Central Gateway Redevelopment Strategy
Final Report

Prepared for

Portland Development Commission
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CITATION

Central Gateway Redevelopment Strategy, Final Report.
Prepared by Parametrix. July 2007.

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TABLE OF CONTENTS

EXECUTIVE SUMMARY **1**
VISION STATEMENT 1
CONSTRAINTS & OPPORTUNITIES 1
MARKET STUDIES 1
DESIGN CONCEPTS 2
IMPLEMENTATION STRATEGIES 2
PROJECT PURPOSE, STRUCTURE, & TIME FRAME 2
APPENDIX CONTENTS 3

VISION STATEMENT **4**

CONSTRAINTS **5**
INADEQUATE STREETS & INFRASTRUCTURE 5
ABSENCE OF LARGE & VACANT LAND PARCELS 5
LACKING SENSE OF PLACE 5

OPPORTUNITIES **6**
FLEXIBLE ZONING 6
LOCATION & ACCESS 6
102ND AVENUE STREET IMPROVEMENT PROJECT 6

MARKET STUDIES **7**
RESIDENTIAL MARKET STUDY FINDINGS 7
OFFICE MARKET STUDY FINDINGS 7
RETAIL MARKET STUDY FINDINGS 7

DESIGN CONCEPTS **8**
MARKET IMPLICATIONS OF DESIGN CONCEPTS 9

IMPLEMENTATION STRATEGIES **10**
A. RESOLVE STREET PLAN & FORM AREA-WIDE LOCAL IMPROVEMENT DISTRICT (LID) 11
B. PURSUE ACQUISITION OF PARK SITE 13

TABLE OF CONTENTS (CONTINUED)

C. CREATE WORKING AGREEMENTS WITH PUBLIC PARTNERS 15
D. PROVIDE TECHNICAL EXPERTISE & FACILITATE REDEVELOPMENT OPPORTUNITIES 17

PROJECT PURPOSE, STRUCTURE, & TIME FRAME 19

PROJECT MANAGEMENT TEAM 20
CITIZENS ADVISORY COMMITTEE 20
TECHNICAL ADVISORY COMMITTEE 20
PUBLIC OPEN HOUSES 20
SCHEDULE 21

EXECUTIVE SUMMARY

The Central Gateway Redevelopment Strategy was initiated by the Portland Development Commission (PDC) to create a vision and implementation strategy to guide the area's growth and development for the next 15 years.

Central Gateway is within the Gateway Urban Renewal Area (URA) and is roughly bounded by I-205 to the west, NE Glisan Street to the north, 102nd Avenue to the east, and SE Stark Street to the south.

The strategy is intended to build on previous planning and analysis, refine and update that work, and to ultimately stimulate private investment in Central Gateway.

This report is organized into the following sections:

Central Gateway within the Larger Gateway Urban Rewnewal Area

VISION STATEMENT

The vision statement articulated for Central Gateway will guide growth and development in the area for the next 10-15 years.

CONSTRAINTS & OPPORTUNITIES

The project team's background research and findings were crucial in arriving at a vision and implementation strategies. This section describes some of the issues facing Central Gateway.

MARKET STUDIES

This section summarizes market studies for residential, office, and retail uses in the Gateway area.

Central Gateway Project Area

DESIGN CONCEPTS

Two Design Concepts were drafted to address connectivity and open space challenges facing Central Gateway. This section describes the Design Concepts as well as the implications that these improvements coupled with parcel consolidation could have on the Central Gateway real estate market.

IMPLEMENTATION STRATEGIES

These strategies are the core of this report and will guide the PDC's Central Gateway efforts over the next five years. The project team has determined that the strategies will be the most effective means of encouraging redevelopment in Central Gateway. The strategies include:

- Resolve Street Plan and Form Area-Wide Local Improvement District (LID)
- Pursue Acquisition of Park Site
- Create Working Agreements with Public Partners
- Provide Technical Expertise & Facilitate Redevelopment Opportunities

Tax increment financing (TIF) is the tool PDC uses to fund many of its projects. However, in the Gateway URA, TIF funding is extremely limited. In light of these funding constraints, the implementation strategies described in this report depend upon:

- Leveraging all public expenditures, including TIF
- Emphasizing the importance of public/private partnerships
- Creating public/public partnerships for funding and implementation.

PROJECT PURPOSE, STRUCTURE, & TIME FRAME

This section describes the purpose of the project, team members involved, public outreach, and time frame of the Central Gateway Redevelopment Strategy.

APPENDIX CONTENTS

The following items can be found in the appendix:

A. Real Estate Market Studies for Office, Retail and Residential Uses
B. Strength, Weaknesses, Opportunities, and Threats (SWOT) Analysis
C. Design Concepts
D. Market Implications of Design Concepts
E. CAC, TAC, Open House Meeting Summaries

In the next ten years, Central Gateway will begin to emerge as a unique and sustainable district that provides a ***variety of jobs****, and offers* ***housing choices*** *serving a broad range of incomes. It will increasingly feature* ***high-quality buildings*** *and architecture, attractive* ***parks*** *and open spaces, and a comfortable, attractive, and efficient system of blocks and streets that include green street connections and easy access for pedestrians, bicycles, and motor vehicles. In order to implement the vision for Central Gateway, the PDC will seek to stimulate investment through innovative* ***public-private partnership*** *opportunities.*

Central Gateway links the Gateway Station subarea, which includes the bustling Gateway Transit Center, and Southern Triangle subarea, which includes civic activities, commercial services, and major employers. The 102nd Avenue and Burnside light rail station area anchors Central Gateway and will feature a mix of commercial and residential uses at urban densities. Gateway's most prominent and well-traveled streets form the southern, eastern, and northern edges, providing opportunities for offices and other employment and commercial uses that benefit from high visibility. On the west, 99th Avenue features a quieter, mixed-use setting with storefront retail activity at key intersections. The southern part of the area along I-205 has become a good location for uses that benefit from freeway visibility, while the "greening" of the northwestern edge has complemented that area's predominant residential character.

VISION STATEMENT

The Central Gateway Redevelopment Strategy project team worked with members of the general public and city staff to articulate a common, shared vision for Central Gateway. Input from the CAC was particularly instrumental in developing this vision statement, which is consistent with the vision of the larger Gateway URA. The Central Gateway vision statement forms the basis for implementation strategies.

CONSTRAINTS

To better understand issues facing Central Gateway, the project team reviewed existing plans and market studies, interviewed land owners and developers, and conducted multiple site tours. Following are the major issues that consistently rose to the top (see the Appendix B for more detail):

INADEQUATE STREETS & INFRASTRUCTURE

Perhaps no issue poses a greater challenge to redevelopment in Central Gateway than the lack of adequate streets and infrastructure. North of Burnside, there are no internal east-west streets. South of Burnside lacks sufficient north-south connectors, some streets are unpaved, and others end mid-block. Citizens and developers have both emphasized the importance of improving the Central Gateway street network.

MAX tracks at 99th Avenue

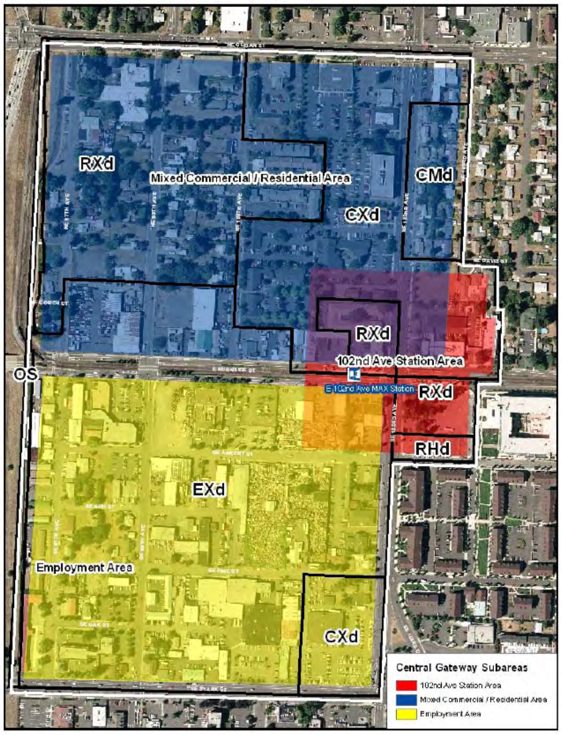
ABSENCE OF LARGE & VACANT LAND PARCELS

In addition to facing infrastructure challenges, there are very few large, vacant land parcels in Central Gateway. Developers have attempted to assemble properties, but high land prices and infrastructure costs, combined with modest potential rents, have meant that many projects don't make financial sense.

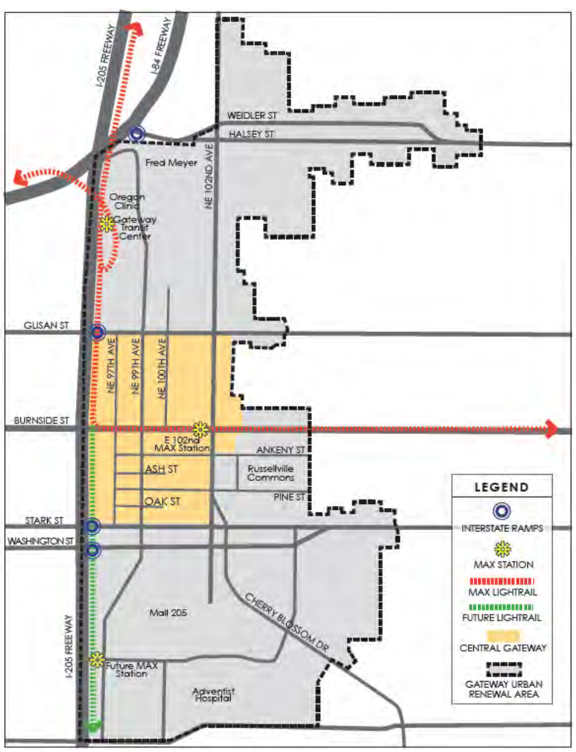
LACKING SENSE OF PLACE

Compounding the challenges with infrastructure and land assembly, there is a general perception that Central Gateway is unclean and unsafe. The presence of large, dirty sites is seen as a drag on the area's image. In order to affect positive change and encourage redevelopment, it is imperative to change the public perception of Central Gateway.

SE Pine Street



Central Gateway Zoning Classifications



Location and Access to the Larger Region

OPPORTUNITIES

FLEXIBLE ZONING

Zoning classifications in Central Gateway are some of the most flexible in Portland. Properties in Central Gateway are zoned one of the following:

- EX, Central Employment
- CX, Central Commercial
- CM, Central Commercial
- RX, Central Multi-Dwelling Residential
- RH, High Density Multi-Dwelling Residential

These zoning codes allow for development densities similar to what is found in Downtown Portland or the Hollywood District.

LOCATION & ACCESS

While Central Gateway suffers from a lack of through streets and paved streets within the district, access to the area is excellent. Central Gateway is adjacent to Interstate 205 and close to Interstate 84. One existing MAX line bisects the area and another future MAX line will be adjacent to Interstate 205. Glisan Street, 102nd Avenue, and Stark Street are major streets that provide access to the rest of the region.

102ND AVENUE STREET IMPROVEMENT PROJECT

The 102nd Avenue Street Improvement Project will improve 102nd Avenue from Weidler Street to Glisan Street by providing new sidewalks, bike lanes, street trees, and pedestrian scale lighting. While improvements to the portion of 102nd Avenue in Central Gateway from Glisan Street to Washington Street are currently unfunded, this project will make 102nd Avenue a safer and more attractive street for the entire Gateway community.

The implementation strategies developed as part of the Central Gateway project are intended to address constraints and accentuate opportunities to encourage positive change in the neighborhood.

MARKET STUDIES

Part of the Central Gateway Redevelopment Strategy involved conducting detailed market studies on residential, office, and retail uses. These studies, which are located in the appendices, evaluated the current and 10- to 15-year real estate market outlook for Central Gateway and the larger Gateway area.

RESIDENTIAL MARKET STUDY FINDINGS

There are **good near-term opportunities for residential development**. Gateway is an attractive place to build rental housing and owner housing up to the $250,000 price point. Beyond that, there are more attractive locations for residential development outside of Gateway.

OFFICE MARKET STUDY FINDINGS

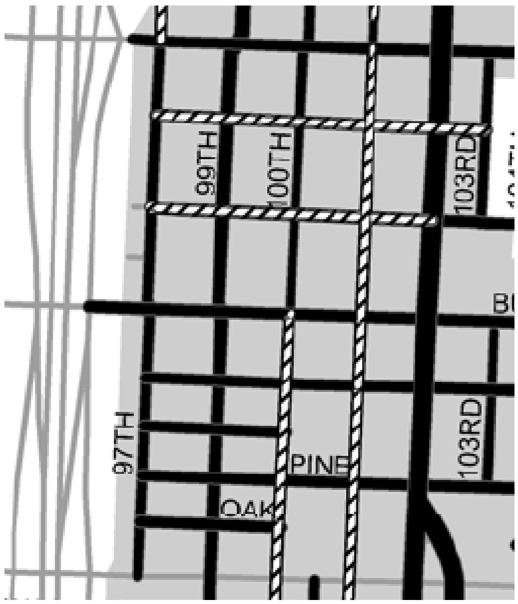
There are **limited near-term opportunities for office development, specifically neighborhood and medical office space**. The market for other office development will improve after other more attractive locations in East Portland become built-out (such as Clackamas and Cascade Station). Given current conditions, the market for Class A office space in Gateway is 8 to 10 years out.

RETAIL MARKET STUDY FINDINGS

There are **limited near-term opportunities for retail development, particularly furniture stores, specialty stores, and other small retailers**. As the residential market continues to produce housing, retail development opportunities will improve. Gateway will continue to be an attractive location for regional-serving retail (i.e., big box and urban/lifestyle oriented), but the supply of vacant land is very limited.

See the ‘Market Implications of Design Concepts’ section of this strategy for how public improvements can address some of Gateway’s real estate market shortcomings and accelerate the market for new development opportunities.

DESIGN CONCEPTS



Gateway Master Street Plan, Showing New Streets in Hashed Lines

There is an existing, adopted Gateway Master Street Plan that shows a grid of four streets north and south of Burnside in Central Gateway. However, it has proved difficult to implement on a case-by-case basis and it has always been understood that this plan was to ultimately be revised. The project team drafted two design concepts for Central Gateway that provide additional ideas on how to implement the conceptual street plan.

Both design concepts, which can be found in Appendix C, were developed to achieve the following:

- Promote connectivity
- Create a hierarchy of streets
- Institute a system of open spaces
- Create development “geometries” that maximize street frontages and access
- Enhance private development opportunities through public investment

These design concepts are intended to provide additional options on how connectivity and open spaces can aid in Central Gateway’s redevelopment. Both concepts include the following

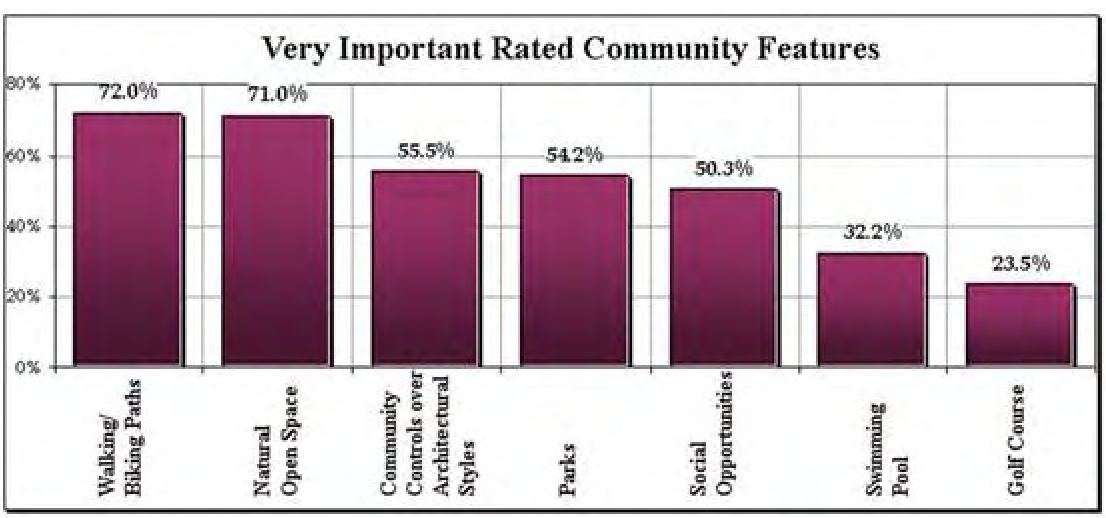
- Terminating 97th Avenue to through traffic;
- Creating “loop streets” in the southwest area that open up more land for development and increase freeway visibility to these areas;
- Creating a new SE 101st Avenue to provide connectivity to Central Gateway’s interior;
- Providing east-west connectors in the northern area.

MARKET IMPLICATIONS OF DESIGN CONCEPTS

The design concepts, which include new streets and a sizable park, have positive implications for redevelopment in Central Gateway, both in place-making and profitability.

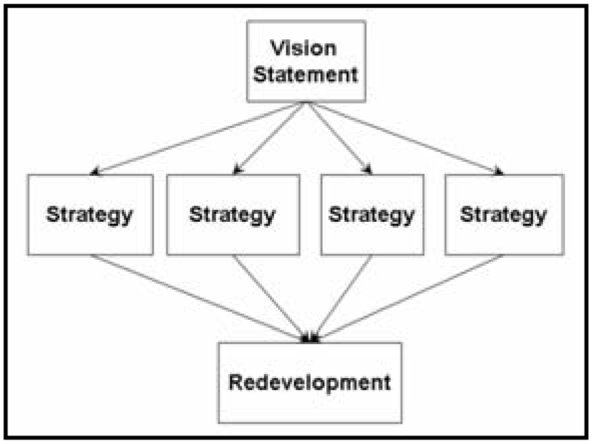
With significant improvements in visibility, accessibility, and a generally more attractive environment, Central Gateway will be able to compete with other market areas that were previously more desirable. For example, market research suggests that residences adjacent to a park could are 20 percent more valuable than those that are not. Retail opportunities in Central Gateway will improve with more residents, greater incomes, and a better quality environment. Finally, the market for office uses will strengthen, as Central Gateway becomes a more attractive place for constructing office space.

The combination of infrastructure improvements with parcel consolidation benefits developers, who have more control, less risk, and potentially higher profits; land owners, who will have higher land values; and the community, which will benefit from a better quality environment. The market implications from implementing the design concepts can be found in Appendix D.



Parks, pedestrian paths, and green space increase the marketability of homes

IMPLEMENTATION STRATEGIES



The project team has proposed several implementation strategies with the intent of helping the Central Gateway vision become a reality. These implementation strategies require PDC commitment, coordination among City of Portland bureaus, Multnomah County, Metro, and citizen support.

As mentioned, TIF funding is extremely limited in the Gateway URA. In order for the implementation strategies described in the Central Gateway Redevelopment Strategy to be successful, PDC and its partners must:

- Leverage all public expenditures, including TIF
- Emphasize the importance of public/private partnerships
- Create public/public partnerships for funding and implementation.

The implementation strategies described in this report provide direction and strategy for the PDC and the Central Gateway community.

Each recommendation includes a description of:

- Who is responsible
- Time frame
- Estimated cost
- Goal of the strategy
- Background
- Action plan

The following strategies are described further:

A. Resolve Street Plan and Form Area-Wide Local Improvement District (LID)
B. Pursue Acquisition of Park Site
C. Create Working Agreements with Public Partners
D. Provide Technical Expertise & Facilitate Redevelopment Opportunities

A. Resolve Street Plan & Form Area-Wide Local Improvement District (LID)

Responsibility

PDC, PDOT, Street Plan Stakeholder Advisory Committee

Time Frame

Year 1: Refine implementation of street plan, frame the LID effort, begin outreach.

Year 2: Continue public outreach, begin forming LID, evaluate costs.

Year 3: Issue bonds

Estimated Cost

Staff time, $150,000 for consultant team with LID specialist, potential general fund bridge loan.

Tax increment financing (TIF) is expected to contribute only a portion of the LID costs. There is an expectation that a variety of other funding sources (public and private) will be necessary to implement the LID.

Goal

Increase connectivity in Central Gateway, provide greater certainty to developers about street requirements, and open up parcels to redevelopment.

Background

The area-wide LID concept enjoys support from the general public (including property owners and developers who have been involved with the Redevelopment Strategy) and could prove to be an innovative funding mechanism. Before forming an area-wide LID, however, there needs to be resolution of the street plan for Central Gateway.

Action Plan:

1. PDC work with Portland Department of Transportation (PDOT) staff to begin

Did you know...

LIDs have recently been used in Portland to improve NW 13th Avenue in the Pearl and many street segments in the Lents Urban Renewal Area.

Unimproved Street in Central Gateway

Did you know...

The purchase of a real estate option allows a private or public party to have first right of refusal on the future sale of a property.

developing a unified street plan and LID formation and procedure.

2. Form Street Plan Stakeholder Advisory Committee (PDC, PDOT, TriMet, Bureau of Environmental Services, Planning Bureau, Parks Bureau, Water Bureau, developers, property owners) to lead new street plan effort.
3. Once there is resolution on the street alignment/street plan issue, refine street locations and concepts and identify costs for implementation.
4. Retain consulting team to initiate formation of LID and determine private costs and public match.
5. Identify priority parcels that meet one or more of the following criteria:
    - Parcels key to streets and parks
    - Parcels offering access to critical sites
    - Parcels that have a negative impact on the area
    - Parcels that could lead to public/private partnership opportunities
6. Purchase and/or take options on these priority parcels.

B. Pursue Acquisition of Park Site

Responsibility

PDC, Parks Bureau

Time Frame

Year 1: Meet with Parks to confirm availability of system development charge (SDC) funds; discuss acquisition with property owner (include interested developer); consider purchase of option on priority site.

Years 2-3: Acquisition

Estimated Cost

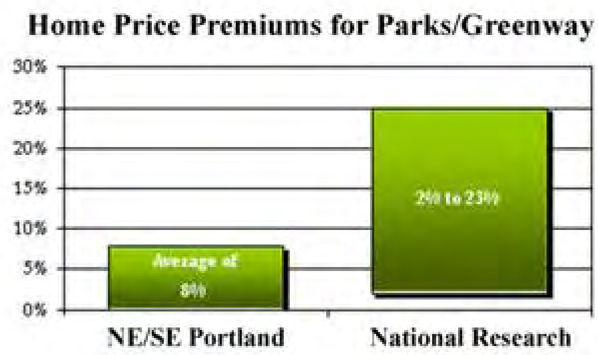
Staff time, $15,000 for consulting time, parks SDC funds, TIF revenue, Metro parks bond funding

Goal

Leverage Parks Bureau SDC funds with other public and private sources of money to purchase large site in Central Gateway for a park and other uses.

Background

Parks has shown continuous strong interest in the Gateway area. In November 2004, Parks completed the *Park Acquisition and Development in the Gateway Urban Renewal Area*, which recommends parks be used as catalysts to spur redevelopment in the area. Recent discussions with Parks staff have indicated that they are willing to explore using SDC funds to assist in park acquisitions in Central Gateway. A potential site for park acquisition has been identified, and the Design Concepts created as part of the Redevelopment Strategy reflect how this site could accommodate multiple uses. The site is large enough to accommodate a 3-acre park and a 1.5-acre redevelopment site for medical or other office uses. Replacing the existing office space with a new building will help defray site costs, maintains



A 2001 survey by the National Association of Realtors found at least 50% of homebuyers are willing to pay a 10% premium to be near a park or green space.

Did you know...

Market studies suggest that residences adjacent to a park are 20 percent more valuable than comparable homes that are not.

Source: Ferrarini & Associates

Central Gateway jobs, and makes site redevelopment more financially feasible.

Action Plan

1. PDC meet with Parks Bureau to confirm availability of FY 2007-2008 parks SDC funding.
2. Continue discussions with owner of parcel on 102nd Avenue that has been identified as potential parks site.
3. Bring developer into discussion about acquisition.
4. Retain consultant for strategic consultation on phasing and redevelopment of site.
5. Purchase option on key sites for park acquisition.

C. Create Working Agreements with Public Partners

Responsibility

PDC, TriMet, Metro, Bureau of Parks, Planning Bureau, PDOT, Bureau of Environmental Services, Bureau of Development Services

Time Frame

Ongoing

Estimated Cost

Staff time

Goal

Engage public partners in addressing issues identified in this report, with the ultimate intent of bringing other public and private sources to Central Gateway. Continue momentum generated by Central Gateway Redevelopment Strategy.

Background

The PDC has very little funds to purchase property and implement the some of the recommendations listed in this strategy. However, it is important to the Gateway community that issues facing the community continue to be "front burner" items for public agencies and that agency staff are committed to affecting change in the neighborhood.

Action Plan

1. Continue regular, quarterly Gateway Technical Advisory Committee (TAC) meetings, with a portion of each meeting devoted to Central Gateway efforts.
2. Establish Central Gateway Implementation Committee, comprised of TAC members and others, as appropriate, to meet on a monthly basis.

3. Confirm working relations with other public partners to address common goals in Central Gateway, including
   - Work with PDOT staff and others on Street Plan Advisory Committee (Parks, BES, Planning Bureau, TriMet, Metro) to address street plan implementation and creation of area-wide LID.
   - Work with Parks Bureau staff on acquisition of site for park space, available SDC funding, potential private partners, and other available sources.
   - Work with Metro staff on Transit Oriented Development (TOD) area funding (including Centers Investment Program) around the E 102nd Avenue MAX station. Metro is most interested in residential or mixed-use projects, as associated density increases can result in a measurable increase in transit ridership. Projects with potential as redevelopment catalysts are given higher priority. Currently, no TOD funds have been expended in Metro's District 6, which covers Central Gateway.

? ***Did you know…***

Metro has used Centers Investment Program funds in the past to purchase property and land bank, as was done in Hillsboro (Main Street Bank) and Beaverton (Westgate Theater property). Metro also provides grants and loans to developers, such as the Crossings project in Gresham.

D. Provide Technical Expertise & Facilitate Redevelopment Opportunities

> ***Did you know...***
>
> **Given current zoning, developing a ¼-acre site in Central Gateway could allow for 18 parking spaces and 4,000 square feet of commercial space.**
>
> **On the other hand, developing a one-acre site could result in 114 parking spaces, 20,000 square feet of commercial space and 95 residences.**
>
> ***Source: Ferrarini & Associates***

Responsibility

PDC, property owners, private development interests

Time Frame

Ongoing

Estimated Cost

Staff time, approximately $12,000 per Development Opportunity Services (DOS) grant

Goal

Provide property owners in Central Gateway with the resources they need to better understand benefits of redeveloping their property, ownership options, and consolidation benefits.

Background

Work done over the course of this project found that if individual property owners consolidate their parcels with other owners, there is a shared redevelopment cost, lower risk, and the potential for higher financial return. There are a number of tools and mechanisms available to Central Gateway property owners to pursue redevelopment both individually and with other property owners and developers. PDC can provide technical assistance on structuring these joint development options.

The PDC's DOS program, which provides reimbursement for pre-development studies, can assist property owners realize the redevelopment potential of their parcels. Several sites (both individual parcels and groups of properties) have been identified as potential recipients of DOS grants and are listed below in the action plan.

Catalyst site opportunities
A - Potential DOS Grants
B - Potential Multi-Owner DOS grants
C – Salvage Yards
D – PDC/Multnomah County Property

Action Plan

1. Maintain contact with developers, institutions, and property owners contacted over the course of this project.
2. Put property owners in touch with interested developers for joint partnership opportunities.
3. Continue discussions with and provide tours to developers about area opportunities.
4. Provide information on tax opportunities (i.e., 1031 exchange) and other implications from redevelopment.
5. Encourage individual property, owner-initiated DOS grants, (at least three, 'A' on map)
   - Corner of 99th Avenue & Burnside, west side of SE 97th Avenue.
6. Encourage multiple property owner, PDC-initiated DOS grants (at least two, 'B' on map)
   - Coordinating with landowners on development concepts, ownership options, and potential revenue.
   - Blocks between SE 97th & SE 99th Avenues.
   - SW corner of 102nd Avenue & Burnside Street (including possibility of Metro funding).
7. Active discussions with owners of salvage yards ('C' on map)
   - Communicate range of alternatives available to these owners, including partnering opportunities and ownership options.
8. Active discussions with Multnomah County about Children's Receiving Center Site and adjacent PDC-owned parcel ('D' on map)
9. Regularly track "for sale" properties in Central Gateway. Initiate discussions with private development interests about potential acquisitions.

?

Did you know…

Developers are interested in Central Gateway and have had success in the area.

Just across 102nd Avenue from Central Gateway, Russellville Commons is a three-phased, 600-residential unit project. It won Builder Magazine's 2000 Builder's Choice Design Merit Award.

Phase 3 of Russellville Commons is sited at the SW corner of 102nd Avenue and Burnside Street and is slated to be a three- to four-story mixed-use project with medical offices, senior living facilities, and underground parking.

Source: www.rembold.com

?

Did you know…

The Oregon Constitution ensures that public agencies can only use eminent domain to acquire property for public purposes, such as parks or streets.

Eminent domain cannot be used in Oregon by a public body to transfer property to a private developer.

PROJECT PURPOSE, STRUCTURE, & TIME FRAME

The Central Gateway Redevelopment Strategy is intended to build on previous strategic planning and analytical work that has been done in the area, to refine and update that work as needed, and to ultimately stimulate private investment and move planning goals forward into implementation.

Metro designated Gateway as one of the region's eight Regional Centers in 1994. This designation set the stage for implementation work by the City of Portland that will transform the area into a vibrant, high density, mixed-use residential and commercial area that provides easy mobility and options for transportation. Subsequently, the Portland City Council adopted the Gateway Regional Center Urban Renewal Plan in June 2001.

Visioning work done by the PDC and the Gateway community greatly informed the goals of the Urban Renewal Area (URA), as captured in the Opportunity Gateway Concept Plan and Redevelopment Strategy. This document, authored in large part by members of the Gateway Program Advisory Committee, outlines a twenty-year vision for the intensification of commercial and residential uses in the Regional Center, accompanied by upgrading and creating civic and public infrastructure, like streets and open space. This vision also recognizes the opportunity presented by the Central Gateway area, drawing attention to the sub-district's large quantity of underdeveloped land, close proximity to one of Gateway's two light rail stations, and generous zoning allowing a wide variety of uses.

The Central Gateway Redevelopment Strategy takes particular focus on the area formerly known as Prunedale. This strategy is intended to guide PDC's efforts in Central Gateway for the next five years, using all available tools and funding to encourage redevelopment in the area.

PROJECT MANAGEMENT TEAM

The Project Management Team (PMT) for the Central Gateway Redevelopment Strategy consists of PDC staff and a consulting team of staff from Parametrix, StastnyBrun Architects, The Farkas Group, and Ferrarini and Associates.

CITIZENS ADVISORY COMMITTEE

The Citizens Advisory Committee (CAC) consists of community stakeholders who met six times over the course of the project to review, participate, and comment on the work of the project team. CAC members were asked to review the project scope and schedule, comment on background analyses and market studies, participate in the articulation of a vision for Central Gateway, participate in the creation of a strategy that implements the vision, and review and endorse this report, the final strategy document.

TECHNICAL ADVISORY COMMITTEE

The Technical Advisory Committee (TAC) consists of representatives from city and regional government agencies, including:

- Portland Bureau of Planning
- Portland Bureau of Environmental Services
- Portland Bureau of Parks and Recreation
- Portland Department of Transportation
- TriMet
- Metro

The TAC met seven times over the course of the project, generally one week after the CAC meeting. TAC members were asked to review work products and to provide a voice for their respective agency.

PUBLIC OPEN HOUSES

Members of the general public were invited to two project Open Houses. The first Open House was held on Tuesday, September 19 at the East Portland Community Center. Approximately 50 people were in attendance. They were asked to comment on the draft vision for Central Gateway and to identify potential sites for catalyst infrastructure and development projects.

The second Open House was held on Tuesday, February 20 at the Floyd Light Middle School Library. Approximately 75 people attended the event. They provided feedback on Design Concepts for Central Gateway and commented on the draft implementation strategies (see Appendix E for open house summaries).

SCHEDULE

The Central Gateway Redevelopment Strategy began in April 2006 and will conclude in May 2007.

Central Gateway Redevelopment Strategy
Appendices

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Portland Development Commission
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Prepared by Parametrix. July 2007.

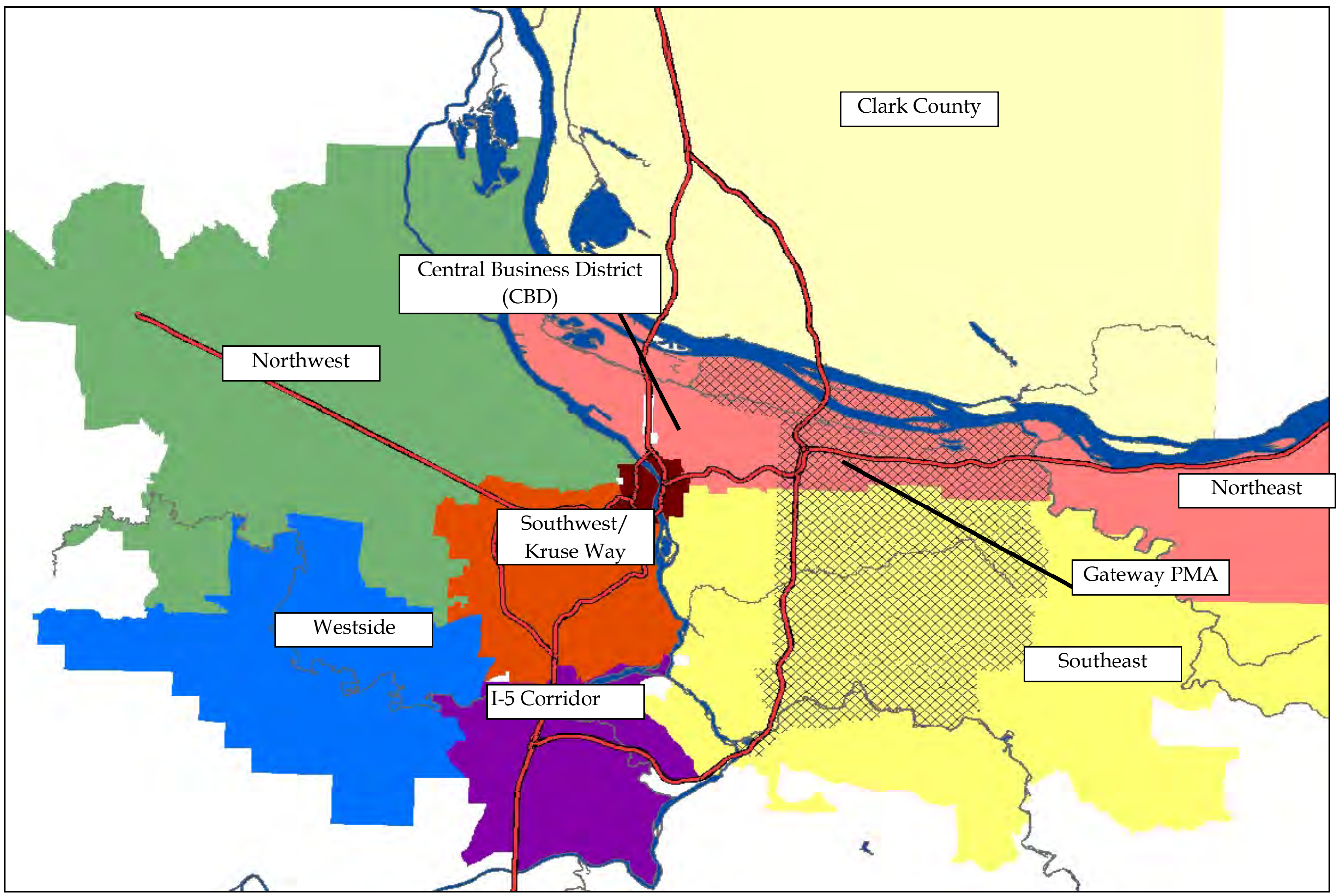
APPENDIX A

Real Estate Market Studies for Office, Retail and Residential Uses

This appendix includes market studies for office, retail and residential uses in Central Gateway and the larger Gateway area. These studies were conducted in the summer and fall of 2006 by Ferrarini & Associates.

EXHIBIT 1.01
RECOGNIZED OFFICE MARKETS
PORTLAND-VANCOUVER METROPOLITAN AREA

Within the brokerage and real estate development community there are eight recognized office sub-markets in the Portland/Vancouver metropolitan area. The Gateway Primary Market Area (PMA), or the area where the majority of office demand for Gateway will originate from, is located within portions of the Northeast and Southeast sub-markets. This area, depicted below, stretches south to approximately Sunnyside Road, east to approximately 282nd, north to the Columbia River and west to Interstate 205 (except for a small area west of the freeway near the Airport). Although Clark County is not within the boundaries of the Gateway PMA, the affect it has on the demand for office space in the PMA was considered in the analysis through an economic forecast that accounts for jobs leaving the Gateway PMA and going to Clark County.

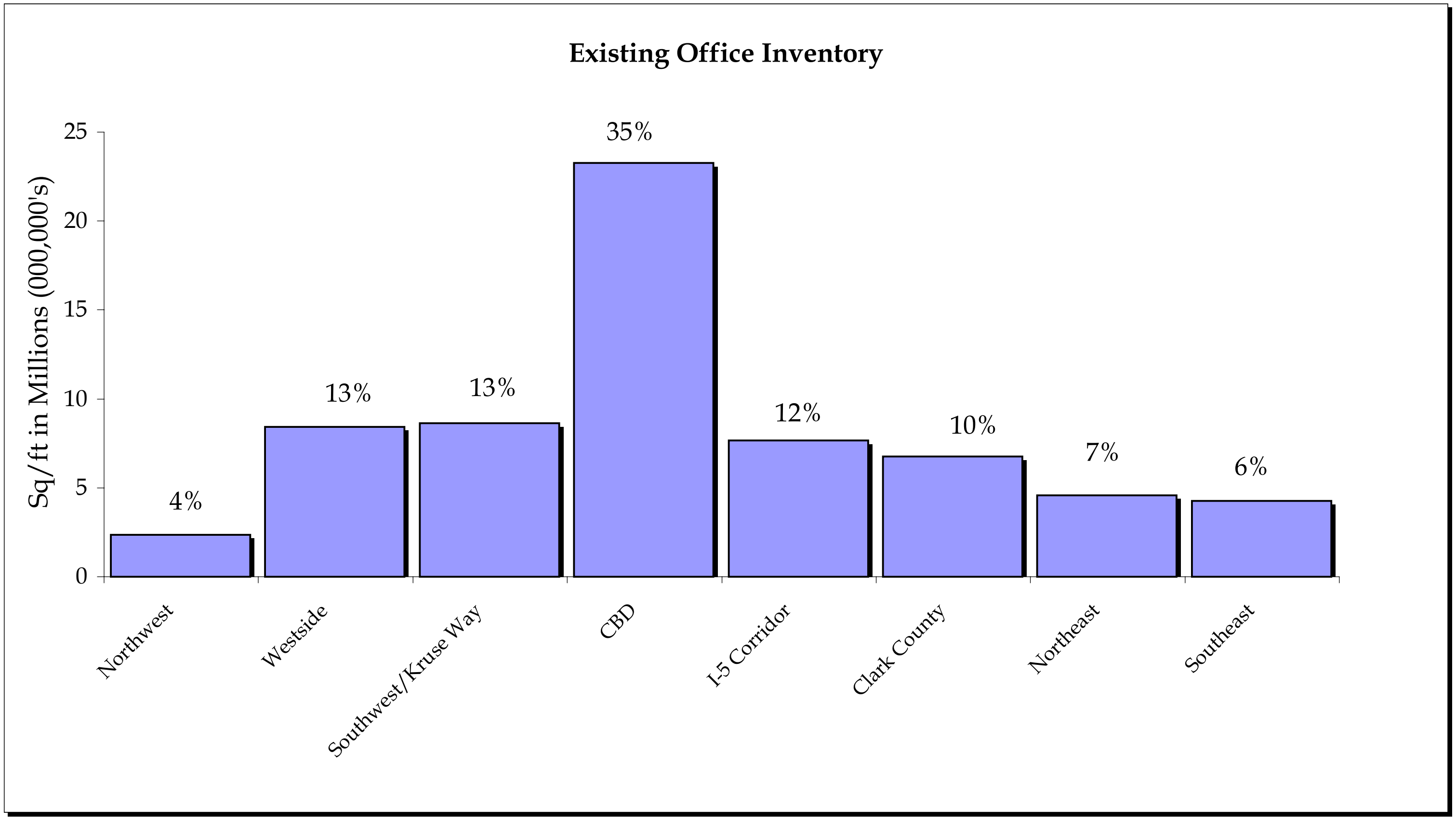


SOURCE: Grubb & Ellis, Co-Star and Ferrarini & Associates.

EXHIBIT 1.02

EXISTING OFFICE INVENTORY
PORTLAND METROPOLITAN AREA

The amount of office development in any one of the eight sub-markets is a function of how attractive the area is to businesses that occupy office space. The areas that are most attractive to office users are ones that provide excellent regional accessibility so businesses can easily attract customers and employees; ones that have high quality development that reflect well on the businesses that locate there; and locations that are near executive housing because business owners often choose to locate their business close to where they live. Based on these attributes, the vast majority of office space built to date is located in downtown Portland and/or the Lloyd District (a.k.a. the CBD). This area contains approximately three times more office space than any individual suburban office submarket.

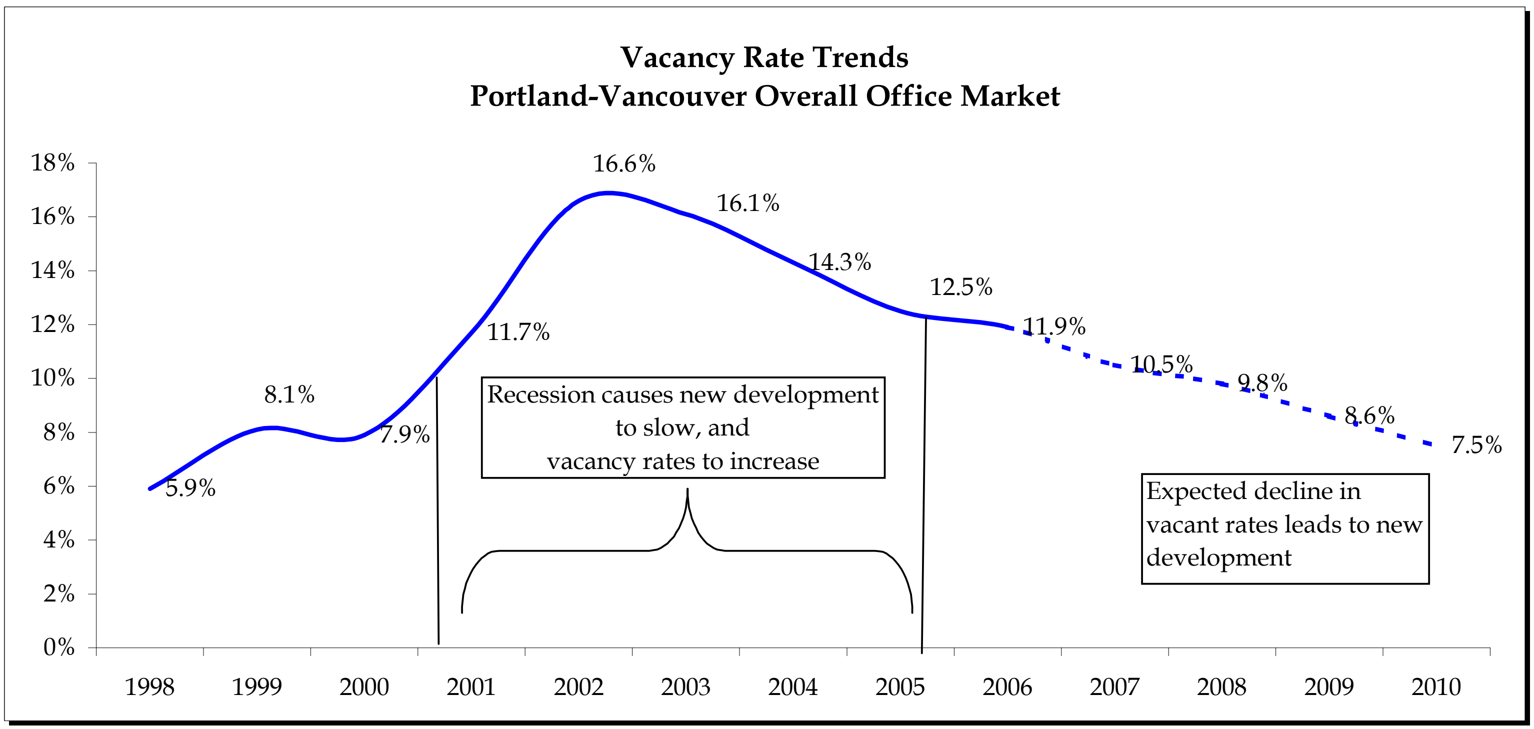


SOURCE: Co-Star and Ferrarini & Associates

EXHIBIT 1.03
OVERALL OFFICE VACANCY RATE TRENDS
PORTLAND-VANCOUVER METROPOLITAN AREA

New office space is built when the supply of existing space is not sufficient to meet the needs of a growing market. The most clear signal that more office space is needed is when vacancy rates drop below 7% to 10%. This range of vacancy is considered ideal among industry professionals because it provides office users (businesses) with enough choice to relocate and owners with enough income to maintain their building and realize a fair profit.

As illustrated below, office vacancy rates in the Portland/Vancouver metropolitan area have begun to trend downward from the recession that began in 2001. If the current trend continues, vacancy rates will drop below the ideal 7% to 10% range in the near future, a situation that will likely spark a new wave of office development throughout the region.



SOURCE: Co-Star, Ferrarini & Associates

EXHIBIT 1.04

PLANNED AND PROPOSED OFFICE DEVELOPMENT

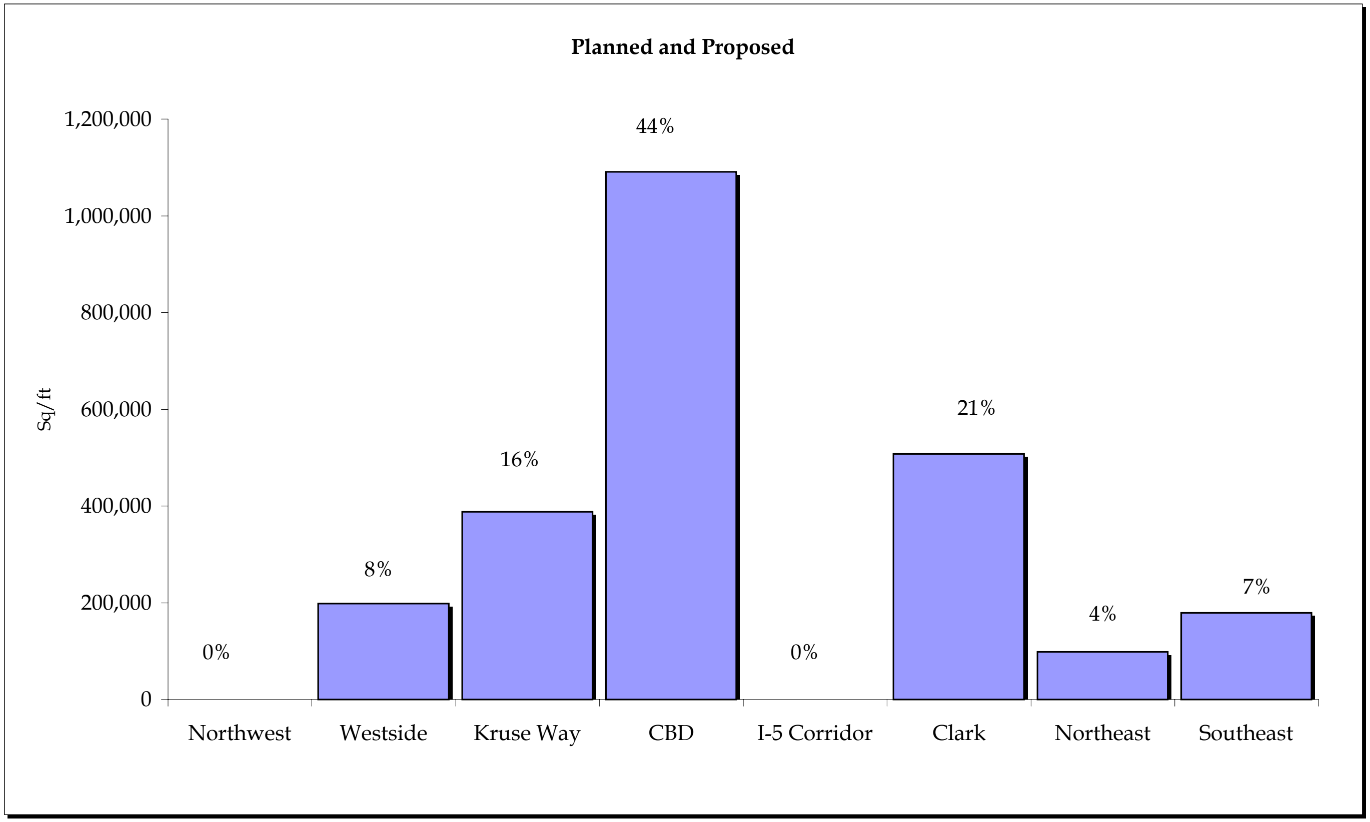
PORTLAND-VANCOVER METROPOLITAN AREA

Currently, at least 14 developers have formally started the planning process to build new office buildings. These developers are clearly counting on the fact that the trends shown on the previous exhibit will come true.

Consistent with past trends, most new office buildings are being planned in Portland's CBD. Development in this area accounts for nearly half of all new planned development according to statistics complied by the commercial real estate brokerage firm Grubb and Ellis.

A second notable trend is the amount of office space being constructed in Clark County. This area has begun to capture a growing share of office demand within the region because it is a less expensive alternative than comparable locations on the Oregon side of the Columbia River, but one that provides at least equal quality. For example, office locations in East Clark County offer similar access to the airport as locations in the PMA, are proximate to a large amount of executive housing, and are surrounded by high quality commercial and residential development. At the same time, the Clark County location allows businesses to avoid the Multnomah County business tax and employees to avoid Oregon's personal income tax. These advantages are proving to be compelling in the marketplace.

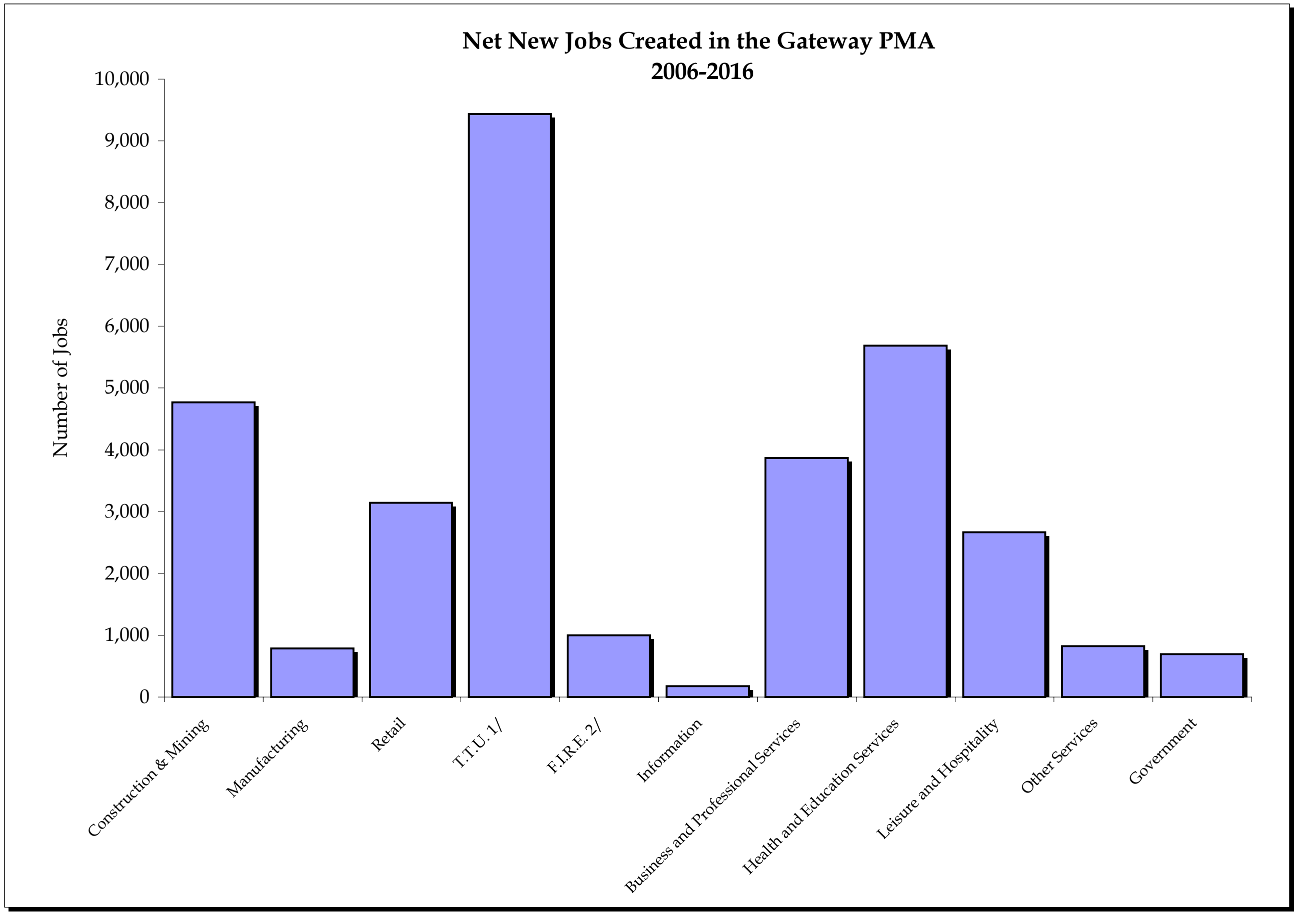
A more subtle, but nonetheless notable trend for this assignment is the growing demand for office space within the Gateway PMA. Demand in this area is being focused in the Clackamas Town Center area and is being driven by the growing amount of executive housing being built in Happy Valley, transportation improvements on Sunnyside Road, the planned development of light rail, and the improved appearance of commercial and residential development in the area. The growing interest in the area as an emerging employment center is expected to continue for the foreseeable future.



SOURCE: Co-Star, Grubb & Ellis and Ferrarini & Associates

EXHIBIT 1.05
PROJECTED JOB GROWTH BY SECTOR
GATEWAY PMA 2006-2021

The amount of new office space that will be built in the PMA over then next 10 to 15 years will be related to how many new jobs will be created in this area. Statistics from the Oregon Employment Department show there are approximately 143,000 jobs currently located in the Gateway PMA, approximately 14% of all jobs located in the Portland/Vancouver metropolitan area. Over the next ten years, the economy in the region is predicted to grow at an average annual rate of approximately 2.0%. This amount of growth will translate into an additional 23,100 jobs in the PMA by 2016.

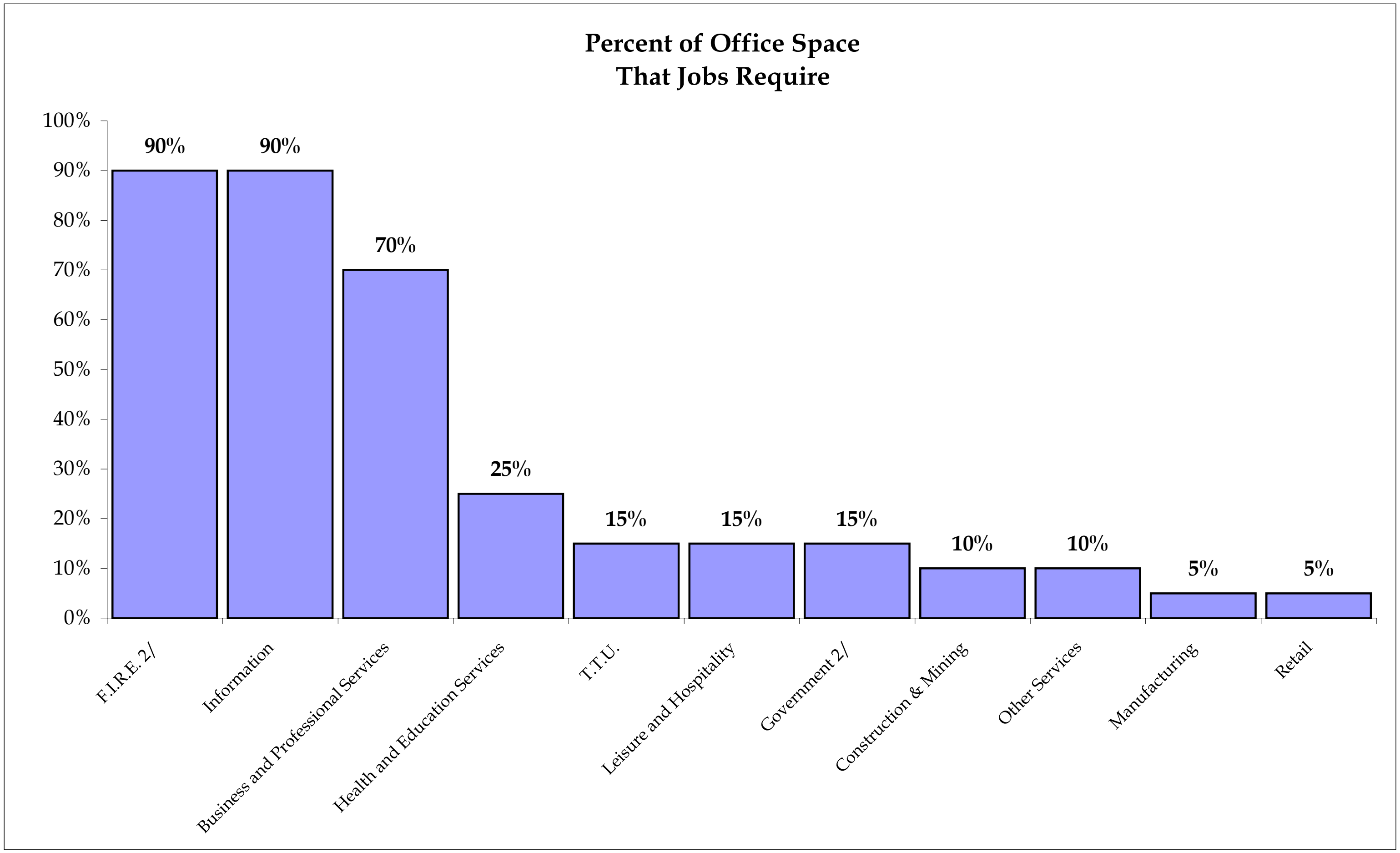


1/ Transportation, Trade and Utilities
2/ Fire, Insurance and Real Estate

SOURCE: Oregon Employment Department and Ferrarini & Associates

EXHIBIT 1.06
JOBS THAT REQUIRE OFFICE SPACE
GATEWAY PMA

However, not all employment growth translates into the need for additional office space. In fact, only approximately 35% of all new jobs predicted for the PMA will occupy office space. This low percentage is due to the fact that the sectors of the economy that have a high percentage of office users are small and slow growing in the PMA: Finance Insurance and Real Estate (FIRE) and Information[1/.] Most other sectors of the economy, except Business and Professional Services, use only a small amount of office space.



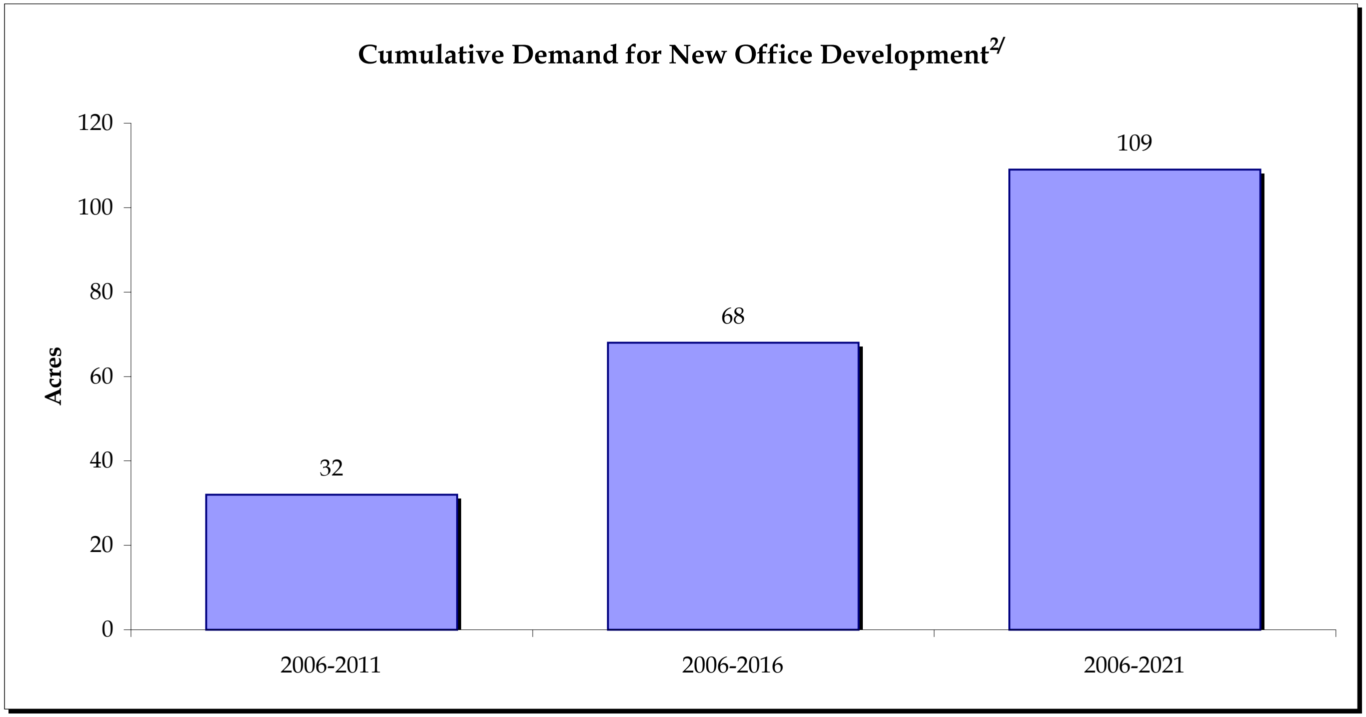
1? See Appendix A for details
2/ This forecast only includes the amount of government employment expected to locate in privately-owned office space.
SOURCE: Oregon Employment Department and Ferrarini & Associates

EXHIBIT 1.07
NEW OFFICE DEMAND
GATEWAY PMA

The forecast for additional office-using jobs translates into a need for approximately 109 acres of commercially zoned land within the PMA over the next 15 years. The process of converting the employment forecast to demand for office space and the land it will occupy is made using two additional pieces of information:

1. First, the "office using" employment forecast is converted into demand for office space by multiplying the office forecast by the average amount space an office employee ocupies[1/].

2. Next, the amount of office space is converted into a land forecast by considering the amount of land needed for the actual office building and also the associated parking lot, landscaping, setbacks and other physical requirements of development mandated by local building regulations. For the purposes of this analysis, the actual ratio between the building area to land area found in modern Class A office buildings located in and near the PMA is used. This ratio is not expected to change significantly over the forecast period because a higher building ratio would require structured parking. Office development in suburban areas does not typically include a parking structure because lease rates in these areas is not typically high enough to cover the additional cost of construction.



[1/] This statistic comes from an empirical study of office workers in the Portland/Vancouver metropolitan area completed by Metro.
[2/] For sq/ft per employee and floor to area ratios specific to individual industries see Appendix B & C.
SOURCE: Oregon Employment Department, Oregon Department of Labor and Ferrarini & Associates

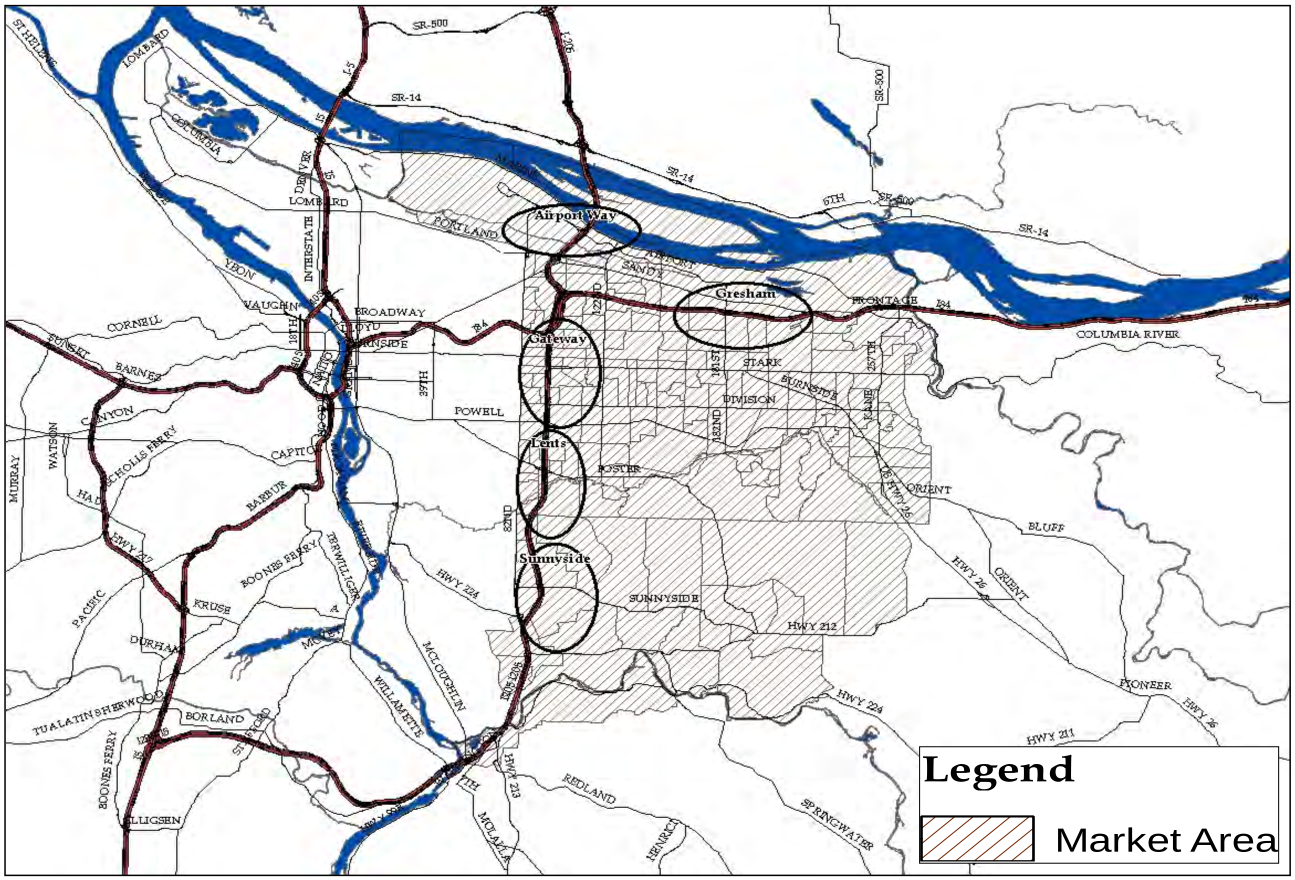
EXHIBIT 1.08

PRIMARY MARKET AREA
GATEWAY REGION

To begin to understand where office development within the Gateway PMA will occur, the supply of appropriately zoned land, existing office development, and other more qualitative factors were analyzed. These analyses show there are five areas within the PMA that could attract office development, including:

1. Gateway
2. The portions of Airport Way located near I-205
3. Lents
4. Sunnyside Road (Clackamas Towncenter Area)
5. The portions of Gresham located off of I-84.

Although there is commercially zoned land elsewhere in the PMA, it is not expected to attract Class A Office development because it lacks regional accessibility. It could attract more neighborhood serving businesses that occupy office space, like offices for insurance agencies, real estate branch offices, etc. However, this segment of the office market is not included in this analysis. Furthermore, these businesses often locate in retail shopping centers not office buildings.

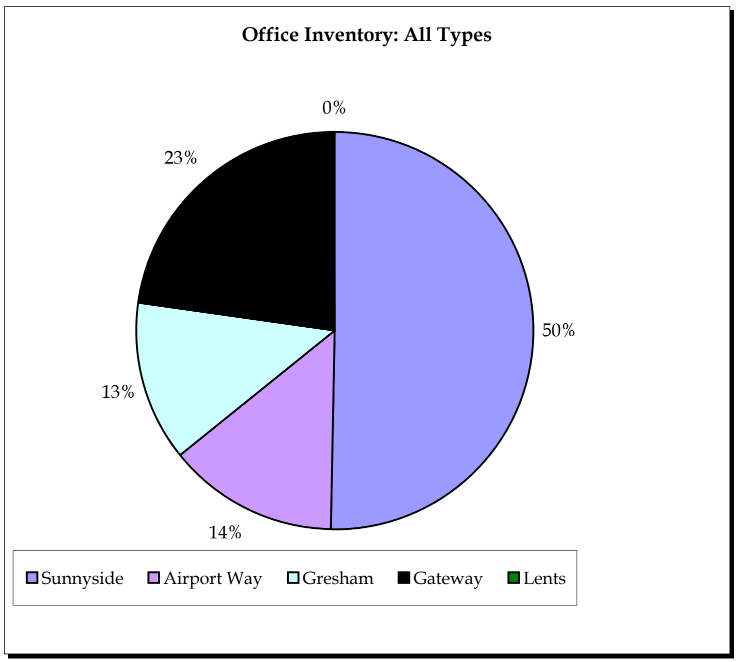


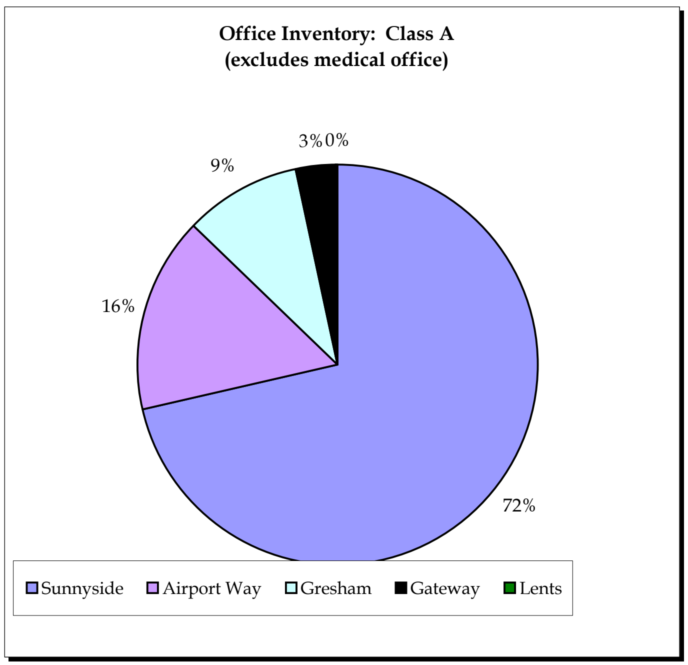
SOURCE: METRO, individual brokers and Ferrarini & Associates

EXHIBIT 1.09
EXISTING OFFICE INVENTORY
GATEWAY PMA

One good indicator of where new office development will go in the future is where it already has been built. With this in mind, the proportion of office space located within the previously identified PMA subareas is shown below. As illustrated, most office space within the Gateway PMA is located in the area around the Clackamas Town Center. This area contains approximately half of all office space located in the PMA and more than two thirds of all Class A office space. For the purposes of this analysis, Class A office space is defined as recently built, multi-story office buildings that attract a diversified mix of tenants like attorneys, accountants, business headquarters, etc.

Gateway represents the second largest office market in the PMA. However, it achieves this ranking because it contains a large amount of medical office space, which can be as attractive as other Class A buildings but serves a narrow class of businesses. Also illustrated is the fact that Gateway has not attracted much general Class A office space. This low amount is attributed to regulations that limit parking ratios to below what the market requires, a relatively unattractive built environment, and the lack of proximity to executive housing.





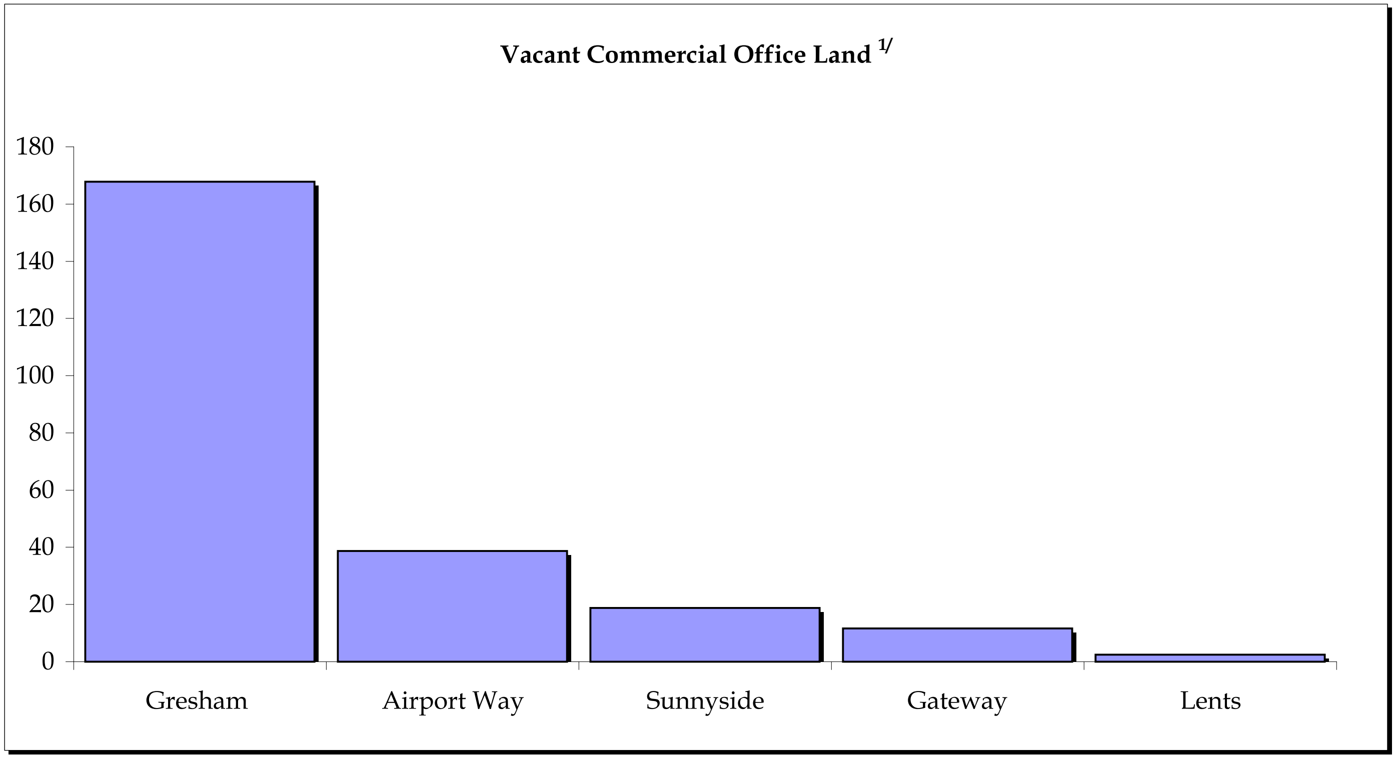
[1/] See Exhibit 1.11 for a matrix that summarizes the attributes of each site.
SOURCE: Co-Star and Ferrarini & Associates

EXHIBIT 1.10

VACANT COMMERCIAL OFFICE LAND [1/]

GATEWAY PMA

Another factor that will have a large impact on where office development will be built is where vacant, developable land exists to accommodate growth. Using the latest land use information available, there are estimated to be approximately 239 acres of vacant land within the PMA that have the location, parcel size and zoning to support this type of development. This includes land with easy freeway access that is zoned either commercial or mixed use. As shown below, the vast majority of vacant commercial land is found in Gresham. All other areas have a fairly limited amount of vacant land to accommodate new development, which implies redevelopment, or the process of tearing down existing buildings to accommodate new development, will begin to occur in the market area during the 15-year forecast period.



[1/] Includes only large and regularly shaped parcels zoned commercial or mixed-use that are located near freeway interchanges.
SOURCE: METRO, Portland Development Commission, individual brokers and Ferrarini & Associates

EXHIBIT 1.11

SITE ATTRIBUTES
GATEWAY PMA

The final consideration used to predict where office development will occur is the desirability of each area with respect to the three criteria that brokers and developers identify as important attributes for office development. The matrix below ranks potential office development sites within the Gateway's PMA according to these criteria. The rankings are based on a scale from a low of zero (not having the attribute) to a high of five (having a large amount of the attribute).

In addition, a fourth criteria was added to account for the parking limitations placed on office development in Gateway. According to current regulations, Class A office development in Gateway cannot have more than three parking spaces per 1,000 square feet of building area. This regulation presents a barrier to attracting office development because the ideal parking ratio for the businesses that occupy this type of office space is 3.5-4.0 parking spaces per 1,000 square feet. The two exceptions granted under existing rules are for the development of medical office space, which is allowed to have the 4.9 parking spaces per thousand square feet, or to build an office structure in which case the limit would expand to 3.4 spaces per 1,000 square feet. However, the ability to build a parking structure is not a viable option to developers because lease rates in Gateway are not adequate to pay for the additional cost associated with building a parking structure.

As shown below, the comparative matrix indicates the most desirable locations to build office development in the PMA are in the area around Sunnyside Road (Clackamas Town Center) and near Airport Way. Development is therefore expected to occur in these areas before demand will shift to the less desirable parts of the PMA, including Gateway, Central Gateway, Lents and Gresham. However, it is important to note that if the parking restriction for Gateway were removed it would rate similar to Airport Way. Additionally, if continued improvements are made to the area development could occur sooner than indicated in the analysis.

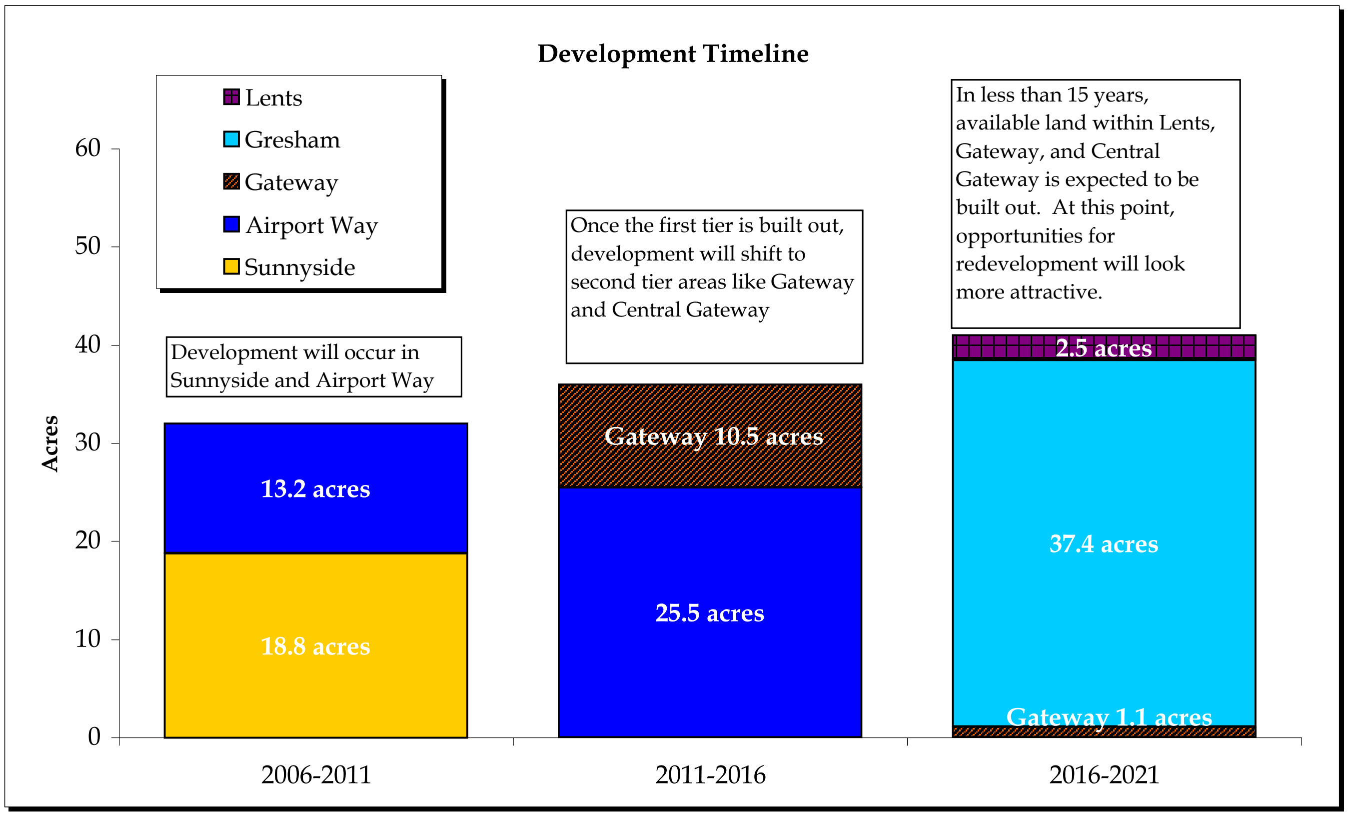
Rank	Region	Quality of Environment	Regional Accessibility	Proximity to Executive Housing[1/]	Parking	Total
1	**Sunnyside**	5	3	5	3	**16**
2	**Airport Way**	3	4	2	3	**12**
4	**Gateway**	2	5	2	0	**9**
3	**Gresham**	3	2	1	3	**9**
5	**Lents**	1	3	2	3	**9**

[1/] This is a measure of how close the office area, identified in Exhibit 1.08, is to executive housing. For example, although portions of Gresham contain executive housing the area identified as a likely location for large scale office development is close to I-84 for convenient access from the freeway, but relatively far away from executive housing and as a result scores poorly.

SOURCE: Individual brokers and Ferrarini & Associates

EXHIBIT 1.12
DISTRIBUTION OF CLASS A OFFICE DEVELOPMENT
GATEWAY PMA

As implied in the previous exhibit, the market is expected to first seek out the best development opportunities before lesser areas become sought after. As a result, the development of Class A office space is expected to remain focused on the area around Sunnyside Road and near Airport Way, especially with the development of Cascade Station. [1/] This analysis indicates there is enough land in these areas to satisfy the needs of the market for approximately the next eight years. After this time, demand will begin to shift to second tier opportunities, including Gateway and Central Gateway. In the meantime, Gateway and Central Gateway will continue to be an attractive location for the development of medical office space, like the Oregon Clinic, given the excellent regional accessibility and proximity to Adventist, Providence and Kaiser's Sunnyside Hospitals. It may also attract a limited amount of service office uses, like banks and real estate and insurance offices. However, these uses will likely locate in retail space because it would give them access to more than three parking spaces per 1,000 square feet. Another option is for office tenants to occupy mixed-use buildings where tenants can share parking spaces. For example, office and retail tenants can share parking spaces because they use parking at different times. Office tenants use parking spaces mainly during weekdays from 8-5, while retail tenants use parking spaces mainly on weekends and in the evening. By sharing parking in a mixed-use building, each tenant could have access to more parking spaces than would otherwise be allowed in a single-use building under current zoning codes.



[1/] At its completion Cascade Station is expected to contain 800,000 square feet of retail space, 1.2 million square feet of office space, 250 hotel rooms and a 12-pump gas station facility.

SOURCE: METRO; individual brokers and Ferrarini & Associates

APPENDIX A
PROJECTED EMPLOYMENT
GATEWAY OFFICE PRIMARY MARKET AREA
2006-2021

Employment Sector	AAGR [3/]	2006	2011	2016	2021
Gateway Market Area					
Construction & Mining	4.3%	9,024	11,156	13,792	17,052
Manufacturing	0.5%	16,362	16,752	17,151	17,560
Retail	1.4%	20,758	22,275	23,902	25,647
T.T.U. [1/]	3.5%	22,748	27,056	32,181	38,276
F.I.R.E. [2/]	1.3%	7,257	7,739	8,254	8,803
Information	1.5%	1,113	1,197	1,288	1,385
Business and Professional Services	2.6%	13,365	15,177	17,234	19,570
Health and Education Services	2.0%	25,947	28,651	31,636	34,932
Leisure and Hospitality	1.7%	14,679	15,956	17,346	18,856
Other Services	1.3%	5,789	6,188	6,614	7,070
Government	1.0%	6,515	6,854	7,211	7,587
Total	**2.0%**	**143,557**	**159,002**	**176,608**	**196,737**

1/ Transportation, Trade and Utilities
2/ Finance, Insurance and Real Estate
3/ Average Annual Rate of Growth
SOURCE: Oregon Employment Department and Ferrarini & Associates

APPENDIX B
DEMAND FOR OFFICE SPACE
GATEWAY OFFICE PRIMARY MARKET AREA
2006-2021

	Net New Jobs			Percent	Sq Ft/	Net New Demand (S.F.)		
Employment Sector	2006-2011	2011-2016	2016-2021	Office Users	Employee	2006-2011	2011-2016	2016-2021
Gateway Market Area								
Construction & Mining	2,132	2,636	3,259	10%	350	74,631	92,266	114,067
Manufacturing	390	399	409	5%	350	6,823	6,985	7,152
Retail	1,516	1,627	1,746	5%	350	26,534	28,472	30,552
T.T.U. 1/	4,309	5,125	6,095	15%	350	226,202	269,048	320,008
F.I.R.E. 2/	482	515	549	90%	350	151,971	162,074	172,849
Information	84	90	97	90%	350	26,487	28,488	30,640
Business and Professional Services	1,812	2,057	2,336	70%	350	443,820	503,974	572,282
Health and Education Services	2,703	2,985	3,296	15%	350	141,925	156,712	173,039
Leisure and Hospitality	1,278	1,389	1,510	15%	350	67,092	72,933	79,283
Other Services	399	426	456	10%	350	13,961	14,923	15,952
Government	339	357	376	15%	350	17,816	18,744	19,720
Total	15,445	17,607	20,128			1,197,263	1,354,620	1,535,544

1/ Transportation, Trade and Utilities
2/ Finance, Insurance and Real Estate

SOURCE: METRO, Oregon Employment Department and Ferrarini & Associates

APPENDIX C
DEMAND FOR COMMERCIAL LAND
2006-2021

Employment Sector	Net New Demand (S.F.) 2006-2011	Net New Demand (S.F.) 2011-2016	Net New Demand (S.F.) 2016-2021	Floor Area Ratio	Demand For Land (Acres) 2006-2011	Demand For Land (Acres) 2011-2016	Demand For Land (Acres) 2016-2021
Gateway Market Area							
Construction & Mining	74,631	92,266	114,067	45%	3.8	4.7	5.8
Manufacturing	6,823	6,985	7,152	45%	0.3	0.4	0.4
Retail	26,534	28,472	30,552	45%	1.4	1.5	1.6
T.T.U. 1/	226,202	269,048	320,008	45%	11.5	13.7	16.3
F.I.R.E. 2/	151,971	162,074	172,849	45%	7.8	8.3	8.8
Information	26,487	28,488	30,640	45%	1.4	1.5	1.6
Business and Professional Services	443,820	503,974	572,282	45%	22.6	25.7	29.2
Health and Education Services	141,925	156,712	173,039	45%	7.2	8.0	8.8
Leisure and Hospitality	67,092	72,933	79,283	45%	3.4	3.7	4.0
Other Services	13,961	14,923	15,952	45%	0.7	0.8	0.8
Government	17,816	18,744	19,720	45%	0.9	1.0	1.0
Total Demand	**1,197,263**	**1,354,620**	**1,535,544**		**48.8**	**55.7**	**63.6**
Total Cumulative Office Demand					**48.8**	**104.5**	**168.1**

SOURCE: Ferrarini & Associates

APPENDIX D

PROJECTED CLASS A OFFICE LAND DEMAND
GATEWAY PMA

	2006-2011	2011-2016	2016-2021
Market Area Demand			
Net New Employment [1/]	15,445	17,607	20,128
Net New Demand (Acres) [2/]	48.8	55.7	63.6
Less Demand for Redevelopment (10%)	4.9	5.6	6.4
Less Demand for Neighborhood Offices (10%)	4.9	5.6	6.4
Less: Office Demand Occurring on Industrially Zoned Land (15%)	7.3	8.4	9.5
Net New Demand	**32.0**	**36.0**	**41.0**
Tier 1 Land Absorption in Sunnyside/Clackamas			
Net New Demand for Office Space in Clackamas/Sunnyside	32.0	36.0	41.0
-Vacant Top Tier Office Land	18.8	0.0	0.0
=Land Remaining Per Period	0.0	0.0	0.0
Office Demand to be Captured Elsewhere	**13.2**	**36.0**	**41.0**
Tier 1 Land Absorption in Airport Way			
Net New Demand for Office Space in Airport Way	13.2	36.0	41.0
-Vacant Middle Tier Office Land	38.7	25.5	0.0
=Land Remaining Per Period	25.5	0.0	0.0
Office Demand to be Captured Elsewhere	**0.0**	**10.5**	**41.0**
Tier 2 Land Absorption in Gateway District			
Net New Demand for Office Space in Gateway	-	10.5	41.0
-Vacant Middle Tier Office Land	-	11.6	1.1
=Land Remaining Per Period	-	1.1	0.0
Office Demand to be Captured Elsewhere	**-**	**0.0**	**39.9**
Tier 2 Land Absorption in Lents			
Net New Demand for Office Space in Lents	-	-	39.9
-Vacant Middle Tier Office Land	-	-	2.5
=Land Remaining Per Period	-	-	0.0
Office Demand to be Captured Elsewhere	**-**	**-**	**37.4**
Tier 2 Land Absorption in Gresham			
Net New Demand for Office Space in Gresham	-	-	37.4
-Vacant Middle Tier Office Land	-	-	167.8
=Land Remaining Per Period	-	-	130.4
Office Demand to be Captured Elsewhere	**-**	**-**	**0.0**

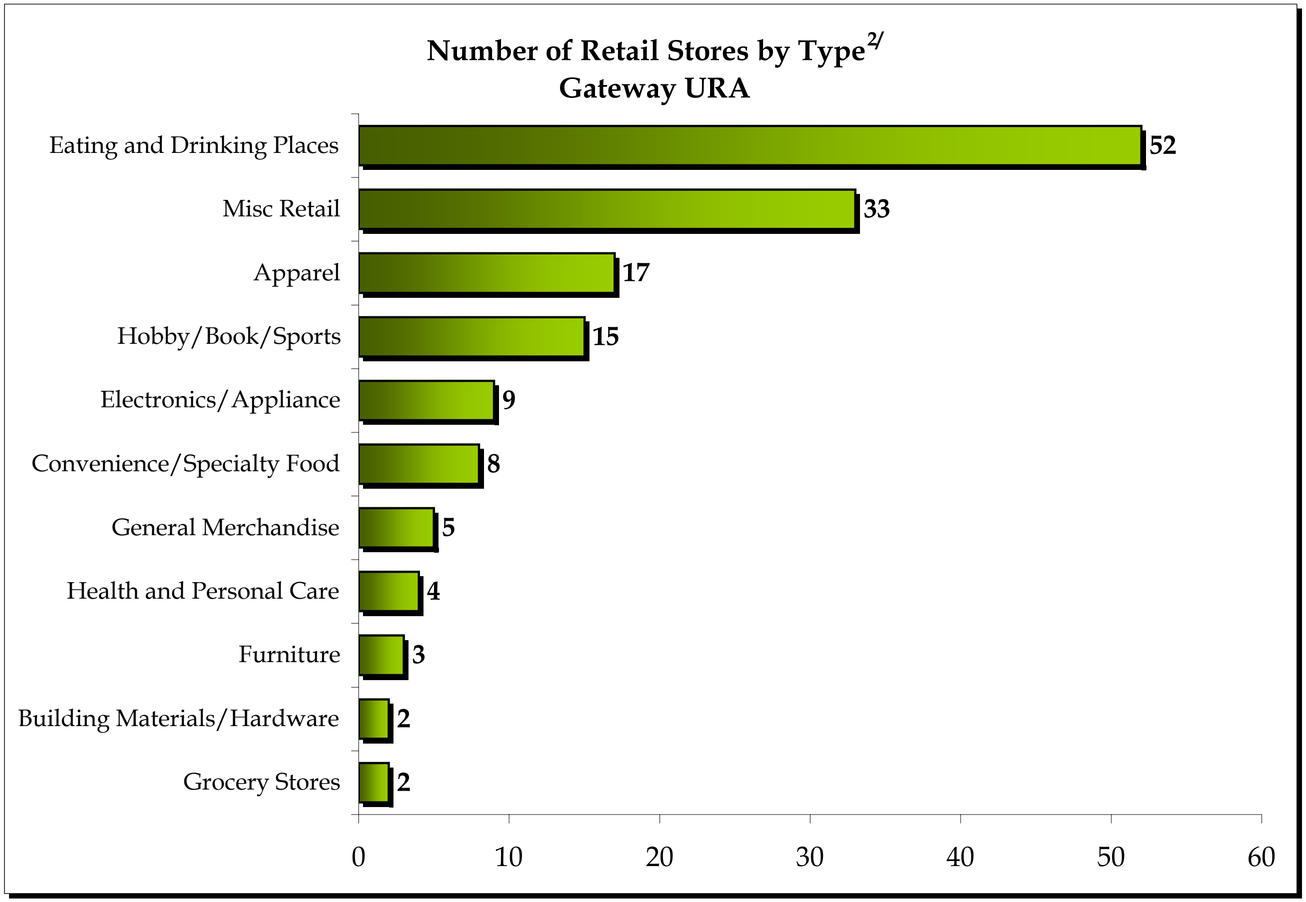
1/ Appendix C

2/ Appendix D

SOURCE: Ferrarini & Associates

EXHIBIT 2.01
EXISTING RETAIL CONDITIONS
GATEWAY URA

The Gateway area is a major retail hub for the portion of Portland east of I-205. It contains a variety of retail options for consumers, including convenient dining options and a large amount of miscellaneous and specialty retail stores. As noted below, and based on a 2005 PDC inventory,[1/] there are a total of 150 retail businesses located within the Gateway URA. These businesses range from two grocery stores to more than 50 restaurants.



[1/] Originally obtained from InfoUSA

[1/] A definition of all types of retail categories in found in Appendix 2F.

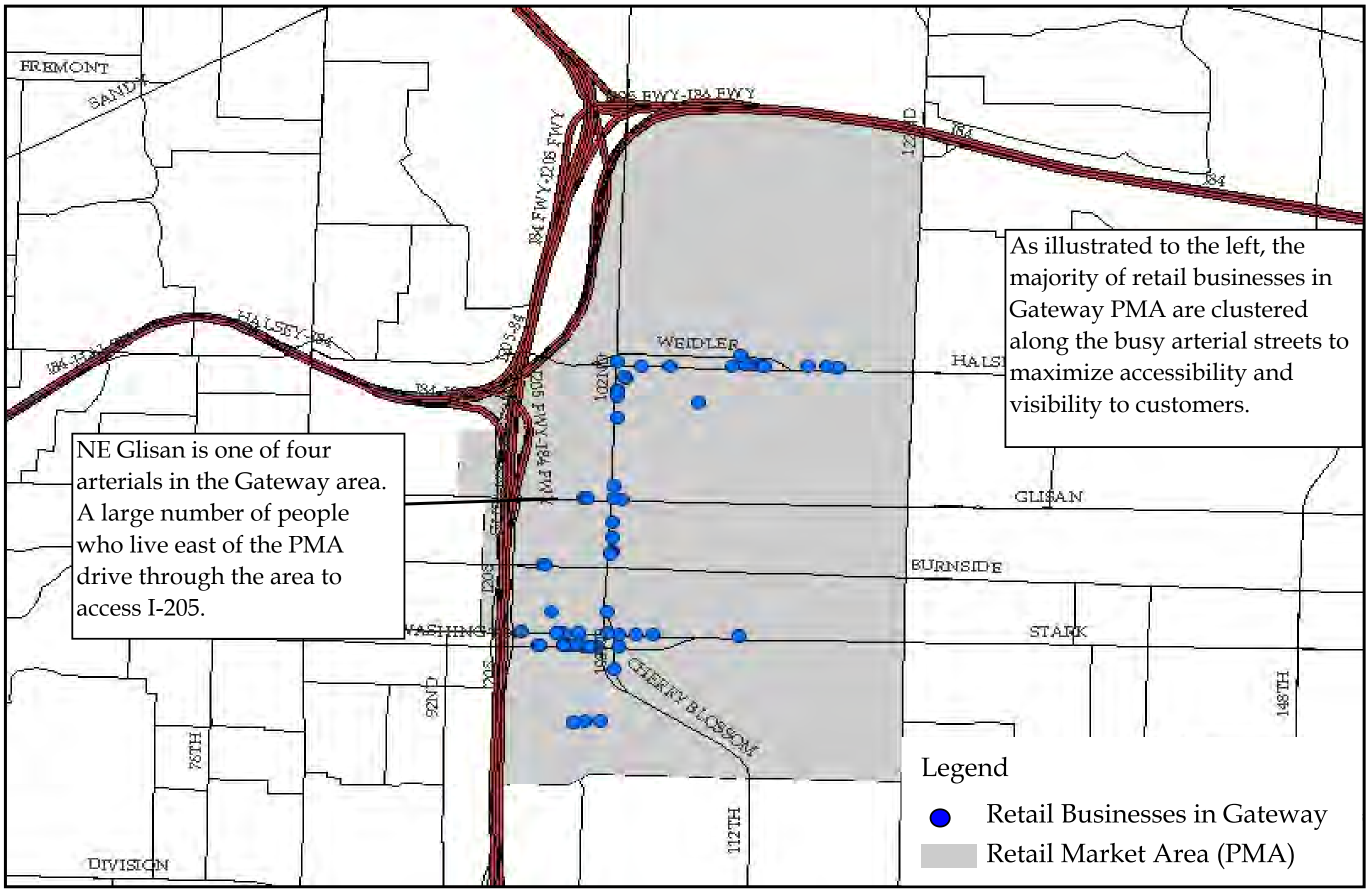
Source: PDC, InfoUSA and Ferrarini and Associates

EXHIBIT 2.02
EXISTING RETAIL CONDITIONS
GATEWAY PRIMARY MARKET AREA (PMA)

The Gateway area has a large number of retail businesses for two reasons:

1. First, retail businesses are supported by the patronage from approximately 23,000 people who live in the area shaded in gray below. According to real estate brokers, this is the retail market area where most local customers live; and

2. There is also a large number of people who shop in the Gateway area, but do not live there. This secondary source of demand occurs because Gateway is located at the confluence of two freeways and is bisected or bordered by four major arterials. The additional visibility associated with these busy thoroughfares allows many retail businesses in Gateway to attract customers who live outside the PMA.



Source: PDOT and Ferrarini & Associates

EXHIBIT 2.03
METHODOLOGIES TO FORECAST DEMAND
GATEWAY URA AND CENTRAL GATEWAY

To estimate how much additional retail space could be built in the Gateway Urban Renewal Area (URA) and Central Gateway, three methods were used. The methods, listed below, include both quantitative and qualitative analyses:

Method 1: Forecast demand for retail space within the Gateway PMA. This analysis is completed considering:

- Population trends
- Retail spending trends
- Sales forecasts
- Existing business lists; and
- A supply and demand reconciliation.
- This analysis is summarized in Appendices 2A through 2H.

Method 2: Analyze existing conditions, including:

- An inventory of existing businesses
- Traffic counts; and
- Interviews with developers and brokers

Method 3: Analyze regional retail formats, including:

- Discount ("big box")
  - Wal-mart, Costco, Target, etc.
- Large format specialty retailers (category killers)
  - Best Buy, Home Depot, Circuit City, etc.
- Boutique retail
  - NW 23rd, Bridgeport Village, Hawthorne Blvd., etc.

Source: Ferrarini and Associates

EXHIBIT 2.04
RETAIL SUPPLY AND DEMAND
GATEWAY PMA

The first method[1/] used to assess additional retail development opportunities quantifies the number of retail businesses that could be supported from households in the PMA (demand) and compares it to the number of existing retail businesses (supply). This analysis is summarized in Appendices 2A through 2H.

If demand exceeds supply, then additional businesses opportunities exist that could lead to new development opportunities depending on the quality and amount of vacant space available in the area.

The results of the analysis are summarized below. They show that for most retail categories, Gateway has more retail businesses than the local market can support. As noted previously, this situation exists because people who live outside the PMA shop in Gateway.

The analysis also indicates that, despite the over-supply of retailers, there are new business and/or development opportunities in two categories: furniture and home furnishings and building materials and hardware.

The best business opportunities are in the furniture and home furnishings category. The analysis indicates at least two additional furniture stores could be supported by the households living in the PMA, not counting additional demand from people who live elsewhere. Furthermore, new home furnishing businesses that sell a general line of merchandise would face no direct competition since all three existing home furnishing businesses in the area focus on mattress and bed sales.

The opportunity in the building material and hardware category is likely overstated by the analysis because Home Depot is located in the PMA. This store is significantly larger than typical hardware stores and is likely to capture the most sales in this category.

All other categories of retail merchandise appear to be well represented in the local market.

Category	Number of Stores	Number of Stores Supported	Surplus (Deficit)
Food Places/Eating and Drinking	52	40	12
Misc Retail	33	17	16
Apparel	17	13	4
Hobby/Book/Sports	15	5	10
Electronics/Appliance	9	1	8
Convenience/Specialty Food	8	3	5
General Merchandise	5	3	2
Health and Personal Care	4	2	2
Furniture	3	5	(2)
Building Materials/Hardware	2	6	(4)
Grocery Stores	2	2	0

[1/] See APPENDICES 2A-2H for a detailed description on this methodology

Source: Ferrarini & Associates

EXHIBIT 2.05
ADDITIONAL OPPORTUNITIES FOR
COMMUNITY-SERVING RETAIL
GATEWAY PMA

A more detailed analysis of retail businesses in the Gateway Urban Renewal Area was also competed. It evaluated the types of stores in each retail category. This analysis revealed that there are more niche opportunities in the Gateway URA than indicated in the more general analysis of major retail categories, as described in the previous Exhibit. For example, the chart on the previous page indicates the market is over-served by convenience/specialty food stores. However, further analysis illustrates that all of the stores in this category are convenience or liquor stores and the area lacks specialty food stores that are commonly found in most other markets (e.g. bakery, butcher, and ethnic foods).

Below is a list of retail business types that currently do not exist in the Gateway URA and represent current opportunities in this market. Any business that enters the market that sells these goods would be expected to be successful given the lack of competition and the ability to attract local and out-of-the-area customers.

Specialty Foods:
- Seafood market
- Meat market (butcher)
- Bakery
- Ethnic foods market

Grocery Store:
- Specialty market like Trader Joe's

Furniture and Home Furnishings:
- Furniture stores (multiple)

Miscellaneous Retail:
- Pet store
- Florist

Restaurants:
- Locally-owned, neighborhood-oriented restaurants
- Ethnic restaurants

Electronics:
- Cameras

Source: Individual brokers and developers, PDC and Ferrarini & Associates

EXHIBIT 2.06
FUTURE RETAIL OPPORTUNITIES
GATEWAY PMA

In the future, population growth is expected to increase opportunities for retail development. Based on conversations with local brokers, the retail market in the PMA is not over-supplied when considering the amount of spending that occurs from people who do not live in the PMA. Rather, brokers indicate that the market is currently balanced.

Therefore moving into the future, the expected growth in population will generate demand for more retail stores. These stores will be additional to those identified in the previous exhibit as current niche opportunities. Illustrated below is the total (cumulative) number of new stores that are supported by the PMA population from 2006 to 2021.

	New Stores Supported (Cumulative)			
Category	**2006**	**2011**	**2016**	**2021**
Food Places/Eating and Drinking	2	3	6	9
Misc Retail	2	2	2	4
Apparel	0	1	2	3
Hobby/Book/Sports	0	0	1	1
Electronics/Appliance	1	1	1	1
Convenience/Specialty Food	2	2	2	2
General Merchandise	0	0	0	1
Health and Personal Care	0	0	0	1
Furniture	2	2	3	3
Building Materials/Hardware [1/]	0	0	1	1
Grocery Stores	0	0	0	0
Total	**9**	**11**	**18**	**26**

[1/] Although the analysis indicates several stores in this category could be supported, they have been eliminated from this analysis because of the existence of Home Depot in the PMA.

Source: Ferrarini & Associates

EXHIBIT 2.07
REGIONAL RETAIL OPPORTUNITIES
GATEWAY PMA

Finally, there are two regional retail formats that are likely to be viable in Gateway according to brokers and developers who were interviews through the course of our research: (1) Big box retailers and (2) Boutique, high-end retail.

Big box discount retailers continue to be a large and growing segment of the retail market because they tap into a strong consumer motivation for cost savings.

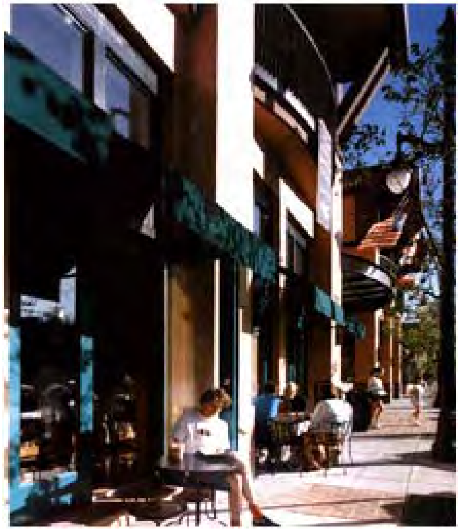
The Gateway area will remain an attractive destination for these types to retailers because of its central location and excellent regional accessibility. These attributes are responsible for the success of existing stores in the area and will create future opportunities for big box development that is not currently found in the area, such as Lowe's, etc. However, the biggest impediment for this form of development is the lack of large sites available in Gateway. Another impediment is the conflict that this auto-oriented use would have on some parts of Gateway, like Central Gateway, that are transitioning to a more pedestrian-friendly, urban development form.

Source: Local brokers and developers and Ferrarini & Associates.

EXHIBIT 2.08
REGIONAL RETAIL OPPORTUNITIES
GATEWAY PMA

A second regional-serving retail format that may be viable in Gateway, according to real estate developers interviewed, is the creation of a higher-end, urban, boutique retailing environment, similar to the kind of environment created organically in places likely Hawthorne Boulevard or created in one large development at Bridgeport Village in Tualatin.

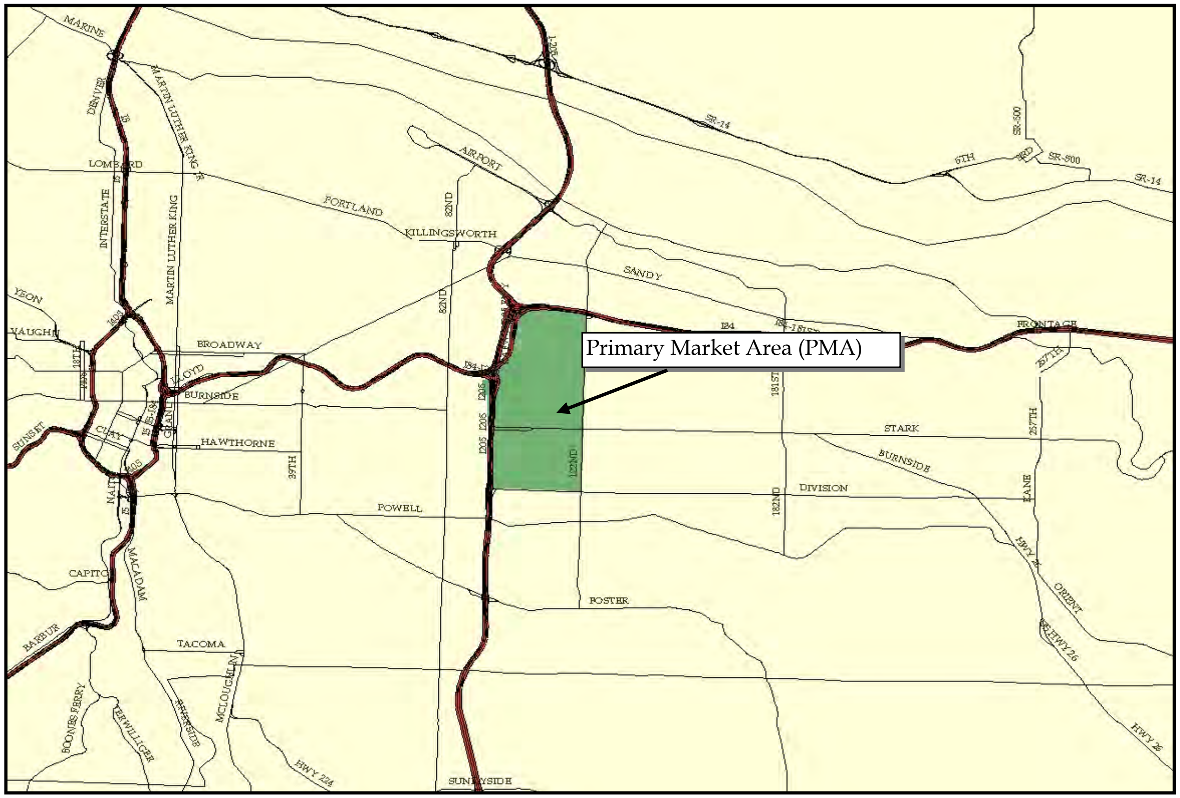
An obstacle to this form of development is the relatively low incomes within the PMA currently. At least one developer noted, however, that this risk could be mitigated by focusing on a smaller scale development that would not require the amount of patronage required at a larger scale development like Bridgeport Village. Another impediment is the need to acquire enough land to create a sense of place. A key to making this form of development successful is creating an environment that people will seek out in order to spend discretionary time and money.



Source: Local brokers and developers and Ferrarini & Associates.

APPENDIX 2A
MAP OF GATEWAY PRIMARY MARKET AREA (PMA)

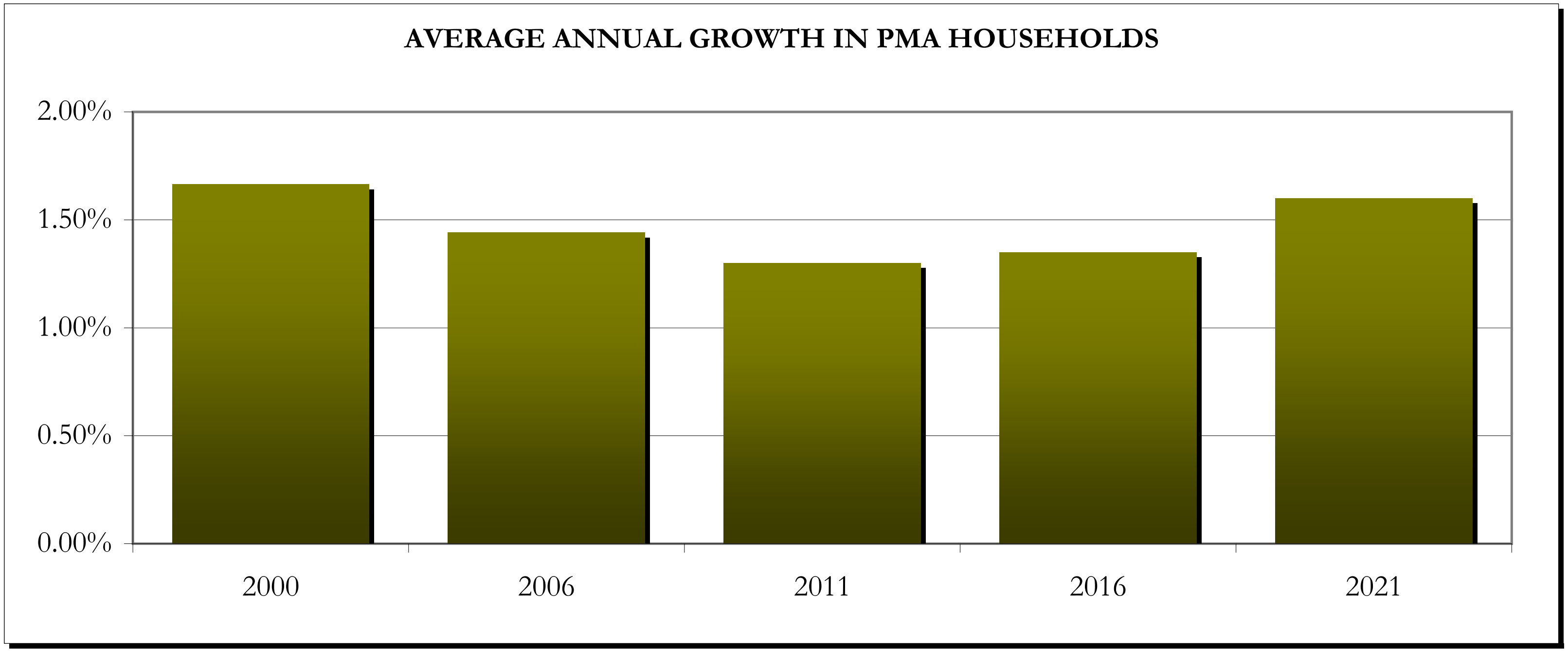
The primary market area (PMA) for the community (or local-serving) retail businesses in Gateway is illustrated below. It is based on conversations with local brokers and developers of this type of retail space. Since the population that community retail businesses generally serve is primarily a function of convenience, the PMA for this type of development is substantially smaller than the market areas for other land uses analyzed for this study (office and residential).



SOURCE: METRO and Ferrarini & Associates

APPENDIX 2B
GENERAL DEMOGRAPHIC PROFILE
GATEWAY PMA[1/]

	1990 (Census)	2000 (Census)	AAGR [2/] 1990-2000	2006 (Est.)	AAGR 2000-2006	2021 (Proj.)	AAGR 2006-2021
Population	18,243	21,515	1.66%	23,443	1.44%	28,950	1.42%
Households	7,536	8,274	0.94%	8,747	0.93%	11,135	1.62%
Household Size	2.42	2.60	0.72%	2.68	0.50%	2.60	-0.20%
Per Capita ($)[2/]	$13,246	$17,234	2.67%	$21,294	3.07%	$25,518	3.69%



[1/] Based on the following census tracts in Multnomah County: 80.01, 80.02, 81.00, 82.01, and 82.02.

[2/] Average Annual Growth Rate

[3/] Expressed in "current" dollars for each respective year.

SOURCE: 1990 & 2000 US Census, Oregon Employment Department, METRO and Ferrarini & Associates

APPENDIX 2C
CURRENT AND PROJECTED POPULATION AND HOUSEHOLD GROWTH
GATEWAY PMA
2006-2021

	Estimated Annual Population and Household Growth							
	2006		2011		2016		2021	
	Total	AAGR 1/	Total	AAGR 1/	Total	AAGR 1/	Total	AAGR 1/
PMA Population	23,443	-----	25,007	1.3%	26,741	1.4%	28,950	1.6%
PMA Households	8,747	-----	9,331	1.3%	10,129	1.7%	11,135	1.9%

1/ Average Annual Growth Rate
SOURCES: 2000 Census, METRO and Ferrarini & Associates

APPENDIX 2D
RETAIL EXPENDITURES
AS A PERCENT OF TOTAL PERSONAL INCOME
MULTNOMAH COUNTY

N.A.I.C.S. CATEGORY		**2002**
MULTNOMAH COUNTY		
Population[1/]		670,250
Per Capita Income [2/]		$21,294
Total Personal Income ($1,000's)		$14,272,304
CATEGORY EXPENDITURES (1,000's) [3/]		
444	Total Building Materials/Hardware Expenditures	$578,803
	Building Materials % Total Personal Income	4.1%
445	Total Grocery Store Expenditures	$1,040,638
	Grocery Store % Per Capita Income	7.3%
445	Total Convenience and Specialty Food Stores[3/]	$105,362
	Food Store % Per Capita Income	0.7%
442	Total Furniture and Home Furnishings Expenditures	$269,324
	Furniture and Home Furnishings % Per Capita Income	1.9%
722	Total Drinking and Eating Establishment Expenditures	$1,217,275
	Eating and Drinking % Per Capita Income	8.5%
453	Total Miscellaneous Retail Store Expenditures [4/]	$325,672
	Miscellaneous % Per Capita Income	2.3%
446	Total Health and Personal Care Store Expenditures	$317,099
	Health and Personal Care % Per Capita Income	2.2%
443	Total Electronic and Appliance Store Expenditures	$285,767
	Electronic and Appliance % Per Capita Income	2.0%
451	Total Sporting Goods, Hobby, Book and Music Store Expenditures	$368,584
	Sports and Hobby % Per Capita Income	2.6%
448	Total Clothing and Clothing Accessories Stores Expenditures	$584,557
	Clothing and Clothing Accessories % Per Capita Income	4.1%
452	Total General Merchandise Store Expenditure	$1,308,603
	General Merchandise % Per Capita Income	9.2%

[1/] Portland State University
[2/] ESRI
[3/] Based on sales within Multnomah County based on 2002 US Economic Census. Multnomah County was used as a proxy for Gateway PMA because data is not available for this area.
[4/] Includes specialty retail stores such as jewelry, florists, etc.
SOURCE: US Oregon Employment Department, US Census and Ferrarini & Associates

APPENDIX 2E
RETAIL GOODS EXPENDITURE PROJECTIONS
GATEWAY PMA
2006-2021

	2006	2011	2016	2021
Per Capita Income [1/]	$21,294	$21,294	$21,294	$21,294
x Percent Building Materials and Hardware Expenditures [2/]	4.1%	4.1%	4.1%	4.1%
x Percent Grocery Store Expenditures (excluding grocery)[2/]	7.3%	7.3%	7.3%	7.3%
x Percent Convenience and Specialty Food Stores[2/]	0.7%	0.7%	0.7%	0.7%
x Percent Clothing and Clothing Accessories Expenditures[2/]	4.1%	4.1%	4.1%	4.1%
x Percent Furniture and Home Furnishings Expenditures [2/]	1.9%	1.9%	1.9%	1.9%
x Percent Eating and Drinking Expenditures [2/]	8.5%	8.5%	8.5%	8.5%
x Percent Miscellaneous Retail Expenditures [2/]	2.3%	2.3%	2.3%	2.3%
x Percent Health and Personal Care Expenditures [2/]	2.2%	2.2%	2.2%	2.2%
x Percent Electronic and Appliance Expenditures [2/]	2.0%	2.0%	2.0%	2.0%
x Percent Sporting Goods and Hobby Expenditures [2/]	2.6%	2.6%	2.6%	2.6%
x Percent General Merchandise Store Expenditure	9.2%	9.2%	9.2%	9.2%
=Per Person Expenditures	$9,553	$9,553	$9,554	$9,554
x Number of Individuals in the Market [3/]	23,443	25,007	26,741	28,950
=Total Trade Area Expenditures	**$223,951,885**	**$238,892,189**	**$255,482,945**	**$276,586,166**

[1/] While income in the area will increase over time, for the purposes of this analysis, income levels are kept constant to keep the analysis in 2006 dollars.
[2/] From APPENDIX 2D
[3/] From APPENDIX 2C
SOURCE: Ferrarini & Associates

APPENDIX 2F
PROJECTED AGGREGATE EXPENDITURE BY N.A.I.C.S.
GATEWAY PMA
2006, 2011, 2016, 2021

	2006	2011	2016	2021
PMA Population [1/]	23,443	25,007	26,741	28,950
Average Per Capita Income (in 2006 dollars) [2/]	$21,294	$21,294	$21,294	$21,294
Aggregate Income ($000's)	$499,195	$532,498	$569,425	$616,460

			2006		2011		2016		2021	
NAICS	Category	Expenditure Distribution %	Aggregate Income ($000s)	Total Aggregate Expenditures	Aggregate Income ($000s)	Total Aggregate Expenditures	Aggregate Income ($000s)	Total Aggregate Expenditures	Aggregate Income ($000's)	Total Aggregate Expenditures
444	Building Materials/ Hardware	4.1%	$499,195	$20,244,504	$532,498	$21,595,058	$569,425	$23,092,616	$616,460	$25,000,096
445	Grocery Stores	7.3%	$499,195	$36,441,253	$532,498	$38,872,326	$569,425	$41,568,015	$616,460	$45,001,587
445	Convenience and Specialty Food Stores	0.7%	$499,195	$3,685,194	$532,498	$3,931,041	$569,425	$4,203,648	$616,460	$4,550,875
454	Clothing and Clothing Accessories	4.1%	$499,195	$20,467,005	$532,498	$21,832,402	$569,425	$23,346,420	$616,460	$25,274,864
442	Home Furnishings and Furniture	1.9%	$499,195	$9,420,011	$532,498	$10,048,440	$569,425	$10,745,272	$616,460	$11,632,845
722	Eating and Drinking Establishments	8.5%	$499,195	$42,576,021	$532,498	$45,416,357	$569,425	$48,565,857	$616,460	$52,577,460
453	Miscellaneous Retail Stores	2.3%	$499,195	$11,390,867	$532,498	$12,150,776	$569,425	$12,993,399	$616,460	$14,066,671
446	Health and Personal Care	2.2%	$499,195	$11,091,014	$532,498	$11,830,919	$569,425	$12,651,360	$616,460	$13,696,379
443	Electronic and Appliance Stores	2.0%	$499,195	$9,995,130	$532,498	$10,661,926	$569,425	$11,401,302	$616,460	$12,343,064
451	Sporting Goods, Hobby, Book and Music Sto	2.6%	$499,195	$12,891,779	$532,498	$13,751,817	$569,425	$14,705,468	$616,460	$15,920,158
452	General Merchandise Store Expenditures	9.2%	$499,195	$45,770,355	$532,498	$48,823,792	$569,425	$52,209,588	$616,460	$56,522,168
Total				**$223,973,131**		**$238,914,852**		**$255,482,945**		**$276,586,166**

[1/] From APPENDIX 2C
[2/] From APPENDIX 2B
SOURCE: Ferrarini & Associates

APPENDIX 2G
SUPPORTABLE SQUARE FOOTAGE
GATEWAY PMA
2006, 2011, 2016, 2021
(In 2006 Dollars)

		2006												
NAICS	Category	Total Aggregate Expenditures		Leakage Factor 1/		Gross Local Expenditures		National Sales Support Factor 2/		Supportable Square Feet		Average Store Size 3/		# of Busine Support
444	Building Materials/ Hardware	$20,244,504	-	35.0%	=	$13,158,928	/	$170	=	77,405	/	12,500	=	6
445	Grocery Stores	$36,441,253	-	20.0%	=	$29,153,002	/	$337	=	86,507	/	45,000	=	2
445	Convenience/Specialty Food Stores	$3,685,194	-	25.0%	=	$2,763,896	/	$321	=	8,610	/	3,400	=	3
448	Apparel and Accessory Stores	$20,467,005	-	50.0%	=	$10,233,502	/	$196	=	52,212	/	4,000	=	13
442	Home Furnishings and Furniture	$9,420,011	-	50.0%	=	$4,710,006	/	$204	=	23,088	/	5,066	=	5
722	Eating and Drinking Establishments	$42,576,021	-	35.0%	=	$27,674,413	/	$280	=	98,837	/	2,500	=	40
453	Miscellaneous Retail Stores	$11,390,867	-	30.0%	=	$7,973,607	/	$228	=	34,972	/	2,100	=	17
446	Health and Personal Care	$11,091,014	-	15.0%	=	$9,427,362	/	$374	=	25,207	/	11,000	=	2
443	Electronic and Appliance Stores	$9,995,130	-	50.0%	=	$4,997,565	/	$271	=	18,441	/	13,000	=	1
451	Sporting Goods, Hobby, Book and Music Stores	$12,891,779	-	50.0%	=	$6,445,889	/	$201	=	32,069	/	7,000	=	5
452	General Merchandise	$45,770,355	-	35.0%	=	$29,750,730	/	$149	=	199,669	/	70,000	=	3
	Total	**$223,973,131**				**$146,288,900**				**657,019**				

		2011												
NAICS	Category	Total Aggregate Expenditures		Leakage Factor 1/		Gross Local Expenditures		National Sales Support Factor 2/		Supportable Square Feet		Average Store Size 3/		# of Busine Support
444	Building Materials/ Hardware	$21,595,058	-	35.0%	=	$14,036,787	/	$170	=	82,569	/	12,500	=	7
445	Grocery Stores	$38,872,326	-	20.0%	=	$31,097,861	/	$350	=	88,851	/	45,000	=	2
445	Convenience/Specialty Food Stores	$3,931,041	-	25.0%	=	$2,948,281	/	$321	=	9,185	/	3,400	=	3
448	Apparel and Accessory Stores	$21,832,402	-	50.0%	=	$10,916,201	/	$196	=	55,695	/	4,000	=	14
442	Home Furnishings and Furniture	$10,048,440	-	50.0%	=	$5,024,220	/	$204	=	24,629	/	5,066	=	5
722	Eating and Drinking Establishments	$45,416,357	-	35.0%	=	$29,520,632	/	$280	=	105,431	/	2,500	=	42
453	Miscellaneous Retail Stores	$12,150,776	-	30.0%	=	$8,505,543	/	$228	=	37,305	/	2,100	=	18
446	Health and Personal Care	$11,830,919	-	15.0%	=	$10,056,281	/	$374	=	26,888	/	11,000	=	2
443	Electronic and Appliance Stores	$10,661,926	-	50.0%	=	$5,330,963	/	$271	=	19,671	/	13,000	=	2
451	Sporting Goods, Hobby, Book and Music Stores	$13,751,817	-	50.0%	=	$6,875,908	/	$201	=	34,208	/	7,000	=	5
452	General Merchandise	$48,823,792	-	35.0%	=	$31,735,465	/	$149	=	212,990	/	70,000	=	3
	Total	**$238,914,852**				**$156,048,142**				**697,422**				

APPENDIX 2G
SUPPORTABLE SQUARE FOOTAGE
GATEWAY PMA
2006, 2011, 2016, 2021
(In 2006 Dollars)

NAICS	Category	Total Aggregate Expenditures		Leakage Factor [1/]		Gross Local Expenditures		National Sales Support Factor [2/]		Supportable Square Feet		Average Store Size[3/]		# of Busine Support
		2016												
444	Building Materials/ Hardware	$23,092,616	-	35.0%	=	$15,010,200	/	$170	=	88,295	/	12,500	=	7
445	Grocery Stores	$41,568,015	-	20.0%	=	$33,254,412	/	$350	=	95,013	/	45,000	=	2
445	Convenience/Specialty Food Stores	$4,203,648	-	25.0%	=	$3,152,736	/	$321	=	9,822	/	3,400	=	3
448	Apparel and Accessory Stores	$23,346,420	-	50.0%	=	$11,673,210	/	$196	=	59,557	/	4,000	=	15
442	Home Furnishings and Furniture	$10,745,272	-	50.0%	=	$5,372,636	/	$204	=	26,336	/	5,066	=	5
722	Eating and Drinking Establishments	$48,565,857	-	35.0%	=	$31,567,807	/	$280	=	112,742	/	2,500	=	45
453	Miscellaneous Retail Stores	$12,993,399	-	30.0%	=	$9,095,379	/	$228	=	39,892	/	2,100	=	19
446	Health and Personal Care	$12,651,360	-	15.0%	=	$10,753,656	/	$374	=	28,753	/	11,000	=	3
443	Electronic and Appliance Stores	$11,401,302	-	50.0%	=	$5,700,651	/	$271	=	21,036	/	13,000	=	2
451	Sporting Goods, Hobby, Book and Music Stores	$14,705,468	-	50.0%	=	$7,352,734	/	$201	=	36,581	/	7,000	=	5
452	General Merchandise	$52,209,588	-	35.0%	=	$33,936,232	/	$149	=	227,760	/	70,000	=	3
	Total	**255,482,945**				**166,869,654**				**745,787**				

NAICS	Category	Total Aggregate Expenditures		Leakage Factor [1/]		Gross Local Expenditures		National Sales Support Factor [2/]		Supportable Square Feet		Average Store Size[3/]		# of Busine Support
		2021												
444	Building Materials/ Hardware	$25,000,096	-	35.0%	=	$16,250,062	/	$170	=	95,589	/	12,500	=	8
445	Grocery Stores	$45,001,587	-	20.0%	=	$36,001,270		$350	=	102,861	/	45,000	=	2
445	Convenience/Specialty Food Stores	$4,550,875	-	25.0%	=	$3,413,156	/	$321	=	10,633	/	3,400	=	3
448	Apparel and Accessory Stores	$25,274,864	-	50.0%	=	$12,637,432	/	$196	=	64,477	/	4,000	=	16
442	Home Furnishings and Furniture	$11,632,845	-	50.0%	=	$5,816,423	/	$204	=	28,512	/	5,066	=	6
722	Eating and Drinking Establishments	$52,577,460	-	35.0%	=	$34,175,349	/	$280	=	122,055	/	2,500	=	49
453	Miscellaneous Retail Stores	$14,066,671	-	30.0%	=	$9,846,669	/	$228	=	43,187	/	2,100	=	21
446	Health and Personal Care	$13,696,379	-	15.0%	=	$11,641,922	/	$374	=	31,128	/	11,000	=	3
443	Electronic and Appliance Stores	$12,343,064	-	50.0%	=	$6,171,532	/	$271	=	22,773	/	13,000	=	2
451	Sporting Goods, Hobby, Book and Music Stores	$15,920,158	-	50.0%	=	$7,960,079	/	$201	=	39,602	/	7,000	=	6
452	General Merchandise	$56,522,168	-	35.0%	=	$36,739,409	/	$149	=	246,573	/	70,000	=	4
	Total	**276,586,166**				**180,653,303**				**807,390**				

[1/] Represents the percentage of retail expenditures from PMA households that are expected to occur outside the PMA.
[2/] Based on national averages of community shopping centers, derived from "Dollars & Cents of Shopping Centers," Urban Land Institute, 2004 and adjusted for 2006 dollars.
[3/] Based on statistics published by the Urban Land Institute and the Nation Research Bureau.
SOURCE: Urban Land Institute, International Council of Shopping Centers and Ferrarini & Associates

APPENDIX 2H
NET NEW RETAIL DEVELOPMENT OPPORTUNITIES
GATEWAY PMA

NAICS	Category	2006 Number of Stores Supported [1/]	Number of Stores in PMA [2/]		Residual Demand [3/]	Actual Stores Supported in PMA [4/]	Comments
444	Building Materials/ Hardware	6	2	=	4	0	More stores are not expected to be viable because Home Depot is located in the PMA
445	Grocery Stores	2	2	=	0	0	
445	Convenience/Specialty Food Stores	3	8	=	0	2	Model results overridden because basic services in this category do not exist currently in the market. See Exhibit 2.05
448	Apparel and Accessory Stores	13	17	=	0	0	
442	Home Furnishings and Furniture	5	3	=	2	2	More stores could probably be supported because existing stores sell only beds and mattresses.
722	Eating and Drinking Establishments	40	52	=	0	2	Model results overridden because basic services in this category do not exist currently in the market. See Exhibit 2.05
453	Miscellaneous Retail Stores	17	33	=	0	2	Model results overridden because basic services in this category do not exist currently in the market. See Exhibit 2.05
446	Health and Personal Care	2	4	=	0	0	
443	Electronic and Appliance Stores	1	9	=	0	1	Model results overridden because basic services in this category do not exist currently in the market. See Exhibit 2.05
451	Sporting Goods, Hobby, Book and Music Stores	5	15	=	0	0	
452	General Merchandise	3	5	=	0	0	
Total		**97**	**150**		**6**	**9**	

NAICS	Category	2011 2006 PMA Demand for New Stores	Net New Stores Supported [1/]		Cumulative Demand for Stores	Comments
444	Building Materials/ Hardware	0	0	=	0	
445	Grocery Stores	0	0	=	0	
445	Convenience/Specialty Food Stores	2	0	=	2	
448	Apparel and Accessory Stores	0	1	=	1	
442	Home Furnishings and Furniture	2	0	=	2	
722	Eating and Drinking Establishments	2	1	=	3	
453	Miscellaneous Retail Stores	2	0	=	2	
446	Health and Personal Care	0	0	=	0	
443	Electronic and Appliance Stores	1	0	=	1	
451	Sporting Goods, Hobby, Book and Music Stores	0	0	=	0	
452	General Merchandise	0	0	=	0	
Total		**9**	**2**		**11**	

APPENDIX 2H
NET NEW RETAIL DEVELOPMENT OPPORTUNITIES
GATEWAY PMA

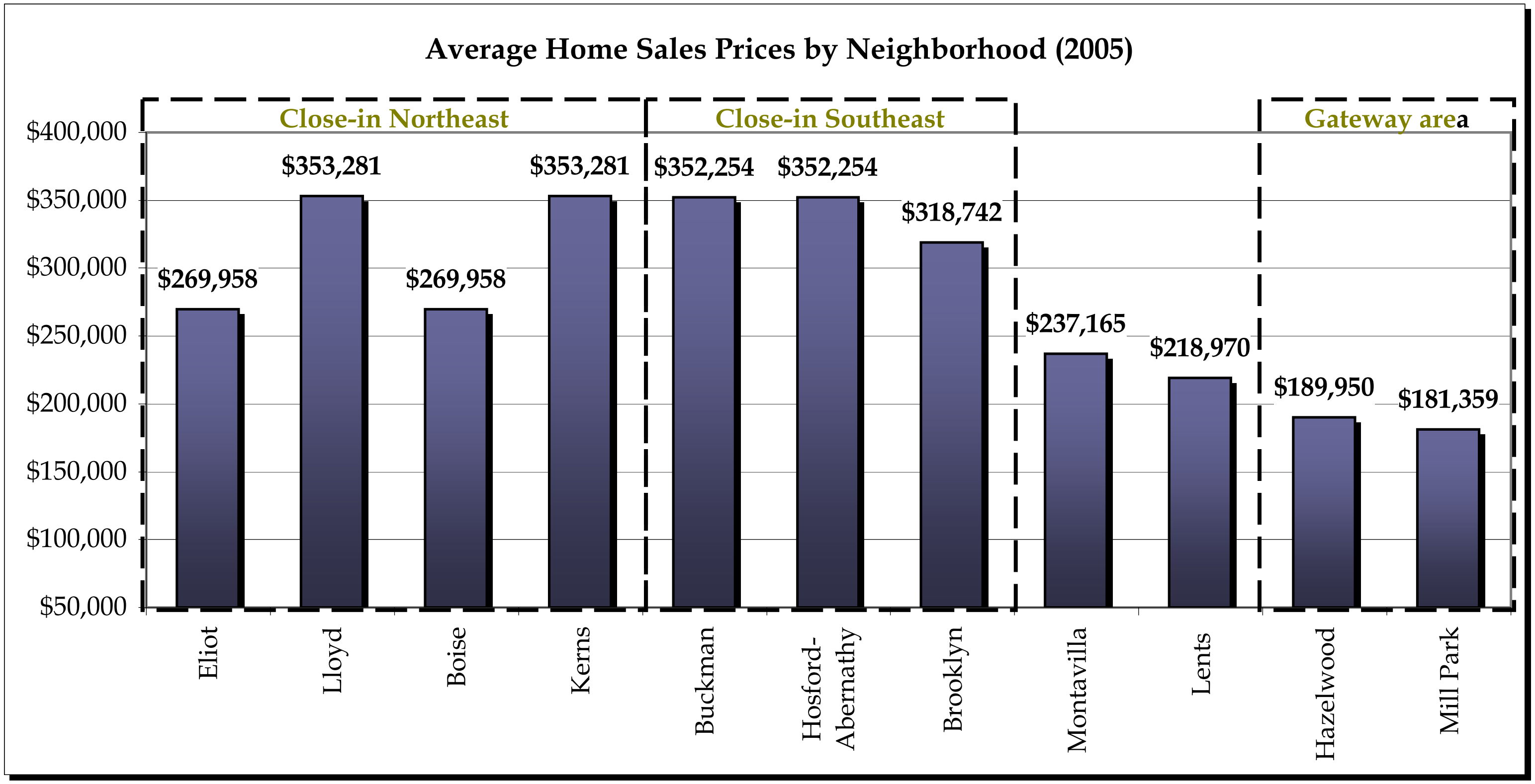
NAICS	Category	2016				
		2011 PMA Demand for New Stores	Net New Stores Supported [1/]		Cumulative Demand for Stores	Comments
444	Building Materials/ Hardware	0	1	=	1	
445	Grocery Stores	0	0	=	0	
445	Convenience/Specialty Food Stores	2	0	=	2	
448	Apparel and Accessory Stores	1	1	=	2	
442	Home Furnishings and Furniture	2	1	=	3	
722	Eating and Drinking Establishments	3	3	=	6	
453	Miscellaneous Retail Stores	2	0	=	2	
446	Health and Personal Care	0	0	=	0	
443	Electronic and Appliance Stores	1	0	=	1	
451	Sporting Goods, Hobby, Book and Music Stores	0	1	=	1	
452	General Merchandise	0	0	=	0	
Total		**11**	**7**		**18**	

NAICS	Category	2021				
		2006 PMA Demand for New Stores	Net New Stores Supported [1/]		Cumulative Demand for Stores	Comments
444	Building Materials/ Hardware	1	0	=	1	
445	Grocery Stores	0	0	=	0	
445	Convenience/Specialty Food Stores	2	0	=	2	
448	Apparel and Accessory Stores	2	1	=	3	
442	Home Furnishings and Furniture	3	0	=	3	
722	Eating and Drinking Establishments	6	3	=	9	
453	Miscellaneous Retail Stores	2	2	=	4	
446	Health and Personal Care	0	1	=	1	
443	Electronic and Appliance Stores	1	0	=	1	
451	Sporting Goods, Hobby, Book and Music Stores	1	0	=	1	
452	General Merchandise	0	1	=	1	
Total		**18**	**8**		**26**	

[1/] Based on total demand demonstrated in APPENDIX 2I
[2/] Per APPENDIX 2I
[3/] Supportable stores minus existing stores. Because this market is assumed to be balanced in 2006 and not oversupplied in any categories, this number is assumed to be 0 if mathematically it is negative.
[4/] Cumulative number of stores.
SOURCE: Ferrarini & Associates

EXHIBIT 3.01
RELATIVE PRICE OF HOMES
SELECTED EAST PORTLAND NEIGHBORHOODS

Rapidly increasing housing values in Portland, particularly close-in to downtown, are causing a demographic shift. That shift is pushing lower-income households out of close-in eastside neighborhoods to areas further east like Lents and Gateway. As illustrated below, these areas now contain the last bastions of affordable housing in the City.

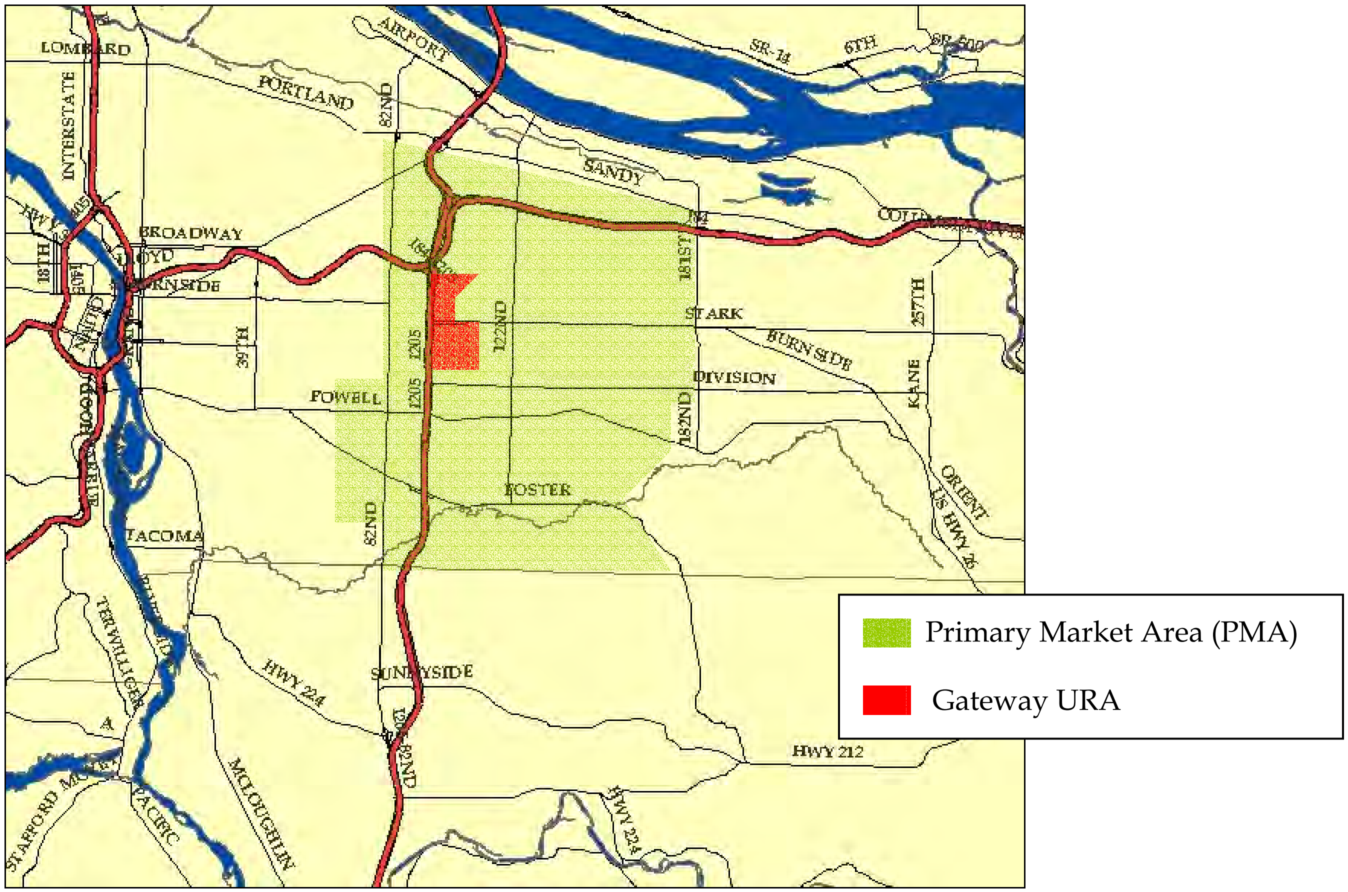


Source: Realtors Multiple Listing Service (RMLS), Portland Monthly (April 2006), and Ferrarini & Associates

EXHIBIT 3.02
MAP OF GATEWAY AND PRIMARY MARKET AREA (PMA) FOR HOUSING

This trend has influenced the socio/economic make-up of the population base and has had a substantial influence on the demand for housing in the area. What follows is a series of exhibits that show that the Gateway Primary Market Area (PMA) and the Gateway Urban Renewal Area (URA) are attracting lower-income, larger, and more ethnically-diverse households.

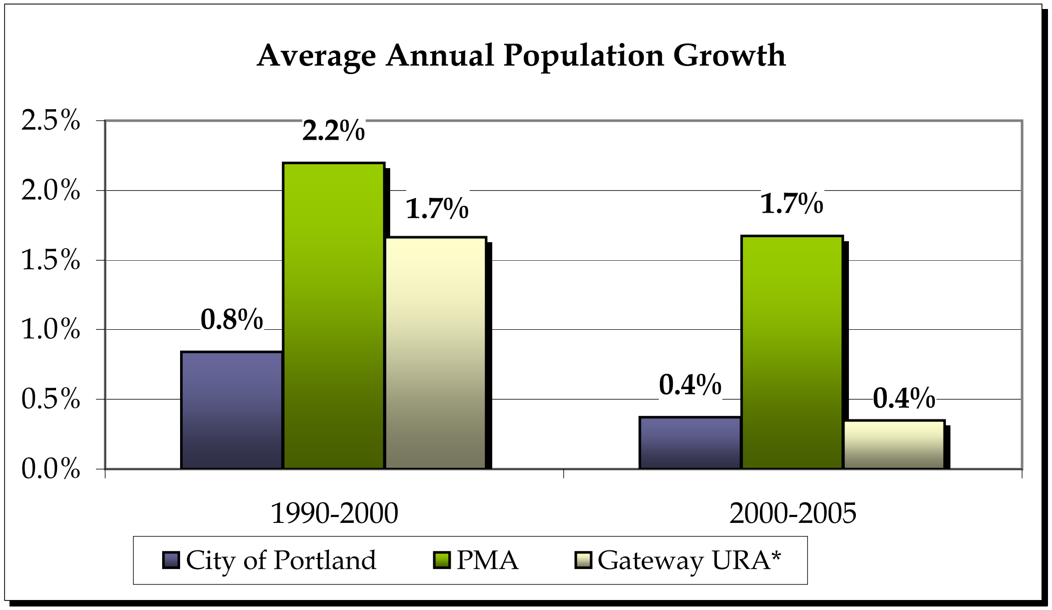
The PMA for new housing in Gateway has been defined to include the portions of Portland east of 62nd or 82nd Drive, north of the county line and west of approximately 182nd Street. New population growth into this area is considered when calculating demand for new housing. As mentioned, much of this growth will come from neighborhoods closer-in to Portland.



Source: Ferrarini & Associates

EXHIBIT 3.03
POPULATION GROWTH
GATEWAY AREA AND CITY OF PORTLAND

Over the last 15 years, the population in the Gateway PMA outpaced growth in the City as a whole; however, growth in the Gateway Urban Renewal Area (URA) has been slower because this area is largely built-out.

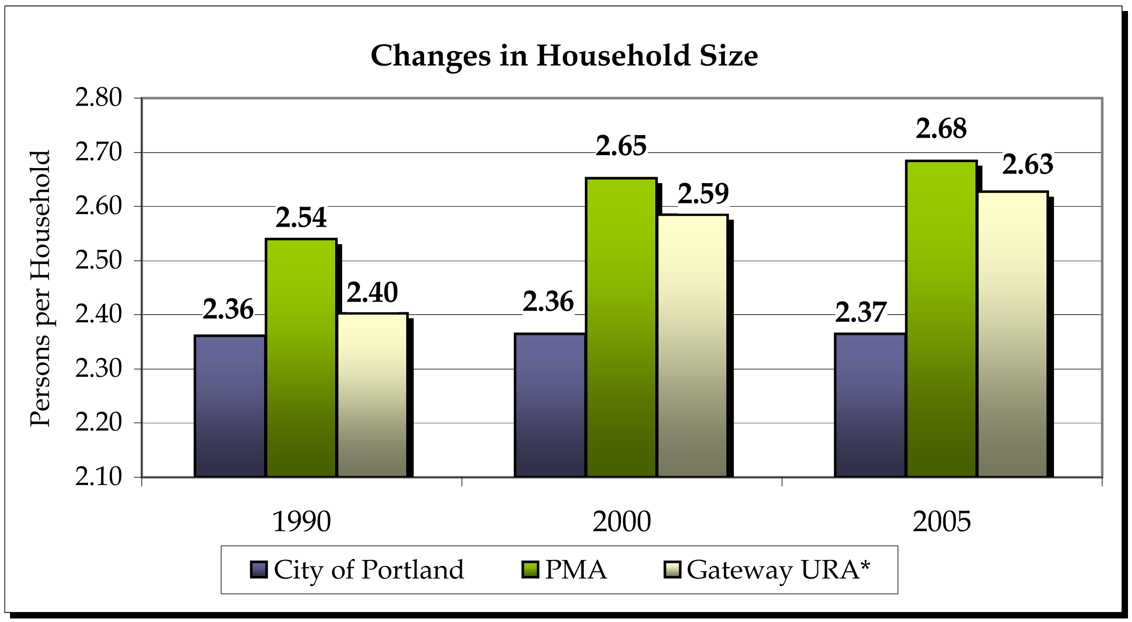


* Includes Census Tracts 80.01, 80.02, 81, 82.02, and 82.01.

Source: US Census, ESRI, and Ferrarini & Associates

EXHIBIT 3.04
AVERAGE HOUSEHOLD SIZE
GATEWAY AREA AND CITY OF PORTLAND

The Gateway URA and PMA contain larger households than the Portland city average. This fact is not surprising given the fact that Gateway is less urban than many other parts of the city. What is surprising, however, is the fact that households have been growing in size in both the Gateway PMA and URA, a trend that is contrary to national and regional trends.

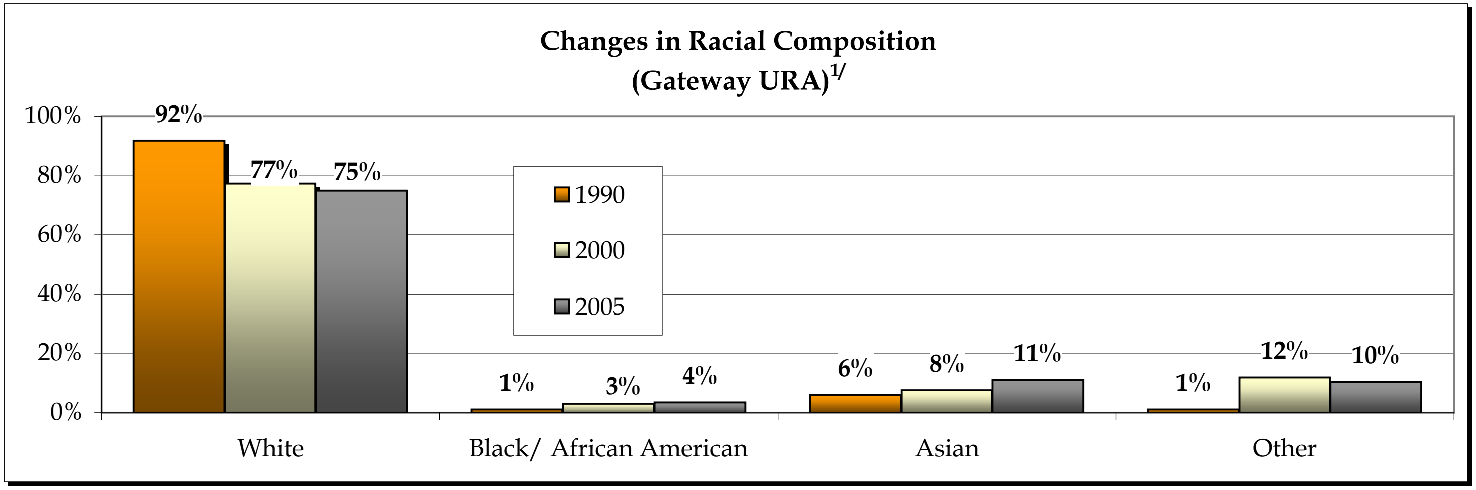


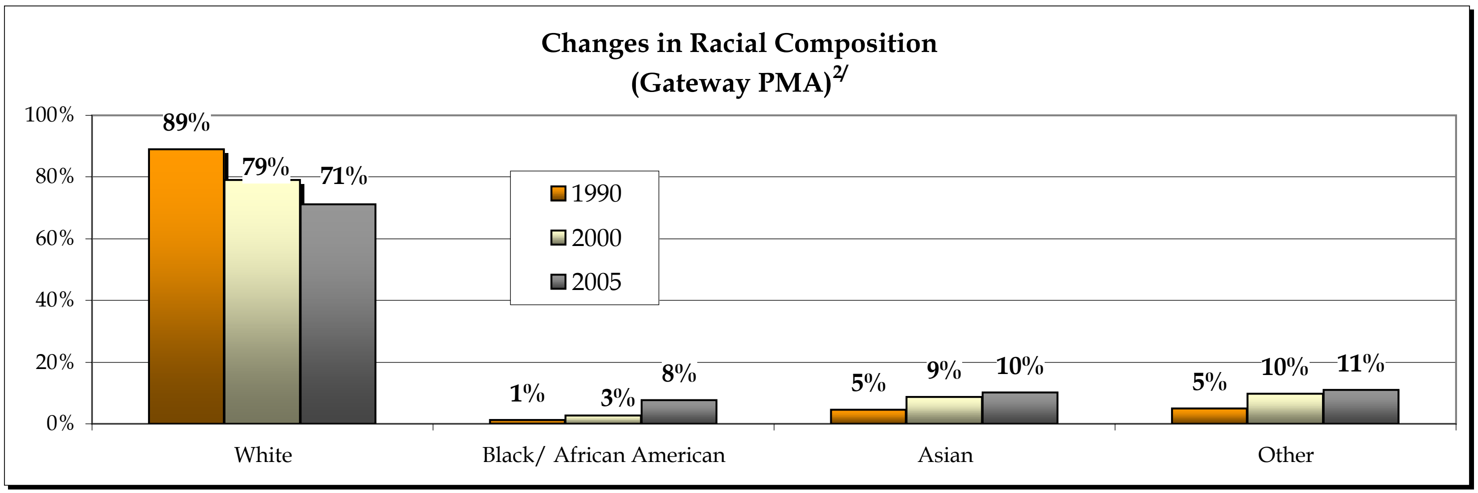
[*] Includes Census Tracts 80.01, 80.02, 81, 82.02, and 82.01.

Source: US Census, ESRI, and Ferrarini & Associates

EXHIBIT 3.05
ETHNICITY
GATEWAY PMA AND URA

Household sizes in the Gateway URA and PMA are getting larger, in part, because the areas are attracting a larger number of minority and immigrant households.





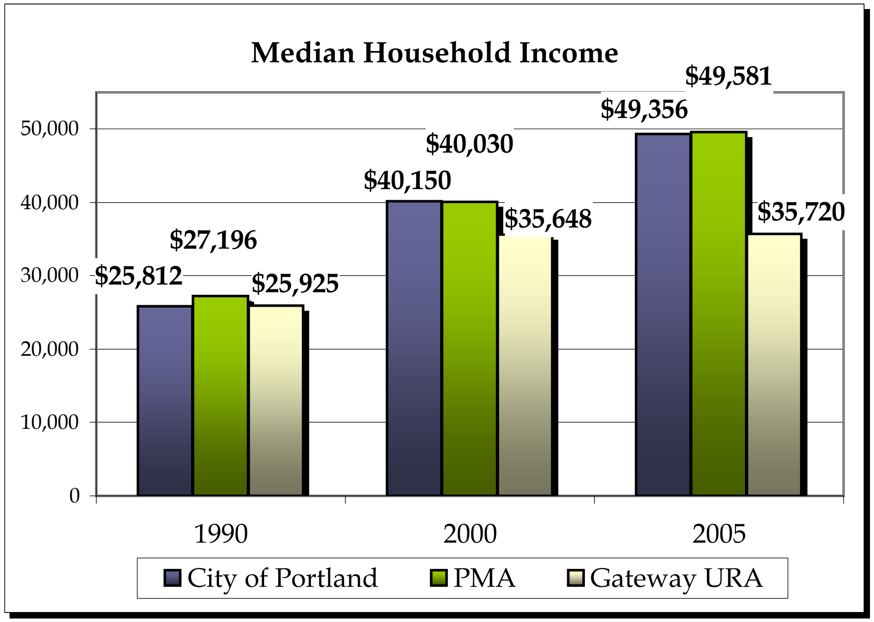
1/ Includes Census Tracts 80.01, 80.02, 81, 82.02, and 82.01.

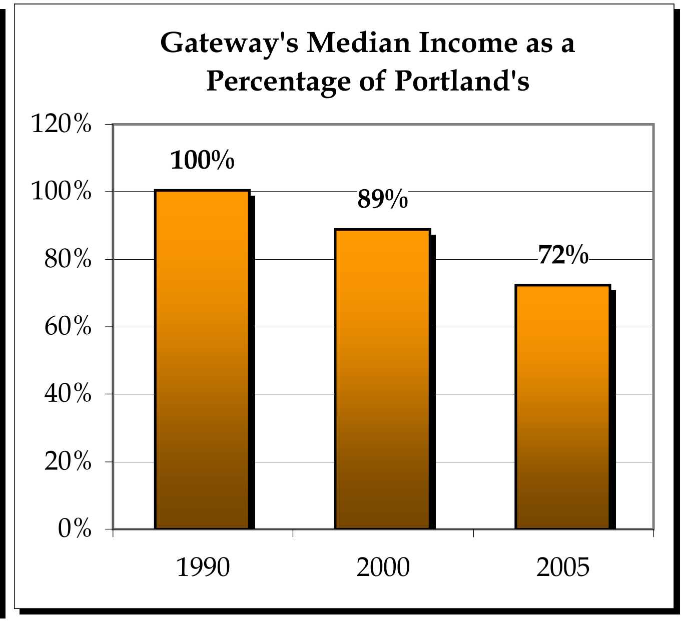
2/ PMA distribution in 2005 data is estimated based on 2005 American Community Survey data (US Census).

Source: US Census, ESRI, and Ferrarini & Associates

EXHIBIT 3.06
MEDIAN HOUSEHOLD INCOME
GATEWAY AREA AND CITY OF PORTLAND

Another notable trend in the Gateway URA is the fact that incomes have been stagnant and have not kept pace with inflation or the city-wide average, particularly over the last five years.

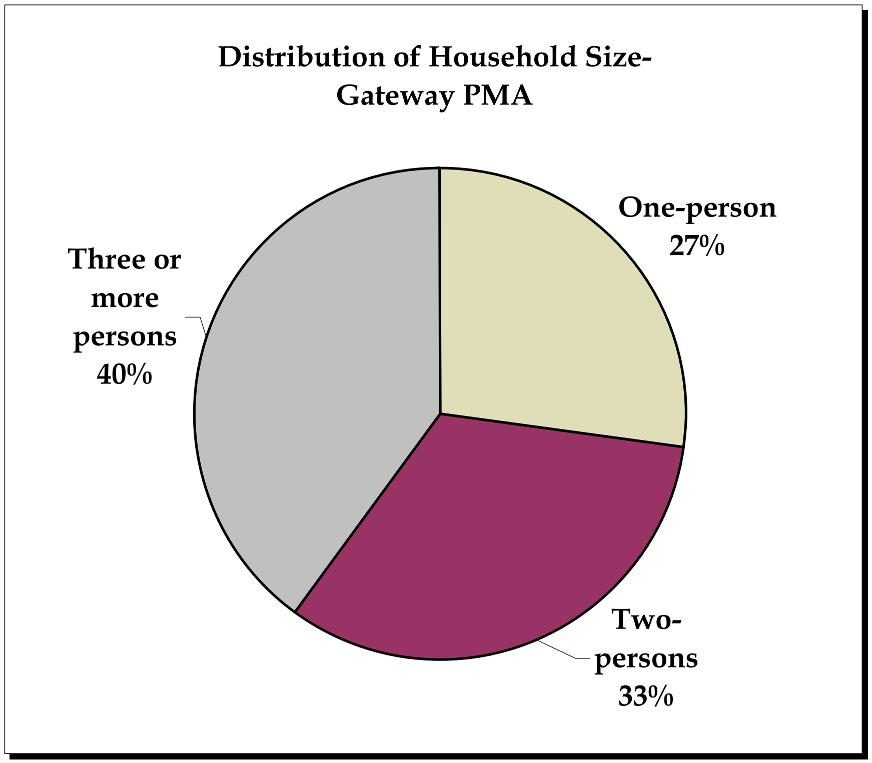


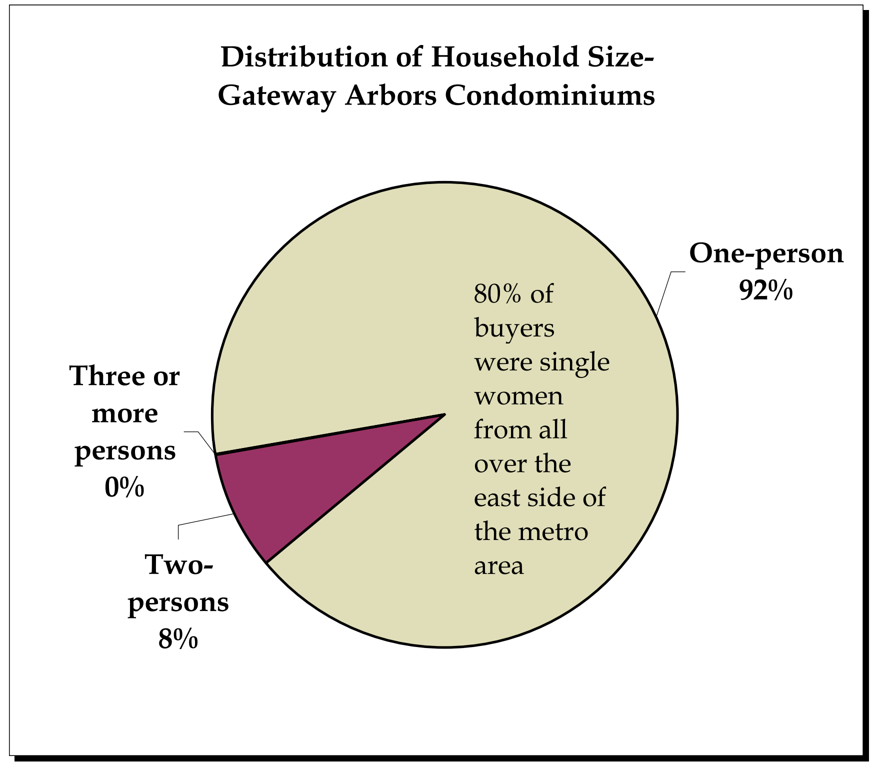


Source: US Census, ESRI, and Ferrarini & Associates

EXHIBIT 3.07
PROJECTS INDUCING HOUSING DEMAND
GATEWAY PMA

Another trend, which is largely hidden in the general demographic data, is the recent in-migration of one- and two- person households to the area. These households are beginning to move to Gateway because it is one of the only areas in Portland where new condominiums can be purchased for as little as $120,000. Projects offering affordable condominiums, like Gateway Towers and Gateway Arbors, are inducing demand from this demographic which historically has not been attracted to this area.





Source: Ferrarini & Associates

EXHIBIT 3.08
METHODOLOGY FO PROJECTING NEW HOUSING DEMAND
GATEWAY PMA
2006 - 2016

To anticipate the type and amount of housing likely to occur in the Gateway URA and Central Gateway in the future, a two-step process is used:

1. First, forecasted demographic changes in the PMA are analyzed. This information is used to quantify the magnitude of housing that will be demanded in the PMA, some of which will be captured in Gateway.

2. Next, to understand how much and what type of demand will occur in Gateway, a more qualitative analysis of housing options was completed. This analysis breaks the demand forecast into six commonly-acknowledged price points. It then identifies all options for newly-constructed homes that exist at each price point in east Portland. The analysis then asks a simple question: how attractive is Gateway relative to other areas where competitive product is being built?

If Gateway compares favorably, it would be expected to attract that segment of the market.

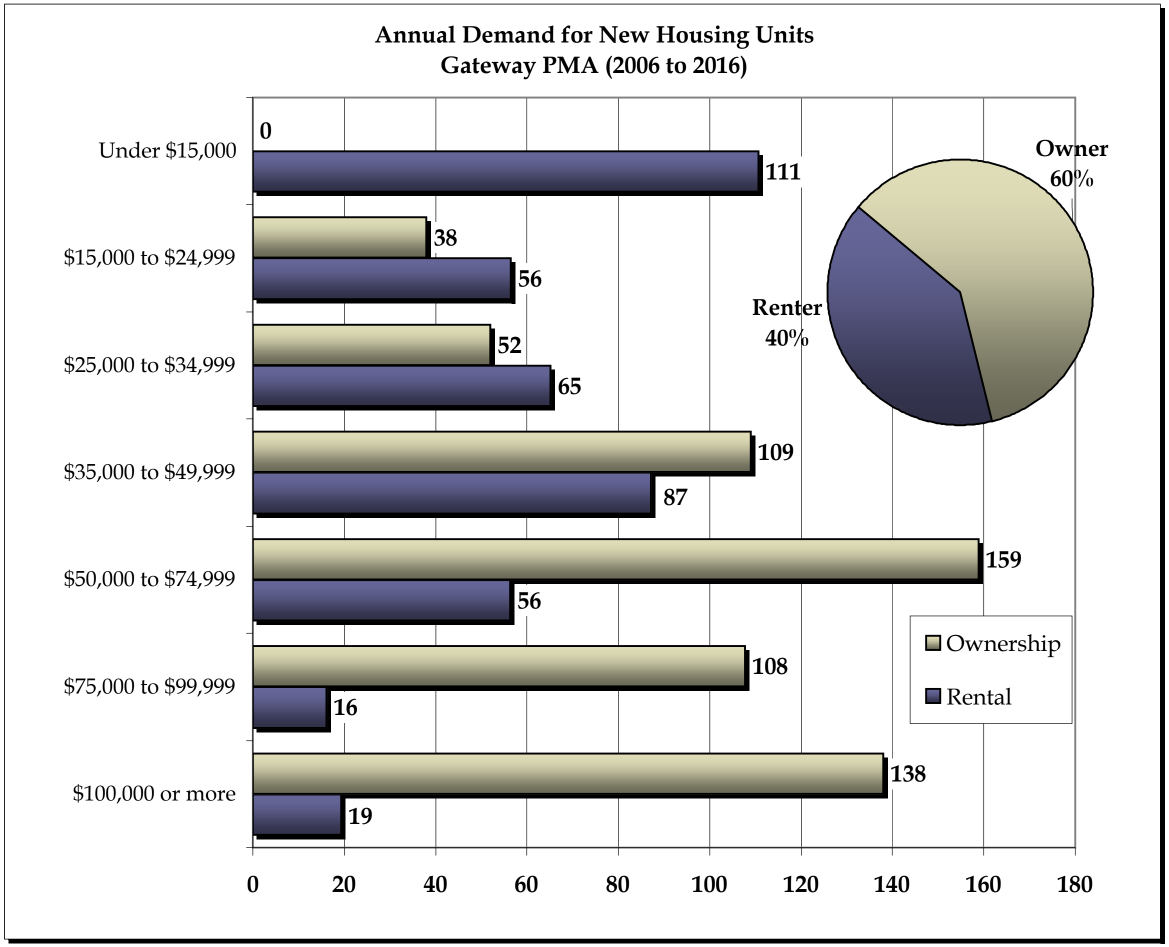
If Gateway is considered less attractive, a second set of questions is triggered: what barriers exist and what kinds of improvements can be made to Gateway to make it more attractive to that consumer group?

The results of these analyses are presented in the following exhibits.

Source: Ferrarini & Associates

EXHIBIT 3.09
ANNUAL DEMAND FOR NEW HOUSING UNITS
GATEWAY PMA
2006 - 2016

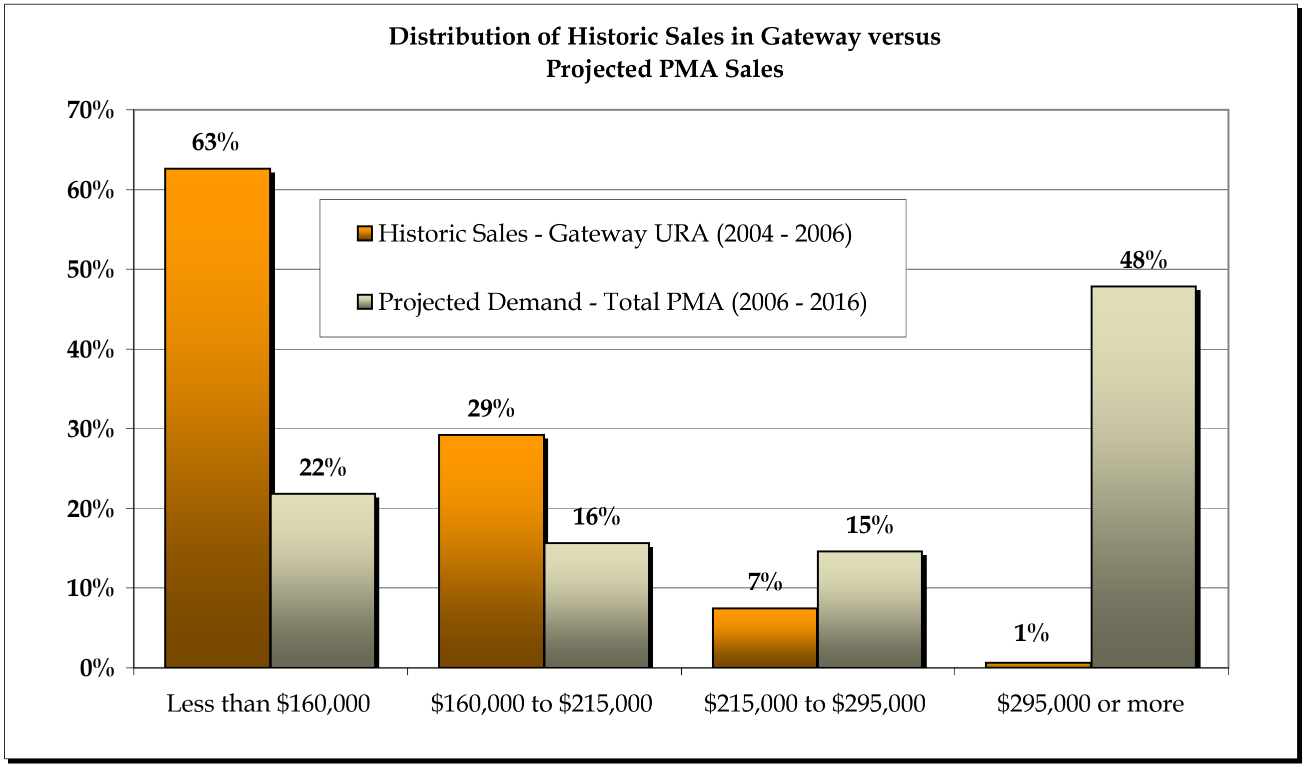
Population forecasts indicate there will be a need for approximately 1,000 new housing units in the Gateway PMA annually from 2006 to 2016. Based on the expected age and income of new residents, approximately 60% will have sufficient income and/or equity to buy a home and 40% will be renters.



Source: US Census, ESRI, and Ferrarini & Associates

EXHIBIT 3.10
DISTRIBUTION OF PMA DEMAND VERSUS HISTORIC SALES IN GATEWAY URA
2004 - 2016

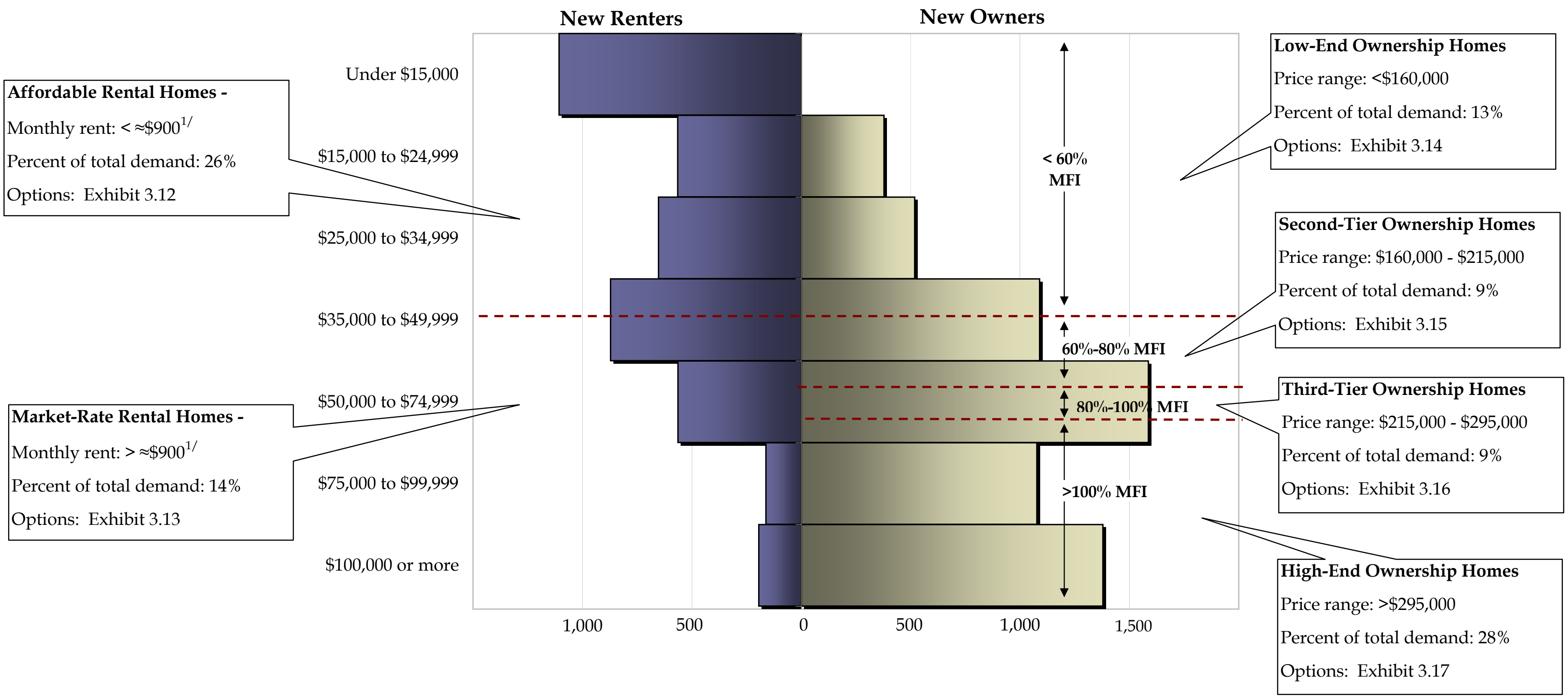
From January 2004 to May 2006, approximately 150 new homes or condominiums sold in the Gateway URA. This implies Gateway has been capturing approximately 6% of projected demand in the PMA. Illustrated below is the distribution of the 150 new home sales by price point compared to the distribution associated with the demand forecast for the PMA. Although the number of sales in each area is different, by comparing the distribution it becomes apparent that the Gateway URA has not been able to capture demand at the top end of the market.



Source: US Census, ESRI, and Ferrarini & Associates

EXHIBIT 3.11
MARKET SEGMENTS
GATEWAY PMA
2006 - 2016

To help understand why Gateway attracts apartment development and lower-cost homes but not more expensive housing product, the demand forecast for the PMA is divided into the six commonly-acknowledged price points shown below. The following exhibits show the new housing options available at each of these price points to understand how desirable Gateway is compared to where other options are being built.



[1/] Based on a household size of four.
Source: US Census, ESRI, RMLS, and Ferrarini & Associates

EXHIBIT 3.12
CHOICES FOR NEW HOUSEHOLDS BY INCOME AND TENURE (2006 - 2016)
LOW-INCOME RENTERS
GATEWAY PMA

< 60% MFI (< ≈$850 per month in rent):
One segment in the apartment market is "affordable" apartments that receive government funding to reduce the cost of construction, but in return, are required to keep rental rates affordable over a long period of time - usually 30 to 60 years.

The largest source of government funding for the development of affordable housing comes from the issuance of federal Low Income Housing Tax Credits (LIHTCs). To qualify for this program, a developer needs to guarantee a certain number of units in the project will be affordable to households earning less than 60% of median family income (MFI) for the Portland metropolitan area. In 2006, this equates to a maximum household income of $36,660, or rent of no more than $827 for a two bedroom apartment.

Government subsidies are often necessary to help development occur in areas where new construction would otherwise not be financially viable due to the poor condition of existing apartments and their low associated rental rates.

At least four projects in the Gateway area have received LIHTC funding to support new construction or substantially rehabilitate an older project. These projects include: Gateway Park, Park Vista, Floyd Light Apartments and Cherry Blossom Apartments. As illustrated, new affordable projects are significantly more attractive than the older market rate projects that are prevalent in this area.

Over the next 10 years, there is projected to be demand for approximately 2,600 new rental units in the PMA that would be affordable to households earning less than 60% MFI. This represents nearly 2/3rds of the total demand for rental apartments.

Gateway is one of the most attractive locations in the PMA to build any type of apartment complex, including affordable apartments, because it has excellent access to transit, freeways, services and employment centers (Airport Way, Clackamas Town Center and downtown Portland).

Source: US Census, ESRI, and Ferrarini & Associates

EXHIBIT 3.13
CHOICES FOR NEW HOUSEHOLDS BY INCOME AND TENURE (2006 - 2016)
MODERATE- TO HIGH-INCOME RENTERS
GATEWAY PMA

> 60% MFI (> ≈$850 per month in rent):
The second segment of the apartment market are projects that have no restriction on how much can be charged for rent. These are called "market rate" projects because rent levels are dictated by the quality of the project and how much consumers are willing to pay to live there (a.k.a. by the market).

From a community's perspective, there is very little aesthetic difference between new market rate projects and new affordable projects that target households who earn approximately 60% MFI. From the outside these projects would look nearly identical. The biggest difference is market rate projects typically have better quality finishes and amenities. As a result, they often rent for 10% to 20% more than comparably-aged affordable projects built in the same area.

Russellville Commons

Newer market-rate apartments are found throughout the PMA, including Gateway. However, choices are limited because rental rates in the PMA generally do not support the cost of building new apartments. Even Russellville Commons, the most expensive apartment project in the Gateway area, was built with some financial assistance from Metro and the City of Portland. Currently, rents at Russellville Commons average $851 per month, and are equivalent to approximately 68% MFI.

Over the next 10 years, there is projected to be demand for approximately 1,500 new rental units that would be affordable to households that earn more than 60% MFI. As discussed Gateway and Central Gateway are among the most attractive locations in the PMA to build apartments, including market rate apartments. These areas provide excellent access to employment centers, transit, shopping and freeways.

How many market rate apartments actually get built in Gateway and Central Gateway will be largely determined by the financial viability of this form of development. Currently building market rate apartments is not believed to be financially viable given the recent increases in construction costs and the lack of rent increases during the same time.

Source: US Census, ESRI, and Ferrarini & Associates

EXHIBIT 3.14
CHOICES FOR NEW HOUSEHOLDS BY INCOME AND TENURE (2006 - 2016)
OWNERSHIP HOMES <$160,000
GATEWAY PMA

Homes < $160,000 (< 60% MFI):
This lowest segment of the for-sale housing market are homes affordable to households earning less than 60% MFI. Based on current interest rates, this income group could afford homes priced up to approximately $160,000. [1/]

For consumers looking for a new home in this price range, options are limited and include condominiums and townhomes located in Gateway or just outside Gateway to the east and southeast. Outside of Gateway projects in this price range tend to be small, infill developments built in unattractive locations. Relative to these options Gateway is superior because it is located closer to freeways, shopping opportunities, and MAX, and the quality of the built environment is improving at a much faster pace.

Over the next 10 years there is projected to be demand for over 1,300 new homes in this price range (approx. 22% of total ownership demand). Gateway is well-positioned to capture a large portion of this demand because of its location. However, rapidly increasing land and development costs are making it more difficult to deliver new product for this group.

Additional condominium development is likely in Central Gateway because of the RX and RH zoning that applies to the area. This development form will cater mainly to one- and two-person households. The development of townhomes would attract larger families to the area. However, this form of development can occur only in the parts of Gateway with R1 through R5 zoning.

1/ See Appendix 3B for conversion of income levels to home prices.
Source: US Census, ESRI, RMLS, and Ferrarini & Associates

EXHIBIT 3.15
CHOICES FOR NEW HOUSEHOLDS BY INCOME AND TENURE (2006 - 2016)
OWNERSHIP HOMES $160,000 TO $215,000
GATEWAY PMA

Homes $160,000 - $215,000 (60% - 80% MFI):
The second tier of the for-sale housing market are homes affordable to households earning between 60% and 80% MFI. Based on current interest rates, this income group could afford homes priced between $160,000 and $215,000. [1/]

There are more options for consumers looking for a new home in this price range. RMLS data shows there were eight new projects that sold in this price range in the last 12 months, compared to four new projects that sold for less than $160,000.[2/] Despite the increased choice, most new development in this price range is built in the same kinds of locations as is product priced below $160,000 - locations that are inferior to Gateway.

The only product that is considered equally attractive to product being built in Gateway (Gateway Tower Condominiums) is the Maplewood Townhomes. This project is located approximately two miles to the east of the PMA in Gresham. This location is more suburban in character and does not have easy access to transit, shopping and employment opportunities. Because of the locational differences, the two projects would attract very different buyers. According to the developer and broker, Gateway Towers attracts buyers from close-in Southeast Portland neighborhoods (e.g. Hawthorne) who cannot afford to buy a home there. As a result, they buy in Gateway because it offers a somewhat urban environment and convenient access to transit. These same buyers would not consider a townhome in Gresham because it offers none of these attributes.

Over the next 10 years, there is projected to be demand in the PMA for approximately 950 new homes in this price range (approximately 16% of total ownership demand). Gateway is a good position to continue to capture demand from this segment of the market because it is superior to most other locations where new product in this price range is being built. In addition, it contains the greatest concentration of new development which provides buyers with a clear signal that the area is improving.

The amount of demand in this segment of the market that is captured in Gateway is likely to be limited by the physical and financial realities of developing in a largely built-out environment. Existing homes must be purchased from multiple buyers then razed. This increases the time, cost and risk associated with development.

[1/] See Appendix 3B for conversion of income levels to home prices.
[2/] Includes only projects with four or more units.
Source: US Census, ESRI, RMLS, and Ferrarini & Associates

EXHIBIT 3.16
CHOICES FOR NEW HOUSEHOLDS BY INCOME AND TENURE (2006 - 2016)
OWNERSHIP HOMES $215,000 TO $295,000
GATEWAY PMA

Homes $215,000 - $295,000 (80% to 100% MFI):
The third tier of the for-sale housing market are homes affordable to households earning between 80% and 100% MFI. Based on current interest rates, this income group could afford homes priced between $215,000 and $295,000. [1/]

Within the PMA, homes in this price range tend to sell for less than $250,000 and include townhomes or detached homes built on small lots (zero-lot line homes). These developments are currently being built just east of Gateway or in Lents on infill sites that are more quiet and attractive than sites where lower cost options in the PMA are being built. These locations, however, are not more attractive than the portions of the Gateway URA where townhouse development could be built.

Few projects in the PMA command prices that range from $250,000 and $295,000. At these prices, development is occurring in more attractive locations like Belmont (see the photo of the Andria Condominiums to the right) or on Mt. Scott.

Over the next 10 years, there is projected to be demand within the PMA for approximately 880 new homes in this price range (approx. 15% of total ownership demand). Some of this development is expected to occur within the Gateway URA; however, product built in the URA will probably cost less than $250,000 and be built on land that can legally accommodate townhomes.

Over time higher priced product could be built within the URA, when the overall quality of development and infrastructure improves.

1/ See Appendix 3B for conversion of income levels to home prices.
Source: US Census, ESRI, RMLS, and Ferrarini & Associates

EXHIBIT 3.17
CHOICES FOR NEW HOUSEHOLDS BY INCOME AND TENURE (2006 - 2016)
OWNERSHIP HOMES >$295,000
GATEWAY PMA

Homes > $295,000:
The highest segment of the for-sale housing market analyzed in this report includes homes affordable to households earning more than 100% MFI. Based on current interest rates, this income group could afford homes priced above approximately $295,000. [1/]

Consumers at this price range have the greatest amount of choice. In terms of product types, consumers can choose from a new detached single family home, a townhome or a condominium.

In terms of location, projects in this price range are generally being built outside the PMA in locations that offer a higher quality built environment. Options include new condominiums built in close-in neighborhoods like Belmont and Hawthorne that offer a more vibrant urban environment, or in more suburban neighborhoods in Clackamas and the Altamont neighborhood on Mt. Scott.

Gateway is generally a less attractive option for consumers in this price range currently. Potential niche markets, however, may exist if they cater to people who work in the area; for example, people who work at the Adventist Hospital. However, for the vast majority of consumers in this price range, better options exist elsewhere.

Over the next 10 years, there is projected to be demand within the PMA for over 2,800 new homes in this price range (48% of total demand). In the future when more redevelopment occurs, product in this price range may become a viable option to developers and consumers. For now, however, Gateway and Central Gateway lack the kind of built environment to attract this segment of the market.

[1/] See Appendix 3B for conversion of income levels to home prices.
Source: US Census, ESRI, RMLS, and Ferrarini & Associates

EXHIBIT 3.18
SUMMARY OF FINDINGS AND LIKELY CAPTURE RATES
OWNERSHIP AND RENTAL HOMES IN GATEWAY URA AND CENTRAL GATEWAY

In summary, Gateway is one of the most appealing residential locations in the eastern portion of Portland. This area is growing and becoming more ethnically diverse.

The quality of the built environment elsewhere in the PMA, however, is generally poor. As a result, Gateway is the most attractive location for four of the six segments of the residential market. Therefore it would be expected to capture a large share of new development in these market segments. A capture rate as high as 30% to 50% of total PMA demand in these market segments is possible considering market demand only. The table on the following page details potential demand by market segment. The actual amount of development that occurs in Gateway, however, is expected to be more limited than this potential because there are several barriers to development:

1. The biggest restriction on development in Gateway and Central Gateway is the lack of vacant land. Without it, developers are forced to redevelop property. As noted earlier, this increases the time, risk and cost associated with development. It also reduces the number of developers willing to pursue higher-risk development while also accepting more modest returns.

2. Zoning regulations in Central Gateway necessitate developing multi-story buildings with limited parking. Parking is limited because sales prices and rental rates do not support the construction of a parking structure and in order to make the project pencil, little site area is allocated for surface parking. For example, Gateway Arbors has 0.9 parking spaces per unit and Gateway Towers has 0.8 parking spaces per unit. While excellent transit access is available, as price levels increase buyers expect to have access to adequate parking (1 to 2 spaces per unit).

3. Density restrictions will result in the development of relatively small[1/] condominiums in Central Gateway which will also limit the size of the market. For example, more than 90% of all buyers at Gateway Arbors are one person households. Because small condominiums will likely be the product type that will continue to be built in Central Gateway, they will appeal mainly to one-person and a relatively small portion of two-person households. Based on US Census data, this focus will eliminate approximately 65% of the market, as reflected in the following table.

4. Another potential barrier is the 8% maximum cash on cash return limitation placed on developers who use the City of Portland's property tax abatement program. This is a very modest return for the risk associated with real estate development, marginally better than investing in an index fund which requires no work and limited risk. A more common return for real estate development is 15%-25%.

EXHIBIT 3.18
SUMMARY OF FINDINGS AND LIKELY CAPTURE RATES
OWNERSHIP AND RENTAL HOMES IN GATEWAY URA AND CENTRAL GATEWAY

5. Finally, the overall quality of development and infrastructure in Central Gateway are two additional barriers to development.
-The quality of the built environment limits how much people are willing to pay to live in Central Gateway, which, in turn, impacts the quality and type of new development that gets built.
-The lack of adequate infrastructure presents another barrier because there is currently no funding to improve streets, sidewalks or add parks in the area. As a result, developers building in the area are being asked to pay for a portion of these public improvements. This adds to the cost of development in an environment where additional costs are difficult to pass on to the consumer.

The following table quantifies potential housing demand that could be captured in the Gateway URA and Central Gateway. However, as mentioned, actual demand will be limited by the amount of land available for development and by the barriers identified above. To the extent that these barriers can be mitigated, actual demand could equal potential demand.

Market Segment	PMA Demand 10-Years	Gateway URA Potential Capture		Central Gateway Potential Capture [2/]		Total Units (2006 - 2016) [3/]	
		Low	High	Low	High	Gateway	Central Gateway
Affordable Apartments	2,660	30%	50%	11%	18%	1,064	376
Market Rate Apartments	1,460	30%	50%	11%	18%	584	206
Subtotal - Rental Homes	**4,120**	**30%**	**50%**	**11%**	**18%**	**1,648**	**582**
Entry Level Homes (<$160,000)	1,320	30%	50%	11%	18%	528	186
Second-Tier Homes ($160,000 to $215,000)	950	30%	50%	11%	18%	380	134
Third-Tier Homes ($215,000 to $295,000)	880	20%	30%	7%	11%	220	78
High-End Homes (> $295,000)	2,890	0%	5%	0%	2%	72	26
Subtotal - Ownership Homes	**6,040**	**14%**	**26%**	**5%**	**9%**	**1,200**	**424**

[1/] Small condominiums are built to keep the overall cost of housing down. Multi-story condominiums are the most expensive residential product type to build. As a result, larger units are likely to price buyers out of this market. As a result small condominiums that appeal mainly to one-person households are likely to be built in Central Gateway for the foreseeable future.
[2/] Capture rates for Central Gateway are reduced by 65% from the capture rates shown for Gateway to reflect the focus that product built in this area will have with respect to household sizes.
[3/] Assumes mid-point of capture range.
Source: US Census, ESRI, and Ferrarini & Associates

APPENDIX 3A
RESIDENTIAL DEMAND FORECAST
GATEWAY PMA
(2006 Dollars)

Household Income Range	Net HH Increase Total	Net HH Increase %	Assumed Tenure Split Owner	Assumed Tenure Split Renter	Net Increase Owner	Net Increase Renter
Under $15,000	1,106	10.9%	0.0%	100.0%	0	1,106
$15,000-$24,999	944	9.3%	40.2%	59.8%	379	564
$25,000-$34,999	1,172	11.5%	44.4%	55.6%	520	652
$35,000-$49,999	1,961	19.3%	55.6%	44.4%	1,090	871
$50,000-$74,999	2,151	21.2%	73.8%	26.2%	1,588	563
$75,000-$99,999	1,239	12.2%	87.0%	13.0%	1,078	161
$100,000+	1,574	15.5%	87.7%	12.3%	1,380	194
Total/Weighted Avg.	**10,147**	**100.0%**	**59.5%**	**40.5%**	**6,036**	**4,111**

Rental Housing Income Range	Net Increase	Affordable Payment [1] Minimum		Affordable Payment [1] Maximum	% of Max [2]	Projected Payment Minimum		Projected Payment Maximum
Under $15,000	1,106		-	$375	100.0%		-	$375
$15,000-$24,999	564	$375	-	$625	90.0%	$375	-	$562
$25,000-$34,999	652	$625	-	$875	85.0%	$562	-	$744
$35,000-$49,999	871	$875	-	$1,250	75.0%	$744	-	$937
$50,000-$74,999	563	$1,250	-	$1,875	70.0%	$937	-	$1,312
$75,000-$99,999	161	$1,875	-	$2,500	65.0%	$1,312	-	$1,625
$100,000+	194	$2,500	+		65.0%	$1,625	+	
Total/Weighted Avg.	**4,111**				**83.8%**			

Ownership Housing Income Range	Net Increase	Affordable Payment [1] Minimum		Affordable Payment [1] Maximum	% of Max [2]	Affordable Home [3] Minimum		Affordable Home [3] Maximum
Under $15,000	0		-	$375	100.0%		-	$59,300
$15,000-$24,999	379	$375	-	$625	100.0%	$59,300	-	$98,900
$25,000-$34,999	520	$625	-	$875	95.0%	$98,900	-	$131,500
$35,000-$49,999	1,090	$875	-	$1,250	90.0%	$131,500	-	$178,000
$50,000-$74,999	1,588	$1,250	-	$1,875	85.0%	$178,000	-	$252,100
$75,000-$99,999	1,078	$1,875	-	$2,500	80.0%	$252,100	-	$316,400
$100,000+	1,380	$2,500	+		80.0%	$316,400	+	
Total/Weighted Avg.	**6,036**				**85.7%**			

1/ Assumes 30% of gross income towards payment.
2/ Represents the percentage of "affordable payment" households are assumed to actually pay for housing.
3/ Based on the following financing assumptions

Interest Rate	6.50%
Mortgage Term	30
% Financed	100.00%

Source: ESRI, State Housing Model, and Ferrarini & Associates

APPENDIX 3B
CALCULATION OF HOUSING AFFORDABILITY BE INCOME COHORT[1/]

50% MFI	60% MFI	80% MFI	100% MFI	120% MFI	Comment/Assumption
$33,950	$40,740	$54,300	$67,900	$81,480	
30%	30%	30%	30%	30%	Maximum percent of income spent on housing
$849	$1,019	$1,358	$1,698	$2,037	Gross monthly costs/ maximum mortgage amount
0%	0%	0%	10%	10%	Down payment
$134,000	**$160,000**	**$215,000**	**$295,000**	**$355,000**	Maximum home price[2/] - assumes 30 yrs @ 6.5%
$759	**$929**	**$1,268**	**$1,608**	**$1,947**	Maximum gross rent[2/]

[1/] Assumes a four-person household

[2/] Based solely on affordability (30% of income). As income rise, households typically spend a much smaller portion of their incomes on housing, as noted in the calculation in Appendix 3A.

Source: HUD and Ferrarini & Associates

APPENDIX 3C
AGE BY INCOME DISTRIBUTION OF HOUSEHOLDS
GATEWAY PMA
2006 - 2011

Household Income Range [1]	Age of Householder							
	Total	**15-24**	**25-34**	**35-44**	**45-54**	**55-59**	**60-64**	**65-69**
2006								
<$15,000	8,777	842	1,211	1,179	1,151	1,210	1,123	2,061
$15,000 - $24,999	8,089	881	1,440	1,145	1,081	897	1,045	1,600
$25,000 - $34,999	9,727	823	2,140	1,808	1,496	1,336	785	1,339
$35,000 - $49,999	15,486	1,141	3,249	3,180	2,875	2,281	1,486	1,274
$50,000 - $74,999	19,221	706	3,772	4,725	4,840	2,875	1,281	1,022
$75,000 - $99,999	11,470	342	1,642	2,631	3,568	1,871	582	834
$100,000 - $149,999	8,249	245	1,008	1,797	2,614	1,465	607	513
$150,000 - $199,999	2,261	165	225	372	540	524	159	276
$200,000 - $249,999	855	41	66	169	204	163	69	143
$250,000 - $499,999	756	8	55	197	224	149	75	48
$500,000 +	176	1	15	38	58	30	23	11
Overall	**85,067**	**5,195**	**14,823**	**17,241**	**18,651**	**12,801**	**7,235**	**9,121**
2011								
<$15,000	9,254	854	1,286	1,141	1,139	1,524	1,259	2,051
$15,000 - $24,999	8,494	893	1,530	1,108	1,070	1,130	1,171	1,592
$25,000 - $34,999	10,233	834	2,273	1,750	1,481	1,682	880	1,332
$35,000 - $49,999	16,338	1,157	3,452	3,078	2,845	2,873	1,666	1,268
$50,000 - $74,999	20,160	716	4,007	4,574	4,790	3,621	1,436	1,017
$75,000 - $99,999	12,007	347	1,744	2,547	3,531	2,356	652	830
$100,000 - $149,999	8,681	248	1,071	1,740	2,587	1,845	680	510
$150,000 - $199,999	2,414	167	239	360	534	660	178	275
$200,000 - $249,999	902	42	70	164	202	205	77	142
$250,000 - $499,999	798	8	58	191	222	188	84	48
$500,000 +	186	1	16	37	57	38	26	11
Overall	**89,467**	**5,267**	**15,747**	**16,690**	**18,458**	**16,121**	**8,109**	**9,075**
2016								
<$15,000	9,883	914	1,367	1,105	1,127	1,919	1,411	2,040
$15,000 - $24,999	9,033	957	1,625	1,073	1,059	1,423	1,313	1,584
$25,000 - $34,999	10,899	894	2,415	1,694	1,465	2,119	986	1,326
$35,000 - $49,999	17,447	1,239	3,667	2,980	2,816	3,618	1,867	1,261
$50,000 - $74,999	21,372	767	4,257	4,428	4,740	4,560	1,609	1,012
$75,000 - $99,999	12,709	371	1,853	2,466	3,495	2,967	731	826
$100,000 - $149,999	9,242	266	1,138	1,684	2,560	2,323	763	508
$150,000 - $199,999	2,615	179	254	349	529	831	200	273
$200,000 - $249,999	964	45	74	158	200	259	87	142
$250,000 - $499,999	853	9	62	185	219	236	94	48
$500,000 +	198	1	17	36	57	48	29	11
Overall	**95,214**	**5,642**	**16,729**	**16,157**	**18,267**	**20,302**	**9,089**	**9,029**
NET CHANGE (2006 - 2016)								
<$15,000	1,106	72	156	-74	-24	709	288	-21
$15,000 - $24,999	944	76	185	-72	-22	526	268	-16
$25,000 - $34,999	1,172	71	275	-114	-31	783	201	-13
$35,000 - $49,999	1,961	98	418	-200	-59	1,337	381	-13
$50,000 - $74,999	2,151	61	485	-297	-100	1,685	328	-10
$75,000 - $99,999	1,239	29	211	-165	-73	1,096	149	-8
$100,000 - $149,999	993	21	130	-113	-54	858	156	-5
$150,000 - $199,999	354	14	29	-23	-11	307	41	-3
$200,000 - $249,999	109	4	8	-11	-4	96	18	-1
$250,000 - $499,999	97	1	7	-12	-5	87	19	0
$500,000 +	22	0	2	-2	-1	18	6	0
Overall	**10,147**	**447**	**1,906**	**-1,084**	**-384**	**7,501**	**1,854**	**-92**

[1] In 2006 dollars.

Source: ESRI and Ferrarini & Associates

APPENDIX B

Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis

The project team interviewed stakeholders; reviewed prior plans, appraisals, and market studies; and conducted field visits to understand the constraints and opportunities facing redevelopment in Central Gateway, This appendix is a summary of the SWOT analysis.

Central Gateway Redevelopment Strategy: Plan, Market Study, and Appraisal Review

In order to better understand Gateway's position in the regional real estate market, eleven plans, market studies, and appraisals were reviewed. Following are the Strengths, Weaknesses, Opportunities and Threats (SWOT) facing the area from a market perspective.

What do these plans, market studies, and appraisals say about Gateway SWOTS?

Strengths
- Regional accessibility
- Cluster of medical offices
- Desirable location

Weaknesses
- Small parcel size
- Lack of vacant land
- Quality of existing businesses
- Aggressive zoning and building regulations
- Inadequate local transportation network
- Relatively high crime
- Lack of aesthetic appeal
- Lack of business synergy

Opportunities
- Affordably priced housing
- Increased public investment in the area
- Expansion of the MAX line
- Develop underutilized properties
- Access to a large number of employees and residents
- Senior housing

Threats
- Increased competition from neighboring areas
- Requirements to improve/provide public infrastructure when development occurs

The following plans and reports were reviewed:

Plans and Market Studies

Opportunity Gateway Concept Plan and Redevelopment Strategy, February 2000

Opportunity Gateway Urban Renewal Feasibility Study, October 2000.

Retail Sales Impact Assessment of Cascade Station, Economics Research Associates, May 2004.

East Portland Profile, July 2005.

Gateway Planning Regulations Project, December 2004

Gateway Regional Center: Report to Metro, January 2005.

Market Analysis of Development/Redevelopment Opportunities 122nd Avenue Station Area Study, Johnson Gardner, June 2005.

Appraisals

10506 NE Halsey Street, PGP Valuation, March 2006

Cascade Station, Lots A, D, E, & G Skelte & Associates, January 2005.

206 NE 102nd Avenue, PGP Valuation, October 2003.

Gateway Park and Ride, Integra Realty Resources October 2004.

Central Gateway Redevelopment Strategy: Developer and Landowner Interview Summary Fall 2006

Portland Development Commission staff and the consultant team members have met with selected developers and landowners to discuss their ideas about and plans in Central Gateway. The following is a summary of the interviews.

What public infrastructure improvements in Central Gateway would encourage you to pursue a development opportunity?

- Paving streets and sidewalks
- More available on-street parking by deterring park and riders from using street spaces

What other kinds of public assistance could PDC or other city agencies offer that would encourage you to pursue a development opportunity?

- Development Opportunity Services program
- Subsidizing the price of property acquisition in Central Gateway
- Remove or replace the junk yard and prison release housing

Are you open to partnering with a public agency, such as PDC or the Parks Bureau?

- Yes

What kind of private partnering opportunities would encourage you to pursue some kind of development?

- Partnering with the owners of the junk yard
- Partnering with the owners near I-205, especially near Burnside and 97th
- Partnering with the owners along the light rail
- Partnering with the owners at Glisan and 102nd

What opportunities or potential projects would need to happen to raise the level of development and perception of the area? Where should the potential projects be located?

- Grocery stores with easy access
- Retail amenities that are pedestrian oriented
- Industrial condominiums (3-4 stories)
- Smaller uses in a lease arrangement (3-4 stories)
- Vertical industrial along I-205 and 97th
- Hotels on PDC site at 102nd
- Hotels along I-205 near Burnside
- High quality retail (e.g., life style center)
- Parks to the north of Burnside
- Projects along Burnside and the light rail line
- Well designed mixed-use projects that are visible

Central Gateway Redevelopment Strategy: Plan Review

Gateway has been the subject of a number of plans and reports within the past six years. A total of eleven reports were reviewed to see what visions and SWOTs (strengths, weaknesses, opportunities, threats) have been articulated specific to Central Gateway. Following is a summary of these findings.

What do these plans say about a Central Gateway vision?
These are some of the consistent themes that emerged. Central Gateway could be a place that …

- Has a distinctive identity
- Is pedestrian friendly
- Showcases high-quality building design
- Has street trees
- Has new and improved sidewalks
- Emerges as a vibrant, mixed-income neighborhood offering rental and ownership options across a spectrum of incomes
- Includes parks and plazas, either along I-205 or in interior blocks
- Has new streets with improved connectivity and hierarchy (102nd = boulevard, 99th = main street)
- Could accommodate commercial uses at nodes/intersections
- Has a landmark development adjacent to the MAX station
- Could capitalize from health & professional services (existing "clusters")
- Could be home to a future educational institution

What do these plans say about Central Gateway strengths, weaknesses, opportunities, and threats?

Strengths

- Location, access, transportation network
- Health care cluster
- Planned improvements to 102nd Ave
- Recent MFR developments near Glisan and 99th

The following plans and reports were reviewed:

Planning and Development

Opportunity Gateway Concept Plan and Redevelopment Strategy, February 2000

Gateway Regional Center Urban Renewal Plan, June 2001

Economic Development Strategy for the City of Portland, December 2002

Gateway Urban Renewal Area Base Data and Trends, January 2003

Gateway Housing Strategy, May 2003

Gateway Planning Regulations Project, December 2004

Gateway Regional Center: Report to Metro, January 2005.

Gateway Urban Renewal Area Current Conditions and Economic Opportunities, December 2004.

Parks and Open Space

Park Acquisition and Development in the Gateway Urban Renewal Area, November 2004

Transportation

Adopted Gateway Regional Center Street Plan, October 2004

102nd Avenue Streetscape Plan, October 2005

Weaknesses

- General education level not good match for emerging medical jobs
- Seen as unsafe and unclean

- Congestion on Glisan, 102nd
- Lack of street connections, unimproved roads
- Sidewalks sub-standard or nonexistent
- Awkward mix of uses
- Lack of parks
- Small parcel size, lack of large sites
- Historically a commercial area, transition to residential has been challenging
- Aging building stock
- Vacant and poorly-maintained property
- Pedestrian unfriendly
- Few examples of high quality architecture
- Lot pattern has led to inefficient or unusable lots
- Limited public funds and TIF
- Infrastructure substandard (including stormwater drainage)
- MAX lines are north-south barrier
- Lacks dramatic shifts in topography or substantial natural areas

Opportunities
- Strong demand for new rental housing
- No Class A office space
- Lack of homeownership units
- Lack of diversity of multifamily homeownership units (condos, townhomes)
- Lack of housing for seniors
- Low office vacancies – limited supply?
- Potential mountain and downtown views
- Higher rate of seniors in population
- One acre publicly-owned parcel at 102nd & Burnside
- Tax abatement near MAX station

Threats
- Fewer middle-aged residents
- Low homeownership rates
- Most restrictive parking ratios in Portland after downtown
- Regulatory and permitting systems seen as unpredictable and slow
- Strong competition from other centers
- Relatively soft market-rate residential development
- Current job mix doesn't provide income necessary to support higher-quality, market rate residential without incentives or subsidies

What's missing?
- Are there pieces of a Central Gateway vision that are not included in this summary?
- Can the CAC identify SWOTs that were missed?

Central Gateway Redevelopment Strategy: Stakeholder Interviews

A group of stakeholders has been interviewed for the Central Gateway Redevelopment Strategy. These nine individuals (primarily local property owners and/or developers) were interviewed to elicit their thoughts on redevelopment in Central Gateway. Following is a summary of their interviews:

Who are the stakeholders?
- Four own property in the Central Gateway area
- Four are in real estate development
- One is a community leader and on the Gateway URA PAC

What do the stakeholders see as Central Gateway's positives?

- Good transportation facilities (MAX, I-205, I-84) and connections
- Lots of customers in area to support retail; 300,000 people in 5-mile radius with middle-incomes
- Affordable market for housing
- Russellville Commons could be a potential catalyst
- Tight-knit community
- Good connections to area retail, especially Mall 205
- Proximity to airport
- David Douglas School District
- Proximity to new jobs at Cascade Stations (retail and office)

What do the stakeholders see as Central Gateway's negatives?

- Burnside is a north-south dividing line (prevents through traffic, left turns)
- Not a great place for jobs – not much visibility for office uses and drive-by traffic
- Weak infrastructure
- Lack of pedestrian facilities
- Lack of parks
- Incomplete street grid, no east-west connectivity
- Junkyards
- Rezoning has created a speculative atmosphere, divorced from market reality
- Parking limits especially onerous for commercial uses
- Retail is seedy
- Sleazy motel on Burnside
- URA and city design guidelines too rigid (parks and streets requirements have been "double hit" on some good deals)
- Market for specialty commercial not there yet
- Burnside access constrained by Pacific Power substation
- Needs lighting
- Area carries a negative perception

What are their personal plans in the neighborhood?

- Build senior assisted living with corner retail (property outside, but adjacent to Central Gateway); would like to develop more residential on Burnside, but needs tax abatements to make work

- Would like to develop parcel on Burnside, but feels constrained by restricted turning motions and restrictions on parking in front of building
- Was looking at mixed use, now exploring senior housing (property outside Central Gateway)
- Bought property as investment, no current plans to sell or develop. Needs a sense they're not "leading the charge" in redevelopment
- Bought property as investment, no current plans to sell or develop; will poke head up in a few years to see where market is; concerned about city changing zoning
- Not interested in developing, but willing to sell. Not sure of tax implications and whether to keep in family. How to construct a sale to their tax advantage?
- Looking to buy as much property as possible to develop residential. Plans to redevelop property on east side of 102nd, north of Burnside
- Interested in buying more property, particularly buildings that could be rehabbed, but prices too high right now

What suggestions do they have about where to begin development?

- Look to corners to begin development
- Need larger projects, south of Burnside would require land assembly
- Residential (owner and renter) is best option with supporting commercial, especially north of Burnside; when commercial is built, more dense residential will follow
- Could see 5-6 story buildings today, 10-stories in 10 years
- Start with junkyard, treat as a nuisance to force them to clean up
- In northwest area, focus on streets and sidewalks
- In southwest area, focus on curbs and gutters
- Northwest corner of Stark and 102nd: specialty grocery store?
- Southwest corner (99th & Stark): offices?
- Publicly owned parcel to northeast of MAX station
- Burnside: higher quality, higher density residential
- Vertical industrial possibilities?
- Room for new development to focus on rejuvenated 102nd Ave.
- Start near Russellville Commons
- High end grocer?
- Public gathering area to unify neighborhood
- Opportunities for medical office development
- More retail and office on 99th
- In a highly-visible place (not interior), transit-oriented, high quality; good visibility catalytic project will do most to lead to perception change
- Signature visibility for office development along I-205 (on 97th, 99th)
- More office and high quality development on 102nd
- Market rate housing on Burnside
- First priority should be market-rate, homeownership residential; other priorities: senior housing
- Community center

- A good bookstore

What do they view as obstacles or steps to make things happen?

- PDC viewed as wanting to impose added affordability requirements, which will make development complicated and difficult
- PDC goals seen as conflicting: wants income affordability at TOD areas with tax abatements, but can't build higher; why are abatements only in the TOD area?
- Undergrounding utilities are recommended
- Green streets, storm sewers, setbacks, and affordability requirements to get tax abatements are hindering development
- City should either pay for up-front or reimburse for street and sidewalk improvements
- Stormwater facilities lacking
- Green streets and swales restrict building area and cost more than traditional stormwater facilities
- Traffic calming on busier streets
- PDC could help with land assembly and financial assistance programs
- Town homes may be more realistic than high density condos
- Need a clearer vision
- Need land assembly
- South of Burnside needs a consistent vision
- Developers need more attractive incentives
- Brokerage community needs to be more positive about the area
- Central area needs a highly visible larger scale development to turn perception around

+++

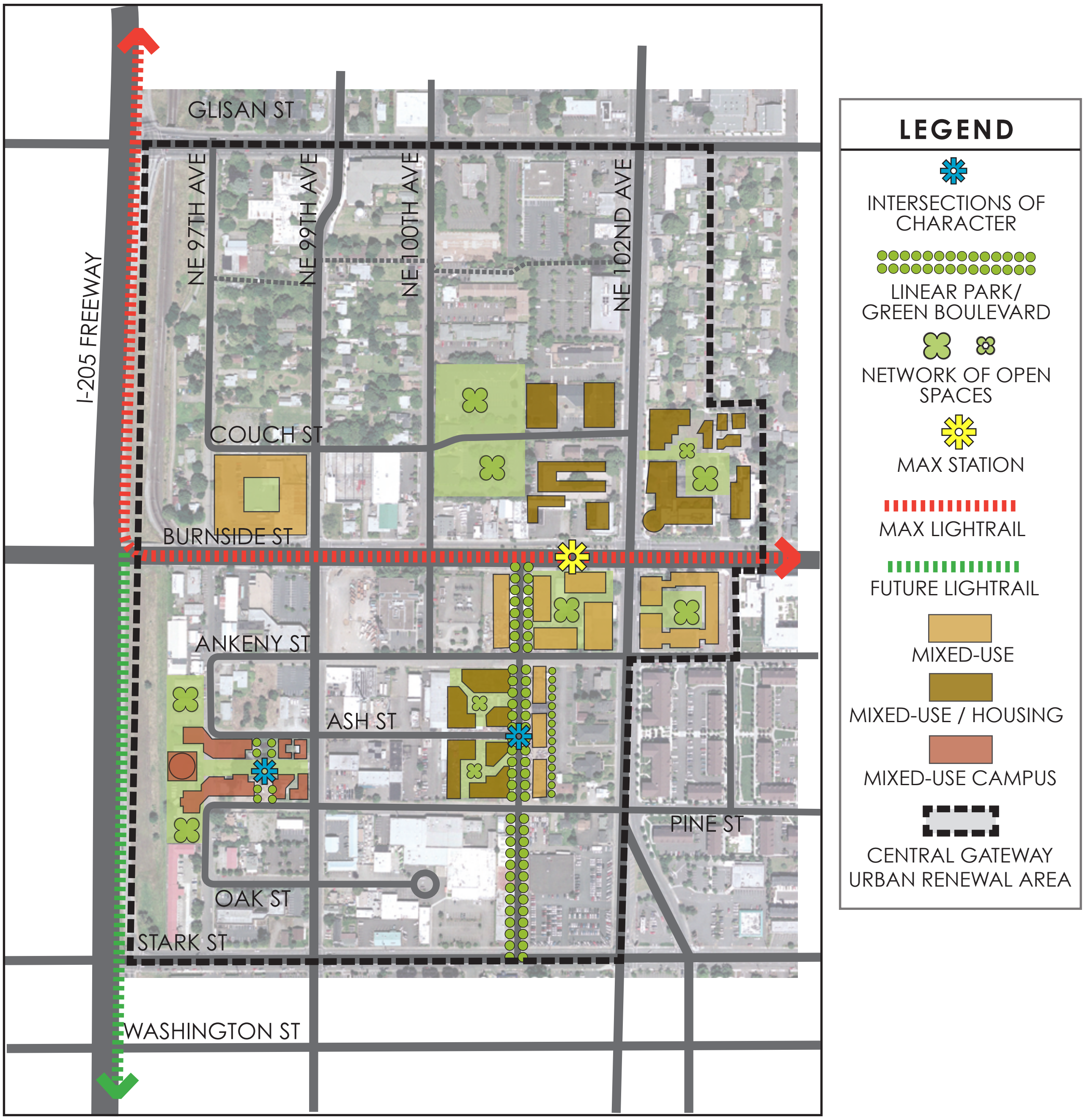
The following bullets were summarized from developer interviews conducted around 2001:

- Tax abatement process complicated and time-consuming
- Area doesn't need more affordable housing
- Higher end uses and upgraded infrastructure more likely to draw in new retail
- Like ability to choose own parking ratios (pre-rezoning?)
- Permit process is an obstacle; should be close to one-stop permit system
- Low demand for first floor retail in mixed-use developments, somewhat better demand for first floor office, but very dependent on available parking
- Market for young and seniors strong

APPENDIX C

Design Concepts

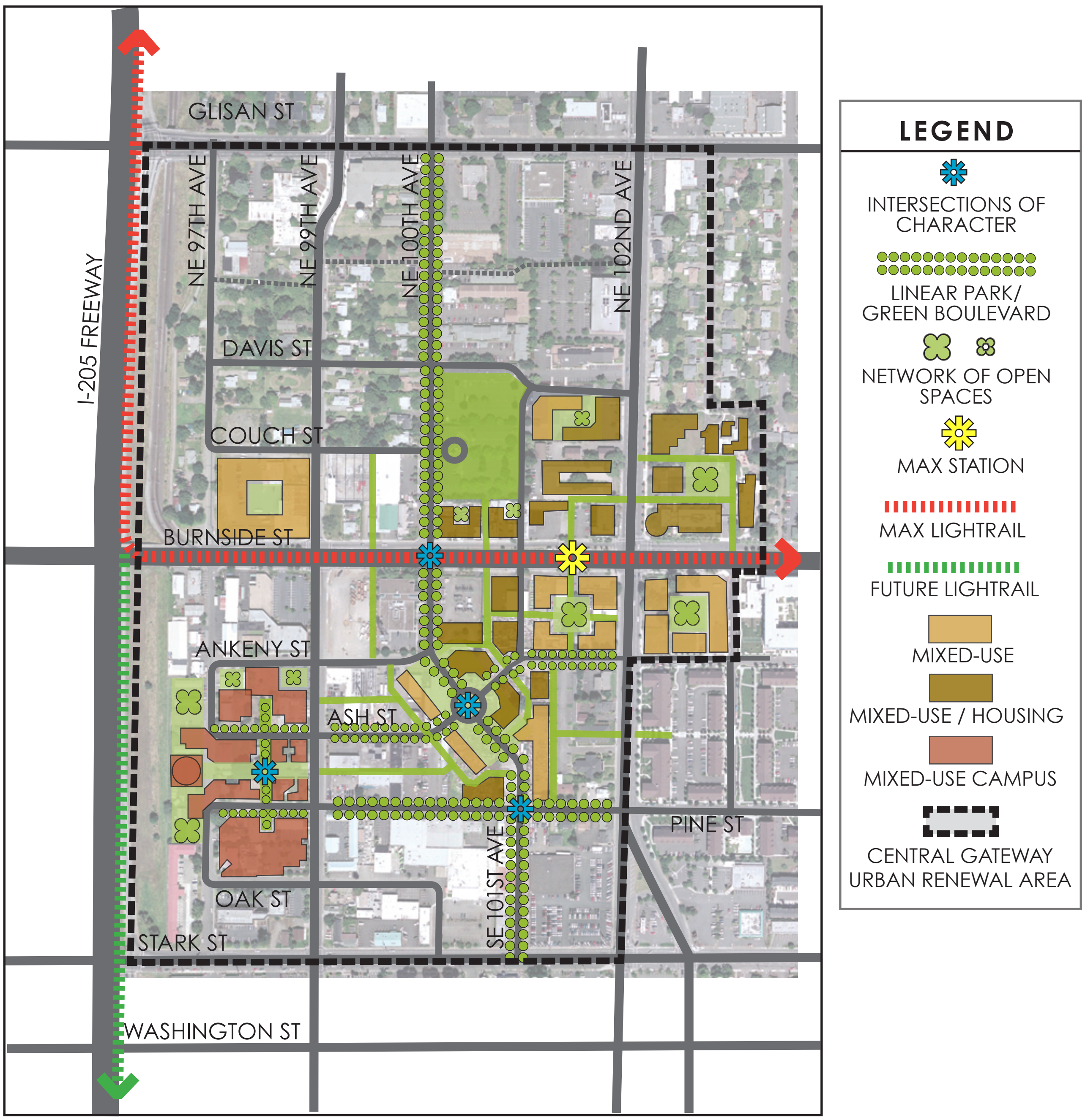
The design concepts in this appendix were created by project team members StastnyBrun Architects. These concepts illustrate how improvements to the street and open space network can provide increased connectivity, more favorable redevelopment sites, and improvement in the quality of Central Gateway's environment.



CENTRAL GATEWAY REDEVELOPMENT STRATEGY, DESIGN CONCEPT 1

StastnyBrun Architects, Inc

0 200 400 800 FT



CENTRAL GATEWAY REDEVELOPMENT STRATEGY, DESIGN CONCEPT 2

StastnyBrun Architects, Inc

0 200 400 800 FT

APPENDIX D

Market Implications of Design Concepts

After drafting design concepts to increase connectivity and provide open space in Central Gateway, the project team assessed how these infrastructure improvements could lead to more favorable redevelopment conditions. This appendix summarized how the real estate market in Central Gateway could change should these public improvements occur.

Design Concepts & Market Implications

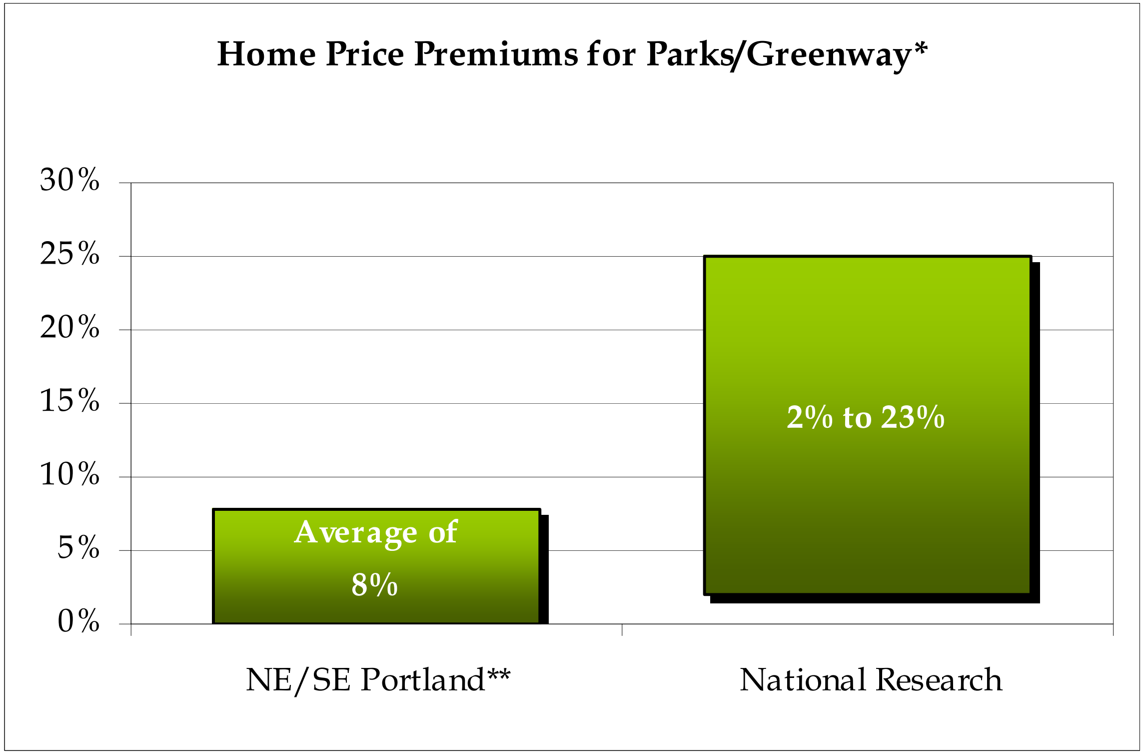
1. Street Network & Park
2. Consolidate Parcels

Street Network & Park

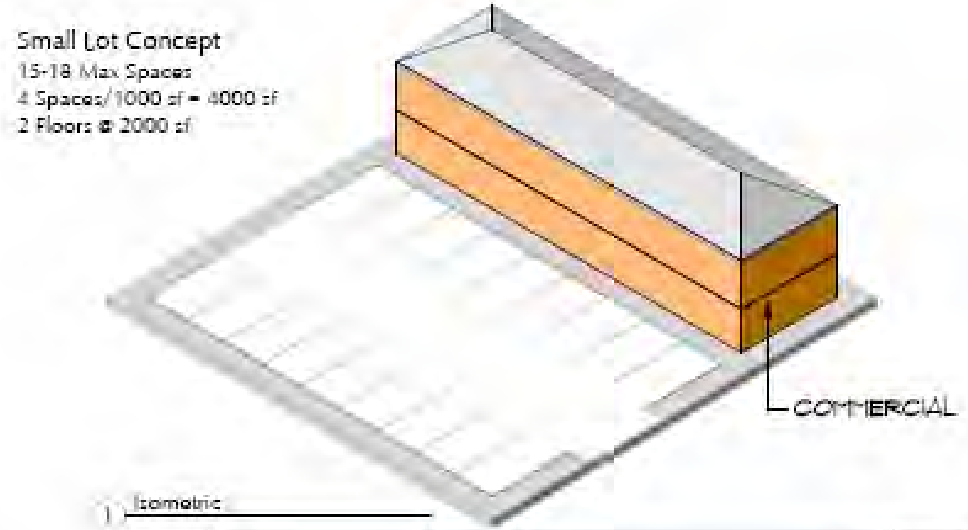
- Gateway will become a more attractive residential and business location
  - More visibility
  - More accessibility
  - More attractive environment
- Gateway will compete better against other areas = higher demand
- Higher Demand = more income

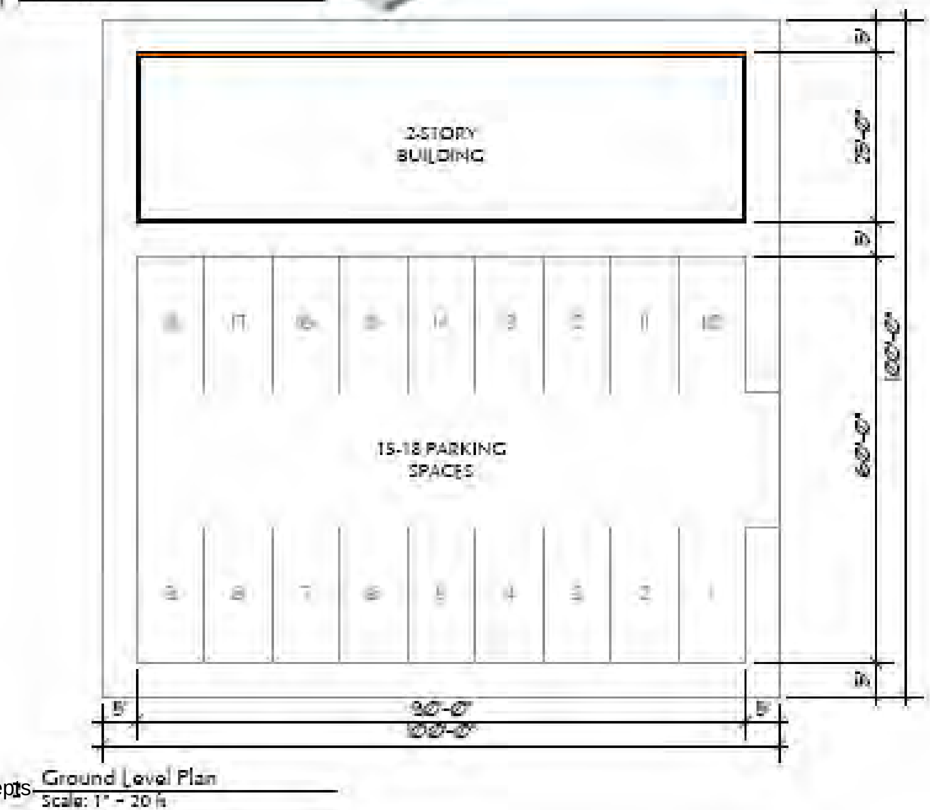
Street Network & Park

- Park
  - Major investment
  - ≈ 20% increase in income adjacent to park
  - ≈ 10% increase in income in area

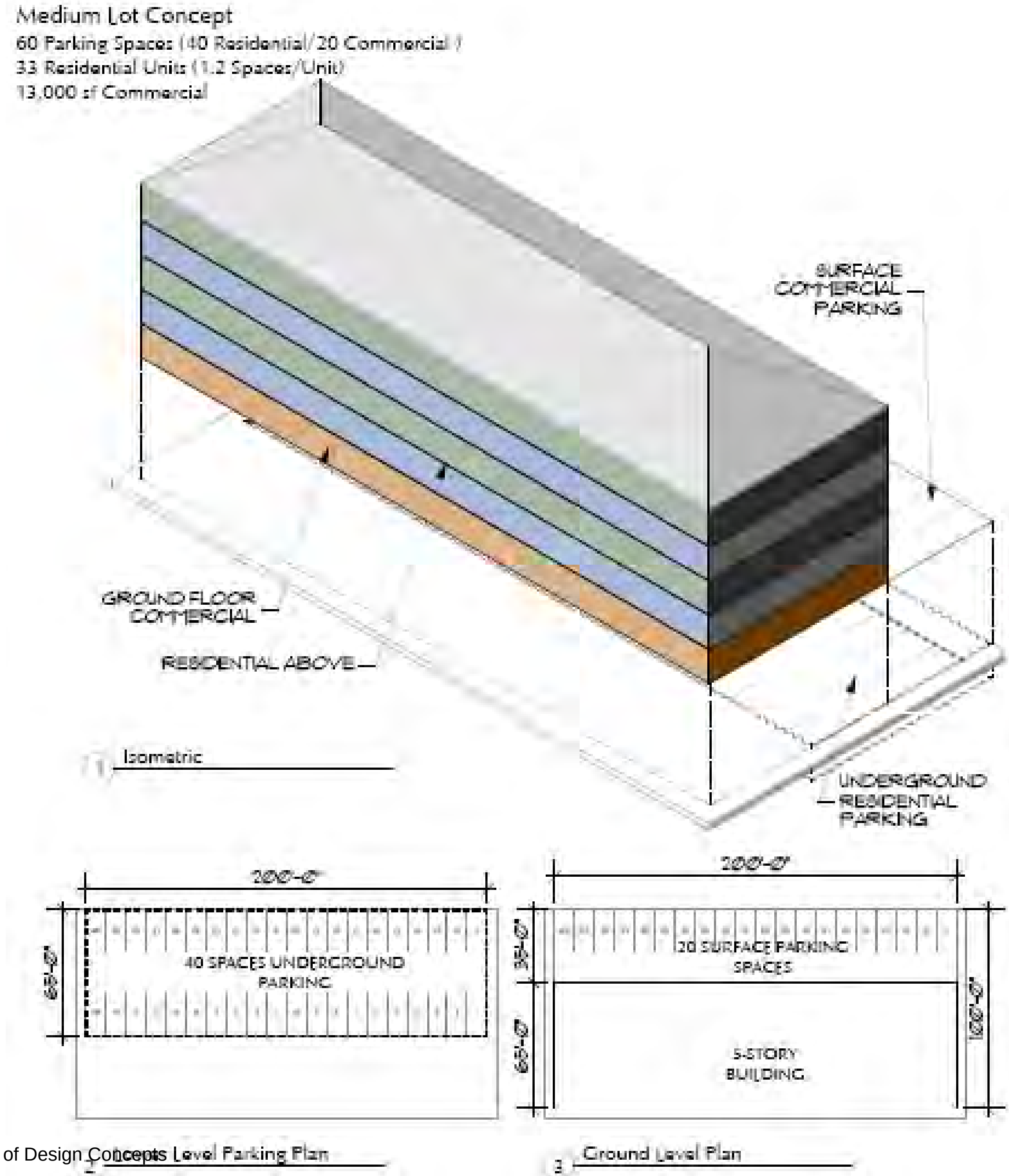


Small Lot Concept



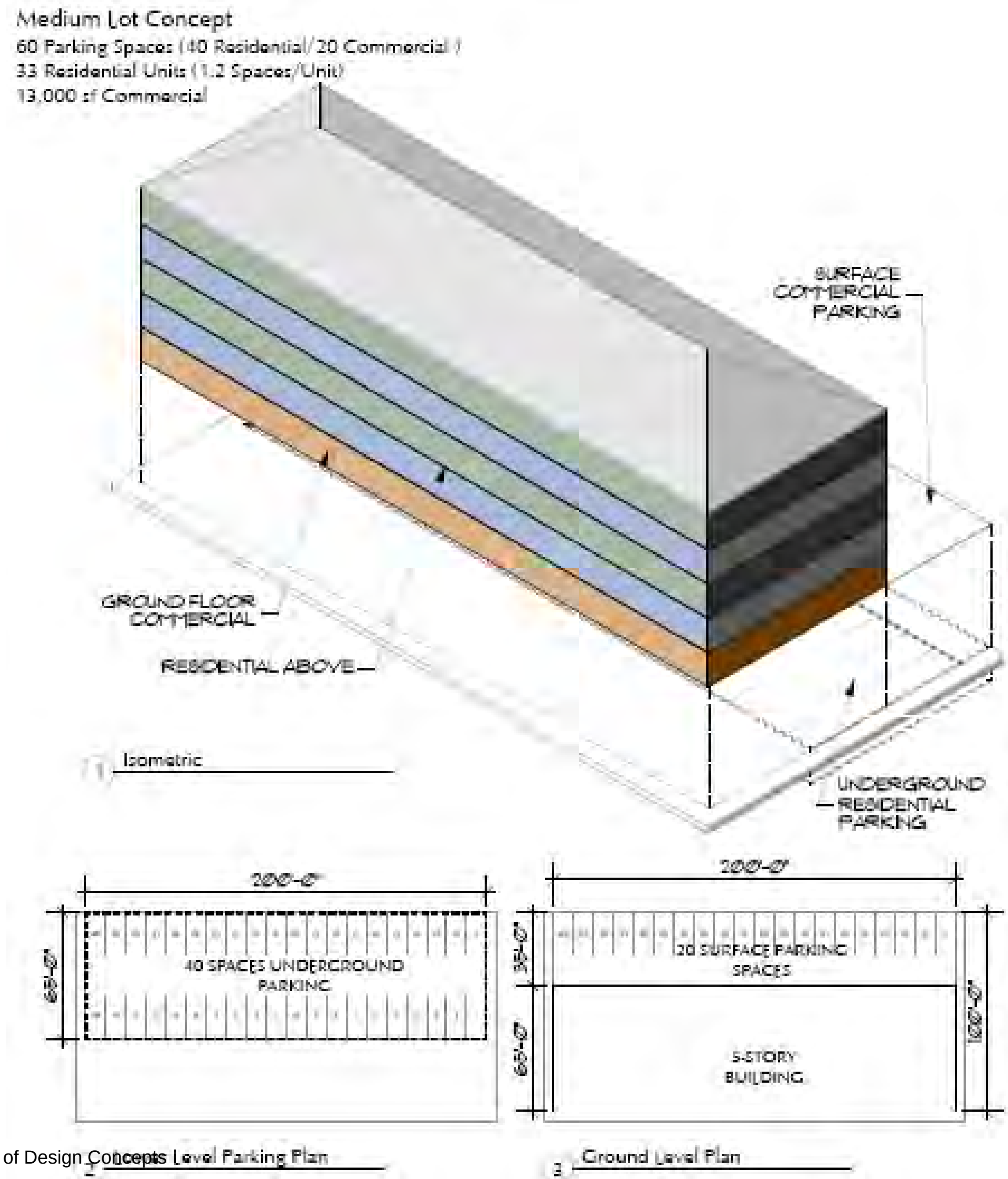


Medium Lot Concept



Appendix D - Central Gateway Redevelopment Strategy Market Implications of Design Concepts

Medium Lot Concept



Parcel consolidation

- Comparison of small, medium and large lot concepts
- Finding -- development is more efficient on larger sites

Lot Size	Parking Spaces	Supportable Development	Floor Area Ratio	Construction Costs/% Increase
Small lot concept (0.25 acres)	18 parking spaces	4,000 SF commercial	37% of site area	$150/0%
Medium lot concept (0.5 acres)	60 parking spaces	13,000 SF commercial 33 residences	298% of site area	$161/07%
Large lot concept (approx.1 acre)	114 parking spaces	20,000 SF commercial 95 residences	367% of site area	$176/17%

Parcel consolidation

- Developer = More control, less risk, more profit
- Land Owner = Higher land value
- Community = Better quality development

New duplex in Gateway area (0.2 acres)

North Main Village, Milwaukie, OR (approx. 2 acres)

Parcel consolidation

- Previous benefits also applicable to commercial development
- Create synergy

Small auto-oriented retail space in NE Portland

Large, pedestrian-friendly retail development (lifestyle center)

Net Impacts of Improvements

Market Impacts

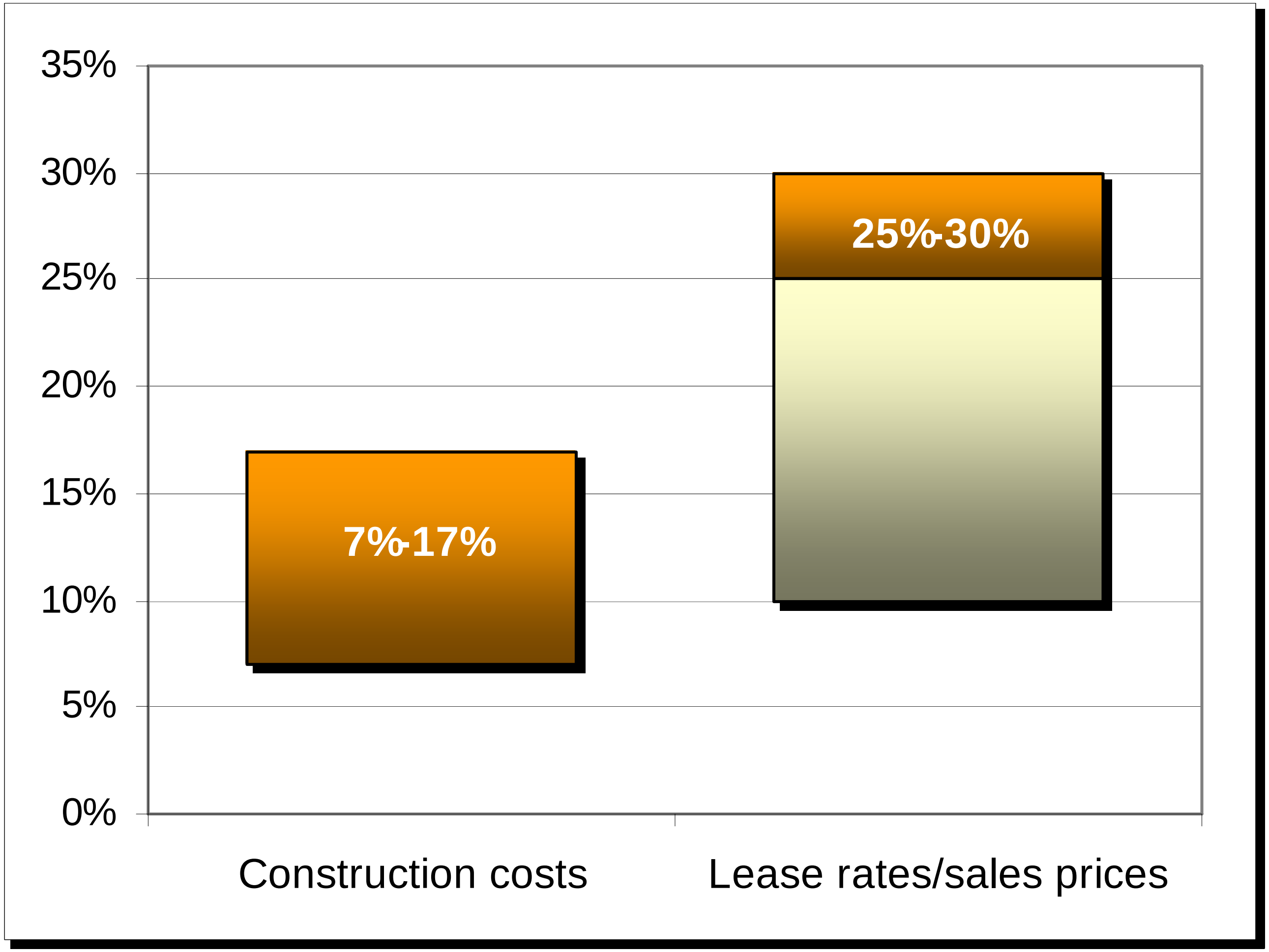
- More Demand
- Higher Quality Tenants
- Greater Income Potential
- Higher Quality Development

Net Impacts of Improvements

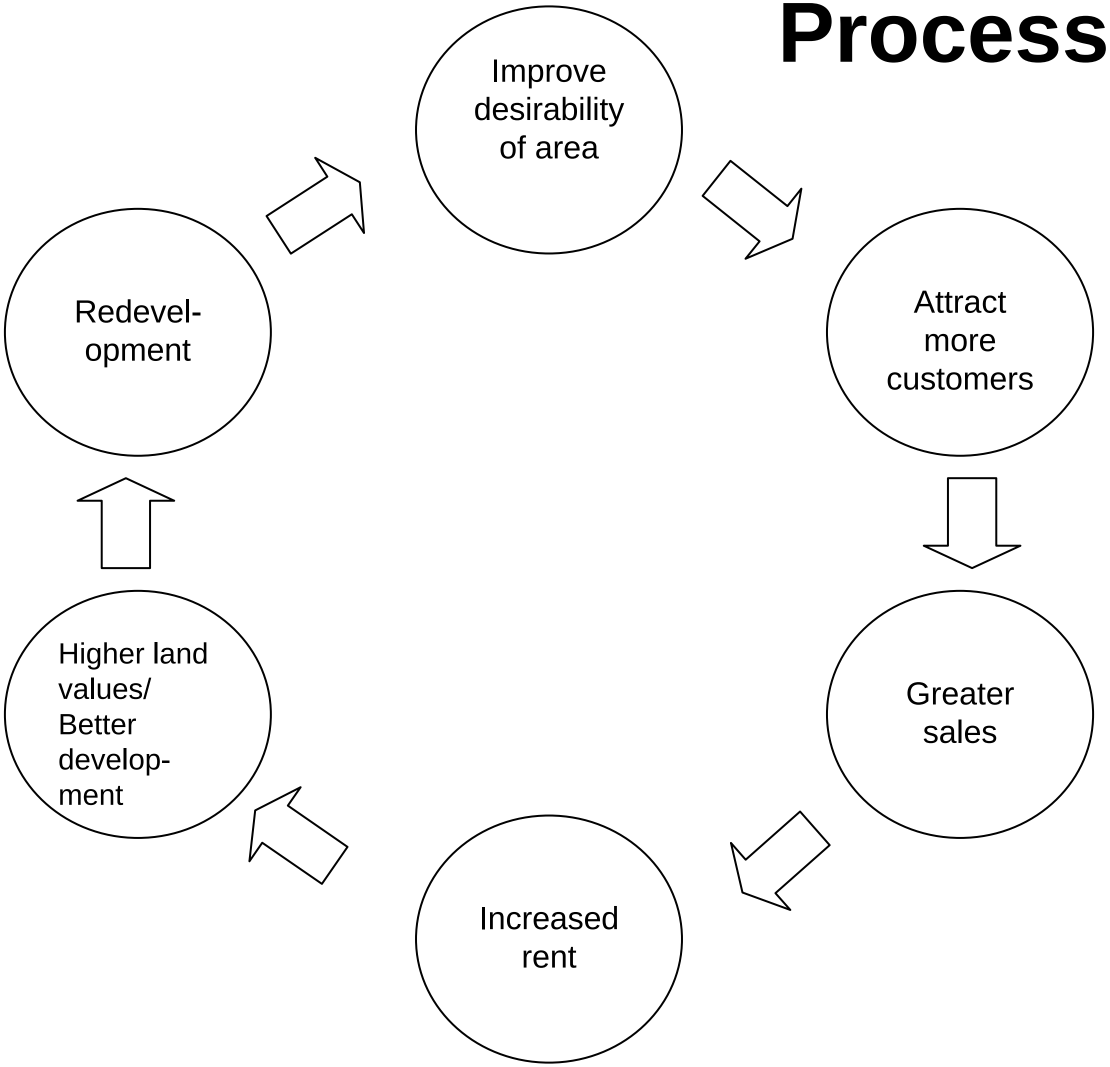
- Financial Impacts

Land Use	Gateway	Gresham Station	Percent Change
Retail	$18-$20/sf	$23-$25/sf	25% - 30%
Apartments	$0.82/sf-$0.99/sf	$1.07/sf-$1.20/sf	10% - 20%
For Sale Homes	≈ $200,000-≈ $225,000	≈ $260,000-≈ $280,000	25% - 30%
Office	$18-$20/sf	$22-$27/sf	22% - 30%

Net Impacts of Improvements



Net Impact – Stimulate Redevelopment Process



CENTRAL GATEWAY REDEVELOPMENT STRATEGY

GATEWAY
REGIONAL CENTER

WHAT IS "CENTRAL GATEWAY"?

The area identified as *Central Gateway* is within the Gateway Urban Renewal Area in East Portland, roughly bounded by NE Glisan, SE Stark, I-205, and 102nd Avenue.

Central Gateway is an area of mixed land uses containing industrial and commercial businesses, single family houses, apartments, vacant land, and unimproved or under-improved streets. The area is predominantly zoned for high-density employment, residential, and commercial and includes the MAX station at 102nd and Burnside.

WHAT IS THE REDEVELOPMENT STRATEGY?

The purpose of the Central Gateway Redevelopment Strategy is to create a vision and implementation strategy to guide the area's growth and development for the next 15 years. It is intended to build on previous planning and analysis that have been done in the area, to refine and update that work as needed, and to ultimately stimulate private investment and move planning goals forward into implementation. The strategy will also serve to guide future public investments in the neighborhood.

WHO IS INVOLVED?

The Redevelopment Strategy will be created through collaboration among the Portland Development Commission (PDC), property and business owners, public agencies, and the general public. PDC is leading this effort and has hired a consulting team to assist the agency in creating the strategy. Together, the project team will interview key neighborhood stakeholders, host public events, coordinate with city agencies, and work with a Citizens Advisory Committee (CAC), a group of Central Gateway property owners, business owners, and community associations.

HOW CAN YOU BE INVOLVED?

We welcome your input and participation. Join us for public workshops in September 2006 and January 2007 to share your vision for Central Gateway. You can also send your comments to the project team by visiting the Central Gateway project website: **http://www.pdc.us/centralgateway**.

CENTRAL GATEWAY

FOR MORE INFORMATION:

http://www.pdc.us/centralgateway

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Investing in Portland's Future

PDC
PORTLAND DEVELOPMENT COMMISSION

Prepared by Parametrix & StastnyBrun Architects, Inc.

CENTRAL GATEWAY REDEVELOPMENT STRATEGY

Creating a vision and implementation strategy to guide future development and growth in Central Gateway

HOW WILL THE "VISION" BE CREATED?

With your help! The vision will be a combination of your thoughts and ideas, the Citizen Advisory Committee's (CAC) guidance, and the project team's analysis. Central Gateway, as well as the greater Gateway Regional Center, has been the focus of recent planning efforts, which laid out the overall framework for Gateway and set the stage for this strategy. The project team will begin with a review of the previous plans to better understand what the community and city have already suggested for the area. We are not starting anew; we are building upon the hard work the community has done to date. The project team will work diligently with the CAC to ensure the community's desires and input are heard and accommodated in the vision for the area. The general public will also have the opportunity to propose and respond to ideas for Central Gateway at two public workshops scheduled for September 2006 and January 2007.

WHAT IS THE IMPLEMENTATION STRATEGY?

The Implementation Strategy will list the actions necessary to make the vision a reality. Throughout this process, the project team will identify tools and actions needed to successfully implement the vision over time. To do this, the project team will work with local landowners and developers to identify up to four potential projects to analyze and test vision elements. These will be catalyst projects, which are projects that not only help fulfill the vision of the area, but also have the potential to encourage additional development. Where the catalyst projects are located and whether they are residential, retail, office, or a mixture of uses will depend on the vision for Central Gateway that is developed through this process and on what the current market will support.

WHAT WILL THE RESULT BE?

At the end of this process, we will have a viable vision for what Central Gateway could be; an implementation strategy that provides the actions and tools necessary to make that vision a reality; and up to four potential catalyst projects that exemplify how the vision and strategies will succeed in Central Gateway.

PROJECT SCHEDULE

*Citizen Advisory Committee (CAC) Kickoff Meeting
June 12, 2006

Background Analysis
May – June 2006

Commercial and Residential Market Study
May – August 2006

Create Preliminary Development Vision and Implementation Strategy
May – August 2006

*Public Open House #1
September 19, 2006

Refine Vision and Implementation Strategy
Oct. – Nov. 2006

Analyze Key Redevelopment Sites
Nov. 2006 – January 2007

*Public Open House #2
January 16, 2007

Finalize Vision and Implementation Strategy
Dec. 2006 – Feb. 2007

** Meetings are open to the public. Times and locations will be posted to the project website.*

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