
- Service
- Offices - 83,400 sf
- Condos - 153 units
- Parking - 186 spaces

0 20' 40' 80'



5th - 11th Floors



12th - 14th Floors

Option 153J plans