Glenwood Riverfront Development

Market Feasibility Analysis

DRAFT

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City of Springfield

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Executive Summary

The Glenwood Riverfront Development is envisioned to revitalize the Glenwood district with an urban mix of uses along the Willamette River. Fulfilling a long-standing community desire for revitalization, the mix of urban housing, offices, and supporting retail will have a range and intensity of uses not seen anywhere else in Springfield. In order to evaluate the effectiveness and appropriateness of anticipated public investments, this market feasibility analysis evaluated two key factors to test the viability of the development concept:

- Whether there is market demand for the uses envisioned on the site; and
- Whether the development is economically feasible given today's land prices.

Thus, the development feasibility analysis must take into account existing economic factors, development costs, site conditions, competitive projects, and Glenwood's relative position to other opportunity sites. In order for the project to be realized, the Springfield Economic Development Agency (SEDA) or a developer must assemble parcels large enough to initiate a phased development. Thus, the first and most important step to understanding the feasibility of the project is to know at what "net effective" price land can be purchased while not negatively impacting the feasibility of subsequent steps of development such as site preparation, lot sales, and building construction.

The following are the conclusions of the analysis:

- With positive market demand, the Phase 1, 4-year development program can be supported at land prices ranging from $4.72 to $6.25 per square foot of raw land. Land prices were estimated using a residual land value model, described in greater detail on page 25 in the Financial Analysis section of the report.
- A modest first phase of development should focus on office uses with supporting retail on a site of between 10 and 12 acres.
- There is no precedent in the Eugene-Springfield Metro area for waterfront development of the scale and density envisioned by the Glenwood Riverfront Plan. Therefore, it is not possible to accurately predict the likely demand for or absorption of the planned land uses as there is too little historical data to draw any conclusions. This is particularly true for riverfront housing at urban densities.
- New office development in the region has been spotty over the past five years and a significant amount of new development has been build-to-suit projects for owner-users. While Glenwood and downtown Springfield are not established office submarkets, the riverfront location and views could potentially attract office users to the area, particularly if an anchor user were to locate in Glenwood.
- Generally, the Glenwood area is significantly blighted and properties in the surrounding area should be upgraded in order to create a positive environment

for new development at the riverfront. In such environments, office uses typically fare better than housing as a pioneering use because there are generally fewer conflicts between industrial and office users. Offices conduct most of their business between the standard 9 to 5 business day and do not require as many amenities and services as residential communities. Further, prospective homebuyers are likely to view an area such as Glenwood, which has a high concentration of industrial and commercial users and a limited supply of residential uses, most of which are older, low value residences and mobile homes, as a less desirable place to purchase a home in the short term.

Given that the supportable land prices are lower than recent asking prices, the City has a number of choices for moving forward. These include:

- Wait until the market strengthens for urban housing. The Eugene-Springfield region is a relatively immature market for these product types when compared to larger regions such as Portland. Further, urban housing almost always begins in downtowns and expands to other regional locations over time. Given that downtown Eugene has seen only a tiny amount of new urban housing, Springfield should consider waiting to move forward until a few housing projects have been completed and the urban housing market has been better established. There is no specific indicator of when the market is mature, but if at least 5 to 10 new urban housing projects had been built over a 2 to 5 year period in downtown Eugene, it would be safer to move forward on Glenwood.

- In the meantime, SEDA could selectively assemble land in Glenwood at higher than market prices to land bank until the time when the opportunity is ripe. Alternately, SEDA could write down the cost of land and sell it to private developers at below market prices to encourage investment in Glenwood. Likewise, targeted blight removal and beautification efforts in Glenwood should be pursued so as to create a more receptive context for new investment.

- Office development should precede housing development in Glenwood and set the stage for revitalization.

- As an alternative to the riverfront development concept, SEDA could reevaluate the development strategy and focus on more targeted revitalization efforts, including projects and programs that target specific properties in the riverfront area as well as other parts of Glenwood. While the market is not ripe today, there are many actions that SEDA could take to prepare themselves for either the time when the market matures or when an unexpected opportunity presents itself, such as a large anchor user or institution. Examples of targeted investments that SEDA could undertake include:
    - Building reuse.
    - Business development (small business loans, marketing programs, training).
    - Storefront improvements (loans or grants).
    - Utility investments (sewer, water, telecommunications).

  - Transportation investments (street paving, sidewalks, etc.).
  - Development and implementation of a streamlined permitting process. If the City wants Glenwood to attract the highest quality development, it should be the easiest part of the City in which to do business. Removing regulatory hurdles for compatible projects is a big incentive for developers. In the development industry, time is often *more* valuable than money.
  - Completion of transportation, infrastructure and planning studies, including an update to Springfield's Transportation System Plan. To the extent that the City can create planning certainty in zoning, transportation, and annexation, the easier it will be to attract investment. Completing these efforts ahead of development is important.
  - Actively pursuing a large employer. An "anchor" user such as a hospital, educational institution, large manufacturer, or corporate headquarters will place Glenwood "on the map" and send a positive signal to the community. Anchor users provide confidence in the market that attracts additional investors.
- Indeed, the recent expansion of the United States Bakery is an example of revitalization that creates jobs, improves property, and creates tax increment to support additional projects (once the tax abatement incentive expires). Additional industrial employment projects should be considered.

Introduction

The purpose of this report is to provide an informed recommendation to SEDA regarding plans to redevelop all or a portion of an estimated 49 acres of property in Glenwood's Riverfront Opportunity Area. Over the past year and a half, the City optioned 37.7 acres of land in the Area, which includes property between Franklin Boulevard and the Willamette River. While most of the options expired in May 2007, others will remain in effect until as late as November 2007.

To evaluate the redevelopment potential of the Riverfront Plan Area, Leland Consulting Group (LCG) created a preliminary development program that focuses on a 12.7-acre site. Existing uses within this "Phase 1" site include the Roaring Rapids Pizza Co. and adjacent mini-golf course, industrial and residential structures, and some vacant land. The Phase 1 program conforms to the vision laid out in the Glenwood Area Plan and identifies proposed land uses and cost estimates associated with acquiring property and converting raw land into finished pads that will be sold to private developers. LCG's financial analysis uses a residual land value model to identify the maximum price per square foot that a private investor could afford to pay for raw land while ensuring the project is financially viable.

The research process consisted largely of interviews with local real estate experts, including licensed commercial and residential brokers, commercial appraisers and local developers that have recently undertaken housing and mixed-use development projects that incorporate development guidelines and principles similar to those envisioned for Glenwood. In addition to interviews, LCG staff conducted on-the-ground field research, including a survey of comparable office and housing developments and site visits of newer projects. Finally, LCG incorporated current and historic office and apartment market trends published annually by Duncan & Brown, a Eugene-based commercial appraisal firm.

Real Estate Development Primer

There are several key considerations that must be met for a real estate development project to be successful.

In general, a successful project is the product of a clear vision with a well-defined set of goals and objectives. With a clearly defined vision, it is possible to conduct effective market research to determine if there is identifiable market demand for the project at a supportable price point. For example, as described in the introduction, a residual land price model may be used to determine how much a developer can afford to pay for land and how much finished pads must sell for to make a project "pencil." Alternately, for projects such as housing and speculative office development, market research can help determine appropriate rents/sales prices for finished products.

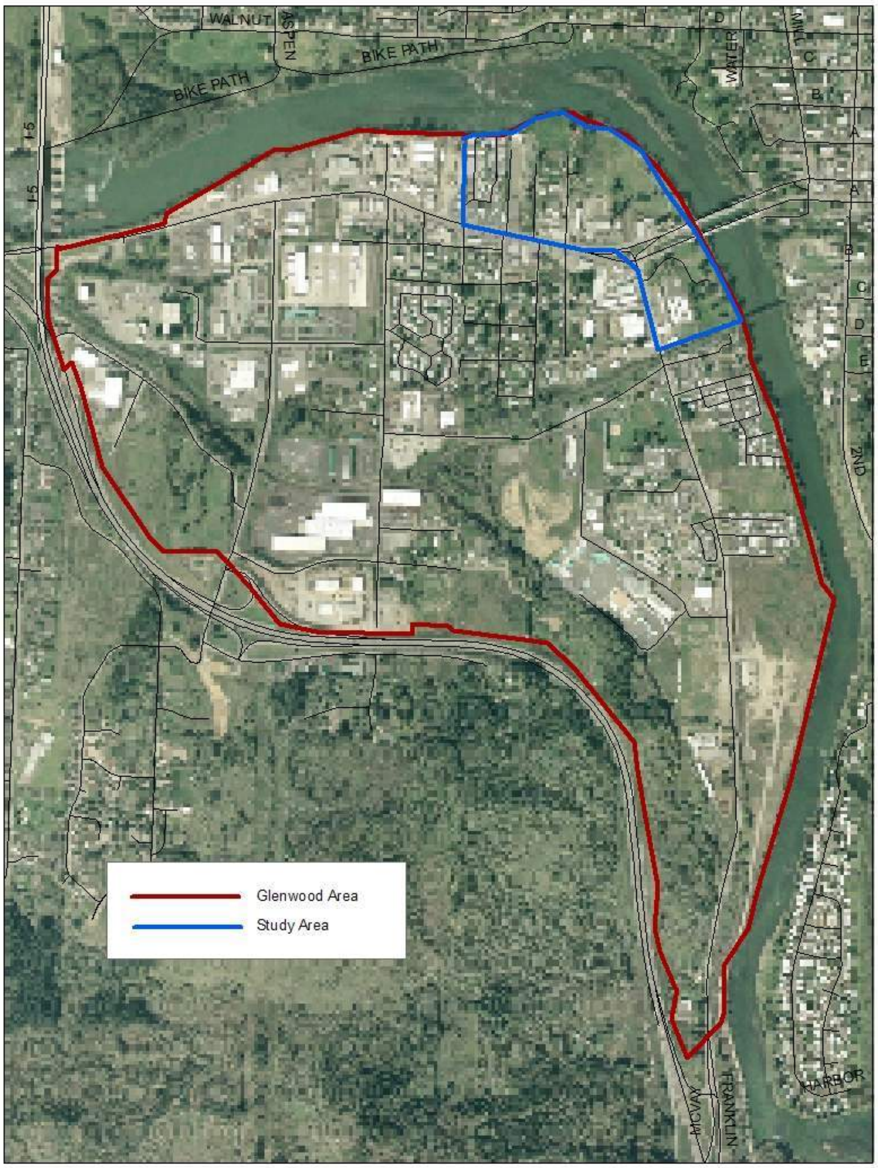
The second required component for development is a capable team with the financial capacity to see it through.

Finally, successful development balances expectations with market reality.

Site Analysis

As explained in the Introduction, the study area is comprised of an estimated 49 acres in the Glenwood Area (Figure 1). Glenwood is located between the cities of Eugene and Springfield and encompasses 618 acres of property bounded by the Willamette River to the north and Interstate 5 (I-5) to the south and west. Most of Glenwood, including the study area, is outside Springfield's city limits.

Figure 1: Glenwood Area



Source: Lane County 2006 Assessment and Taxation database, City of Springfield and Leland Consulting Group.

Originally adopted by the City of Eugene in 1986, the Glenwood Refinement Plan was adapted and adopted by the City of Springfield in 1999. It is intended to provide a public policy and development framework for Glenwood. The Riverfront study area is located within Subarea 8 of the Refinement Plan, also referred to as the River Opportunity Area. The River Opportunity Area encompasses property situated between the Willamette River and Franklin Boulevard, extending from the Ponderosa Manufactured Dwelling Park east to the Springfield Bridge and continuing south to the Union Pacific railroad trestle.

Existing uses include a tractor sales store, motor vehicle repair and maintenance shops, warehousing and storage facilities, a veterinary clinic, a manufactured dwelling park with 52 manufactured homes and nine single-family residences. Much of the property in the study area is vacant or underutilized, particularly along the riverfront.

The Riverfront study area is mostly zoned Community Commercial, with some Light Industrial. However, in accordance with the Glenwood Refinement Plan, it is also within a mixed-use overlay zone intended to facilitate the transition of the area from a low-density neighborhood dominated by industrial uses into a higher-density, urban community with a mix of high quality office, retail and residential development.

Socioeconomic Conditions

In accordance with the City's long-term vision for Glenwood, the study area is anticipated to be redeveloped into a mixed-use community with high quality office, residential and retail. The Eugene-Springfield Metropolitan Statistical Area (MSA) is the primary market from which the majority of residents and workers are expected to originate. A summary of key demographic characteristics for the Eugene-Springfield MSA is provided below.

Population and Housing

Table 1 provides a summary of key population and housing characteristics.

Table 1: Population and Households, Eugene-Springfield MSA

	2000 Census	2006 Estimate	2011 Estimate
Total Population	322,959	339,075	350,939
Total Households	130,453	136,747	141,885
Total Housing Units	138,946	146,827	152,989
% Occupied	93.9%	93.1%	92.7%
% Owner	58.4%	59.9%	59.7%
% Renter	35.4%	33.2%	33.0%
% Vacant	6.1%	6.9%	7.3%

Source: US Bureau of Census, 2000 Census of Population and Housing, ESRI forecasts for 2006 and Leland Consulting Group.

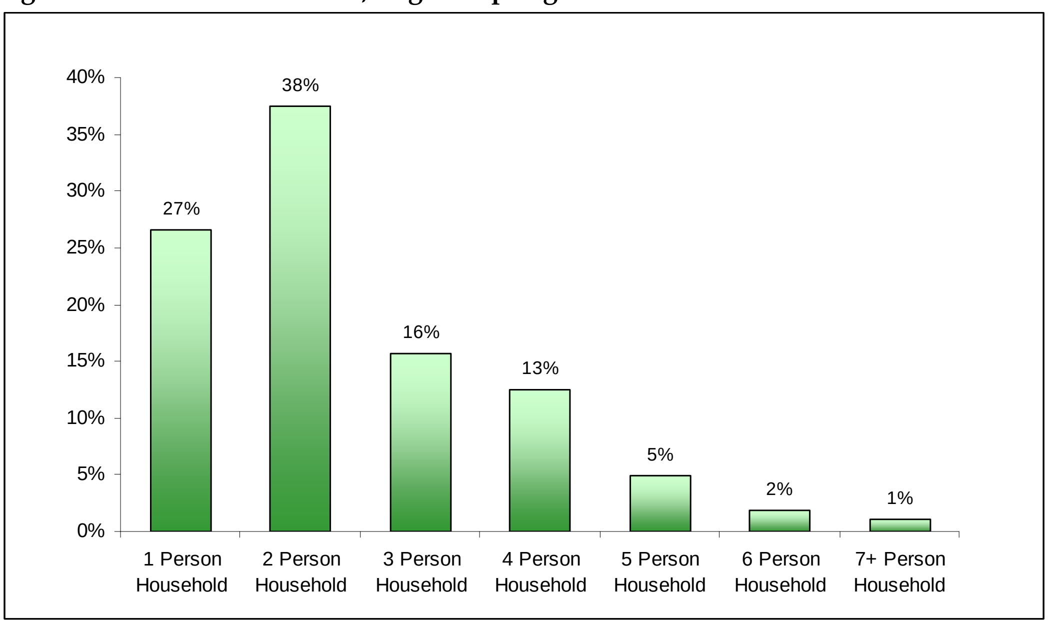
Between 2006 and 2011, the MSA's population is projected to increase by 3.5 percent. During this same time period, total households are projected to increase by 3.8 percent and the total number of housing units in the MSA is projected to increase 4.2 percent.

Similar to the nationwide increase in homeownership that occurred in the first half of the decade as a result of historically low mortgage interest rates and less restrictive lending standards, the percentage of renter-occupied housing units decreased slightly between 2000 and 2006. However, between 2006 and 2011, the homeownership rate is projected to level off at around 60 percent.

Household Size

The percentage of 1- and 2-person households in a given market area is a key indicator of the potential demand for higher density residential housing. As shown in Figure 2 below, 1- and 2- person households comprised approximately 65 percent of all households in the MSA in 2000. This translates to an estimated 34,700 1-person households and 48,920 2-person households. While some of these households will prefer more traditional, single-family homes, luxury and higher-end rental apartments, condominiums and townhomes will appeal to others, especially empty-nesters, retirees, young professionals and, if priced appropriately, students.

Figure 2: 2000 Household Size, Eugene-Springfield MSA

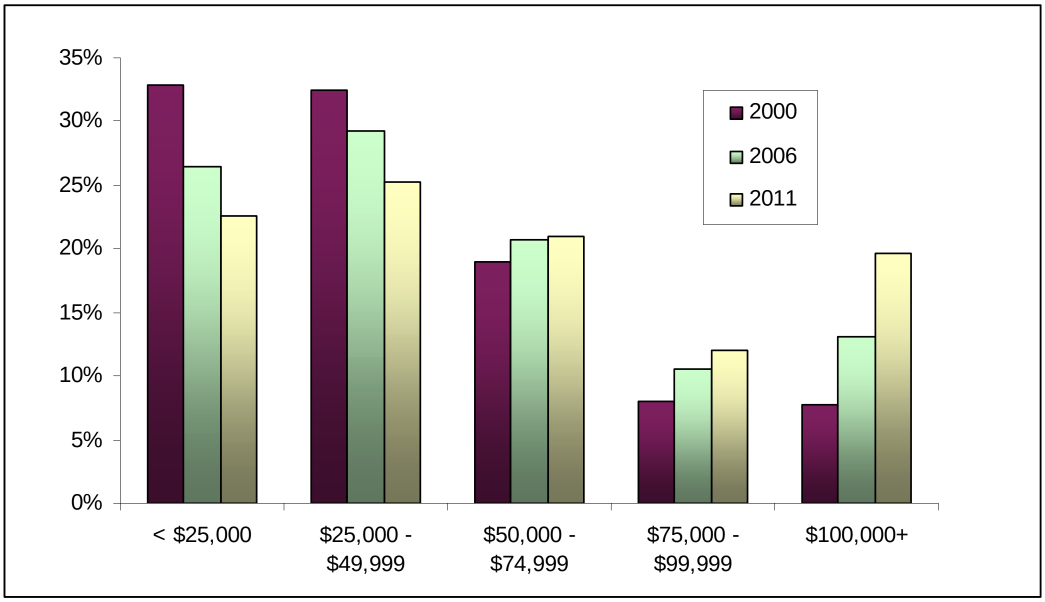


Source: US Bureau of Census, 2000 Census of Population and Housing, ESRI Business Analyst and Leland Consulting Group.

Income

Household incomes in the MSA are going up. Between 2000 and 2011 the median household income in the MSA is projected to increase by 40 percent, from $36,990 to $51,837. Figure 3 below shows the estimated 2006 distribution of MSA households by five income groups. While the percentage of low-income households earning under $50,000 is steadily declining, there has been a significant increase in the percentage of households earning $50,000 or more. In particular, between 2000 and 2011, households earning greater than $100,000 are projected to increase markedly, by nearly 12 percent.

Figure 3: Households by Income, Eugene-Springfield MSA



Source: U.S Bureau of Census, 2000 Census of Population and Housing, ESRI forecasts for 2006 and Leland Consulting Group.

While household incomes are rising along with the percentage of middle-class and upper-income households in the MSA, it is important to note that home values are also increasing. Between 2000 and 2011, the median home value in the MSA is projected to increase by 92 percent, from $136,027 to $261,509. Accordingly, the impact of recent income gains may not be fully realized since rising home prices are driving up the cost of living.

Market Conditions

In order to determine the feasibility of redeveloping the study area into a mixed-use community with office, retail and residential uses, as envisioned by the City in the Glenwood Riverfront Plan, LCG completed a comprehensive survey of market conditions. Given that office and residential development, including both ownership and rental housing, are projected to be the predominant uses in the study area, our research focused primarily on these markets. In addition to interviewing local real estate brokers, appraisers and developers, LCG conducted an on-the-ground survey of existing office and housing developments, including new ownership housing projects of a denser, more compact urban design and reviewed annual market reports on the Eugene-Springfield office and apartment markets.

Examining leasing activity and sales trends for comparable office and housing projects (i.e., rental rates and recent sales prices, vacancy, absorption, land pricing, etc.) is necessary to identify the appropriate mix of uses and product types that should be incorporated into the study area's development program, particularly for the first phase. Further, local real estate experts provide key qualitative information on the primary users and buyers for different product types.

Office

Office buildings are classified according to a combination of physical and location characteristics. Class B and Class C buildings are always defined in reference to the qualities of Class A buildings. There is no formula by which buildings can be placed into classes and judgment is always involved.[1]

This report examines market trends within three market sectors in the Eugene-Springfield Metropolitan Area: Downtown Eugene, Suburban Eugene and Suburban Springfield. LCG's market research did not identify any new development or Class A space in downtown Springfield and the overall supply of office space for lease in downtown Springfield is limited. For these reasons, office trends in this area are not discussed in detail.

Recent Development

The supply of general Class A Office space has remained relatively unchanged in the Eugene-Springfield Metro Area in recent years. While new medical office buildings have recently been completed or are currently under construction in both cities, commercial real estate professionals interviewed by LCG indicated that only one multi-tenant/speculative general office building, the 10th & Mill Building, has been completed

[1] In its *Office Development Handbook*, the Urban Land Institute, a noted authority on commercial land uses, outlines some distinguishing characteristics of Class A and Class B office space. Class A space can be characterized as buildings that have excellent location and access, attract high quality tenants and are managed professionally. Building materials and finishes are contemporary and high quality and rents are competitive with other new buildings. Class B buildings have good locations, management, and construction, and tenant standards are high. Buildings should have very little functional obsolescence and deterioration.

since 2001. In addition to the 10th & Mill Building, an office building with a mix of medical and general office space was completed in 2004 at 2650 Suzanne Way.

Table 2 below provides a summary of key characteristics of new general office development projects in Eugene. A more detailed description of the projects is provided in Appendix A.

Table 2: New General Office Development

Project	Total S.F.	Lease Type	Lease Rate[1/]	On Site Parking	Monthly Parking Fee
10th & Mill Building	32,000	Modified Full Service	$1.78	Yes (underground)	$35/ space
2650 Suzanne Way	25,000	Triple Net	$2.00	Yes (surface)	Included in base rent

[1/] Lease rates are calculated on a monthly basis per square foot of rentable area.

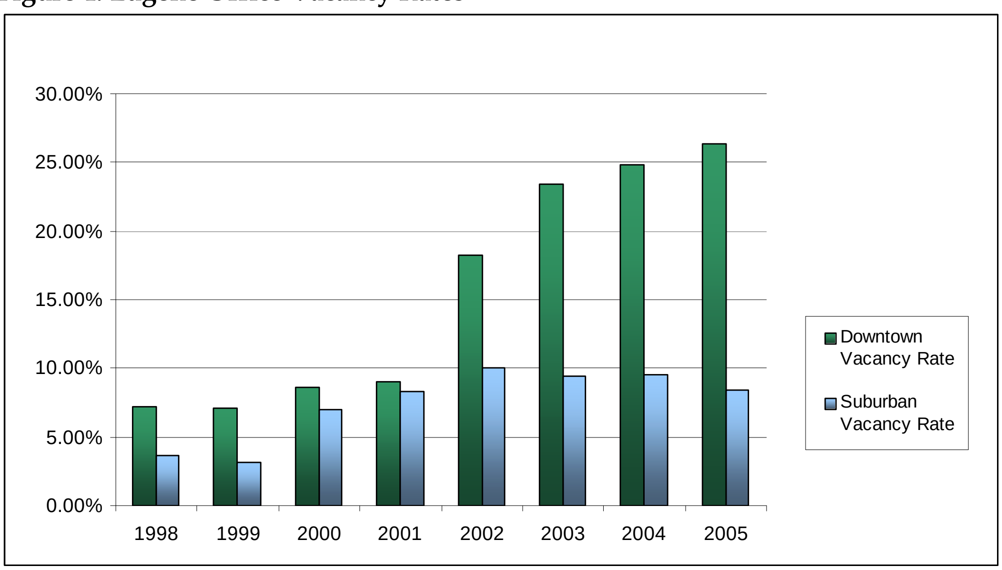
Source: Individual brokers and Leland Consulting Group.

Eugene Downtown Office Market

According to the 2005 Annual Office and Retail Report published by Duncan and Brown, a Eugene-based appraisal firm, downtown Eugene has an inventory of over 1,000,000 square feet of office space. However, local real estate experts interviewed by LCG indicated that Class A office space and high quality Class B space are in relatively short supply downtown.

As shown in Figure 4, from the late 1990s through 2005, office vacancy rates in downtown Eugene were significantly higher than vacancy rates in the suburban office market.

Figure 4: Eugene Office Vacancy Rates



Source: Duncan and Brown 2005 Office and Retail Report and Leland Consulting Group.

A summary of other key market findings, including supply characteristics and current leasing trends, is presented below.

Findings:

- Full service leases are the most common lease structure in downtown Eugene, with rents generally ranging from $1.50 to $1.80 per square foot of rentable area per month.

- Most downtown offices do not have on-site parking. This negatively impacts the desirability of downtown as a location for office users, who must typically pay $40 to $60 per month to lease off-site parking in a structured or surface lot.

- In 2006, the downtown office market began to improve and vacancy decreased considerably over prior years. One key factor that contributed to decreased vacancy is the absorption of space in larger office buildings, such as the old Symantec Building at 175 West Broadway, which had experienced long-term vacancy of 12 to 18 months or longer. Other factors that positively impacted absorption include a more assertive effort among brokers and real estate professionals to market downtown's strengths as a place to do business as well as the formal listing of some vacancies that had not previously been listed with a broker.

- The supply of vacant land suitable for Class A Office development in downtown Eugene is very limited. Only one new general Class A Office building, the 10th and Mill Building (described in more detail in the Recent Development section), has been completed since the late 1990s.

- Given supply constraints, the lack of land sales transactions in recent years, and the fact that sellers' expectations of the value of land in downtown Eugene generally exceed what investors are willing to pay, brokers and real estate professionals expressed a degree of uncertainty when surmising the current value of land in downtown Eugene. This uncertainty is reflected in the broad variation in land value estimates. According to interviewed professionals, values for commercial land with potential for office development range from $23 to $40 per square foot, substantially higher than in the suburban submarkets, where land values are estimated to range from $20 to $32 per square foot in Eugene and $18 to $25 per square foot in Springfield. In both cases, these values refer to "finished" development lots (or pads) with utilities to the site, finished streets and sidewalks, and other off-site infrastructure in place.

Eugene Suburban Market

According to brokers, many office users who lease space in the Eugene-Springfield MSA do not require higher-end facilities and are content to locate their offices in older, Class B buildings outside the downtown/central business district, where rents are more affordable and on-site parking is included in the base rent.

Eugene's suburban office market is comprised of several sub-districts, including Country Club Road, Valley River and Chad Road/Crescent Way. A description of land use and development characteristics and leasing trends for each of the suburban districts is provided in Appendix B. A summary of broader market findings is presented below.

Findings:

- Eugene's suburban office market is comprised largely of build-to-suit, owner-occupied facilities. The supply of speculative/multi-tenant Class A office buildings is relatively limited and concentrated in the Country Club Road and Valley River districts.

- According to Duncan and Brown's 2005 Office and Retail Report, between 2002 and 2005, Eugene's suburban office market vacancy declined steadily - from 10 percent to 8.41 percent. It is important to note that the reported vacancy rates include all classes of office space. Overall, vacancy was lower in older Class B and C buildings and smaller buildings with lower priced spaces than newer Class A/B+ buildings.

- Country Club Road commands the highest lease rates. Ample parking and convenient access to major transportation corridors coupled with its close-in location, just five minutes from downtown Eugene, make this district a desirable location for office users.

- The supply of vacant land suitable for new office development is limited. According to the Lane County Department of Assessment and Taxation, developers have recently begun to acquire existing office and commercial buildings with the intention of redeveloping them into high quality, multi-story office buildings.

Figure 5: Northbank Office Building, 44 Club Road, Eugene

Source: Leland Consulting Group.

Springfield Office Market

The lion's share of newer, Class A Office space in Springfield is concentrated in the Riverbend and Gateway areas, in the northwest part of the City. As noted in the introduction to this section on office trends, there is no Class A office space in downtown

Springfield. For office users, downtown Springfield lacks the amenities, professional services and locational advantages that office submarkets in Eugene and Springfield's Riverbend and Gateway districts boast. For this reason, there is little or no market for high-quality, multi-tenant office space and land values are markedly lower than in other office submarkets in the Metro area.

A description of land use and development characteristics and leasing trends for Springfield's suburban office districts is provided in Appendix C.

Findings:

- Similar to suburban Eugene, speculative, multi-tenant office space constitutes only a fraction of the new development that has occurred in suburban Springfield since the mid to late 1990s. The Pacific Continental Bank Building at 1011 Harlow Road is the only new multi-tenant office building to enter the market.

- In recent years, Campus Industrial zone, which includes property in the Riverbend district, has attracted several large, high profile employers, including Symantec, Royal Caribbean and PeaceHealth. These employers have contributed to the growing appeal of RiverBend as an office destination and contributed to increasing land values in the district. Each of these employers is located in an owner-occupied, build-to-suit facility, with the exception of PeaceHealth, which is reusing the former Sony manufacturing plant.

- Suburban land values are estimated to range from $10 per square foot to $30 per square foot in more established and desirable locations such as Riverbend and Gateway. As with downtown Eugene, these prices typically reflect finished sites with all infrastructure and off-site amenities in place.

Figure 6: Pacific Continental Bank Building, Gateway District, Springfield

Source: Leland Consulting Group.

Housing

While Phase 1 of LCG's proposed development program for the Glenwood area does not include housing, residential development – both ownership and rental housing – is anticipated to be an integral component of the long-term[2] Glenwood Redevelopment Strategy. Given its proximity and direct access to the Willamette River and the limited availability of high quality riverfront housing in the Eugene-Springfield MSA, Glenwood is a desirable long-term location for residential development. Further, Glenwood is centrally located, five minutes from downtown Eugene and downtown Springfield, close to I-5 and served by the recently completed Bus Rapid Transit (BRT) station on Franklin Boulevard. In the short term, however, Glenwood lacks the needed amenities and atmosphere to support new residential construction.

Ownership Market

The market for higher density urban ownership housing, including condominiums, attached townhomes, and small-lot detached townhomes in a village-style setting, is relatively untested in the Eugene-Springfield Metropolitan Area. During the past couple of years, only four urban housing projects comparable to the type of residential development envisioned for Glenwood have been completed. A short description of these projects, all of which are located in Eugene and none of which are waterfront development, is provided below. A more detailed description of the projects is provided in Appendix D.

Table 3 below identifies unit pricing for each of the comparables and Figure 7 shows the average unit price per square foot.

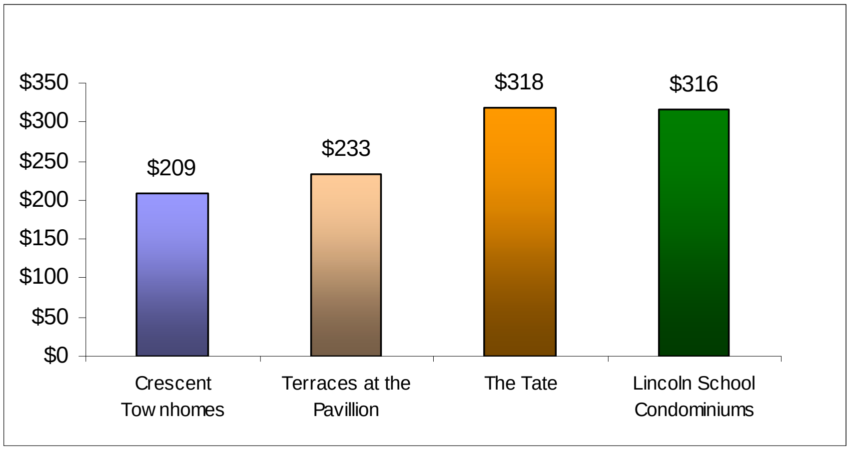
Table 3: Summary of New Condominium and Townhome Projects

Project	Total Units	Unit Type No. BD	Unit Type No. BA	Unit Size (SF) Min.	Unit Size (SF) Max.	Average Unit Size (SF)	Sales Price Min.	Sales Price Max.	Average Price per SF
Crescent Townhomes	8	2	3	2,320	2,360	2,333	$495,000	$515,000	$215
	32	3	3	2,260	2,700	2,472	$470,000	$540,000	$207
Terraces at the Pavillion	13	1	1	799	818	806	$186,000	$195,000	$237
	29	2	2	1100	1169	1125	$252,000	$272,300	$232
	5	2	2.1	1307	1307	1307	$289,000	$299,500	$228
The Tate	11	1	1	829	927	882	$245,000	$293,500	$312
	32	2	2	1,162	1,707	1,354	$350,000	$541,500	$320
	4	3	3	1,917	2,069	1,956	$592,500	$655,400	$312
Lincoln School	11	1	1	328	597	421	$109,001	$197,000	$335
Condominiums	14	1	1	647	746	682	$182,501	$214,001	$301

Source: Project developers and Leland Consulting Group.

[2] In the context of land use planning and development, "long-term" refers to outcomes that are anticipated to be achieved in 10 to 20 years, whereas "short-term" outcomes or strategies are expected to be achieved in 2 to 5 years, and "mid-term" outcomes in 5 to 10 years.

Figure 7: Average Price Per Square Foot



Source: Project developers and Leland Consulting Group.

Findings:

- There is virtually no market precedent for mid- to high-density ownership housing in the Eugene-Springfield MSA. Given that no development of this type has occurred in Springfield since the 1970s, the risk factor associated with developing a mixed-use community with higher density for-sale housing in Glenwood is high.

- Based on interviews with local real estate professionals, there is a growing demand for higher-end condominium and townhome projects in locations that offer convenient access to shopping, entertainment, services, transit, and public parks and recreation areas. In particular, homeowners who live in higher-density, urban housing communities want to be within close walking distance of grocery stores, restaurants, and neighborhood goods and services such as dry cleaners.

Apartment Market

According to Duncan & Brown's 2006 Apartment Report, in Fall 2006 the community-wide apartment vacancy rate in Eugene-Springfield remained historically low at 2.04 percent. If three new complexes that have not reached stabilized occupancy are removed from the survey, the effective vacancy rate falls below 1 percent—a rate that has not been achieved since 1994. Overall, the vacancy rate of surveyed projects has been steadily decreasing since Fall 2003, when it peaked at 5.26 percent.

Vacancy rates by neighborhood and unit type are identified in Table 4 below. A summary of apartment projects that have recently been completed or are substantially built out is provided in Appendix E.

Table 4: Vacancy Rates by Neighborhood and Unit Type

Neighborhood	Studio	1 BR	2 BR	3 BR	Overall Vacancy Rate
Campus	0%	0%	0.75%	0%	**0.38%**
Downtown	1.44%	0.54%	1.48%	*	**0.94%**
Ferry Street Bridge	*	0%	0.56%	0%	**0.38%**
South Eugene	*	0%	1.51%	*	**1.04%**
West Eugene	0%	1.95%	4.60%	4.64%	**3.68%**
MLK/Autzen	*	1.96%	0.45%	0%	**0.73%**
Goodpasture Island Road	*	0.56%	1.17%	1.65%	**1.11%**
Gateway	*	1.74%	0.71%	*	**0.98%**
Springfield	*	1.46%	2.32%	16.67%	**4.13%**
Unit Type	**1.05%**	**1.11%**	**2.13%**	**5.43%**	**2.04%**

Source: Duncan & Brown 2006 Apartment Report.

*Sample size too small

Findings:

- The rental market is tight. This has led to rising rental rates throughout the market. Rent increases began in 2005, primarily in newer complexes in the Eugene and Campus sub-markets. In 2006, new complexes in Springfield and some older complexes in Eugene also raised rents. Many newer projects raised rents multiple times between 2005 and 2006 – as much as $10 to $40 per unit per month. Recently, some landlords began passing down utility costs previously included in the monthly rent to tenants, who are paying an additional $20 to $30 per unit for water and sewer bills.

- Newer rental complexes, completed in 1988 or later, command markedly higher monthly rents in Eugene than Springfield. For example, the average rent for a two-bedroom unit in a newer complex in the Campus and Eugene sub-markets is $1,000 and $850 respectively. In contrast, two-bedroom units in complexes of comparable quality and age in Springfield are renting for just under $650.

- The highest demand is for newer units, which are typically leased under a 12-month contract and are generally pre-leased before becoming vacant. Two new market rate projects are Heron Meadows (300 units) in West Eugene and Brentwood Estates (297 units) in Springfield (317 30th Street).

Other Uses: Retail and Industrial

Retail and institutional uses should be considered ancillary and not a driver of the development program at Glenwood. In conjunction with a full development program of office or housing, retail space could be incorporated into the project, particularly if it is limited to the Franklin Boulevard frontage. Retail can serve as an amenity to office users and residents, but its overall square footage should be kept low. The one exception to this would be restaurants, which can be very successful even in hidden locations such as the riverfront, so long as it is a quality establishment with a good reputation that attracts diners from throughout the region.

Market Summary

The purpose of this section is to describe Glenwood's relative market position in the context of the broader Eugene-Springfield metro region. It is important to keep in mind that Glenwood is competing with other locations in the region (e.g., RiverBend, Gateway, Goodpasture Island, downtown Eugene, etc.) for high quality office and housing development.

Based on an analysis of existing conditions, including physical, socioeconomic and market conditions, LCG identified positive and negative characteristics that will impact Glenwood's redevelopment potential.

Positive Characteristics

Characteristics thought to have a positive impact on the area's redevelopment potential are identified below:

- A portion of property in the study area occupies attractive Willamette River frontage. Arguably, direct riverfront access is the study area's greatest strength.
- Glenwood's central location, close to downtown Eugene, downtown Springfield and I-5, strengthens its appeal as a destination for office and residential uses. Further, the study area is served by the BRT line, which runs along Franklin Boulevard and offers convenient connections to downtown Eugene and Springfield.
- A developer with significant financial capability has expressed interest.

Negative Characteristics

Site- and area-specific conditions and broader market conditions perceived as significant constraints that will hamper the successful redevelopment of Glenwood in the short term are identified below. Removing these challenges and constraints will become the central tasks of revitalization.

- The Glenwood area is under fractured ownership, which makes it a challenge to assemble land for redevelopment.
- Further, as evidenced by the options secured by the City, property owners' expectations of the value of their holdings are, in many cases, significantly higher than what new development can afford to pay.
- While an adopted master plan overlay is in place, new development has a significant amount of land use entitlements to procure, including annexation, zoning, and design review. These steps add considerable time and expense to the development process in Glenwood compared to other parts of the City.
- Much of the existing development in the Glenwood area is in substandard condition. While it is feasible that some property owners will sell their property

to the City or a private developer, other unattractive uses in the surrounding area, such as the Lane County Central Receiving Station, a solid waste transfer site, and the Lane County Transit Department bus yards, are likely to remain in operation – at least for the near- to mid-term future. As a result, the area will lack the positive image that is necessary to attract residents and high-quality commercial users.

- Based on LCG's research, there is no precedence for high quality, new office development in the Glenwood area.

- As detailed in the Housing section of this report, market research shows no local precedent for concentrated, higher-density living in the Glenwood area. Indeed, only a handful of medium- and high-density projects have recently been completed in the entire Eugene-Springfield region, most of which are relatively small and, with the exception of the Tate, still under construction or in the initial phase of absorption.

Figure 8: Franklin Boulevard BRT Station

Source: Leland Consulting Group.

Financial Analysis

A financial analysis of the project analyzes the development to determine whether the project is feasible given development costs and likely sales or lease values upon completion. The process of analyzing the Glenwood project begins with an assumption of a mix of uses for the first phase (a development program) and is followed by a modeling of the development economics of construction of that first phase. The key variable in the pro forma model is the purchase price of the land. Development costs are relatively fixed given the desired concept plan and sales or lease values are relatively fixed given current market conditions. Thus, the purchase price of the land ("residual land value") is the variable that assures that the developer earns an acceptable profit while meeting the fixed costs of development.

Development Program and Phasing

A development program is a narrative and quantitative description of the mix of uses that will be developed. It describes the character of development and is the baseline from which the financial analysis is prepared. The development program is based on the vision and theme presented in the Glenwood Area Plan, but has been adjusted to reflect market conditions today, which indicate that a more modest first phase is appropriate.

The recommended program for the first phase of development is shown in Table 5 and Table 6. For the purpose of phasing, Phase 1 has been divided into five blocks. The development program identifies the mix of uses that are proposed for each block and assumes that finished building pads, served by roads and basic infrastructure, will be sold to a private developer over a four-year time frame. The master developer could retain these sites and construct the buildings, too. In that case, the project would typically enter a "vertical" construction phase with a separate financing model – thus, there would still be an internal transaction as the project transitions from land development to building development. Further, if, for whatever reason, the master developer had to back out of the deal after preparing the land, he would still be able to realize a profit upon sale of the finished lots. Therefore, by focusing on the sale price (or value) of finished development pads, the financial model is useful whether there is a single developer or separate land and building developers.

A conceptual layout of the site, which has been subdivided into five blocks for the purpose of phasing, is shown in Figure 9. While not a literal site plan, the conceptual layout is useful for estimating infrastructure costs (amount of roads and utilities) as well as net developable acreages (buildable area) after removing rights of way and setbacks. Since the Glenwood Specific Area Plan envisions a grid street pattern throughout the site, the conceptual layout would be more or less the same if it were moved to the east or west.

Although the Glenwood Specific Area Plan identifies the riverfront as a largely residential area, no housing is recommended for the first phase. New housing in the district would likely struggle to attract buyers or achieve needed levels of pricing due to the surrounding industrial uses, overall level of deterioration, and relative "thinness" of the market for dense urban housing as discussed in the market profile, earlier. Office users, however, are more likely to locate in "pioneering" areas such as the riverfront and make better neighbors with industrial uses. Once the first phase is complete and the character of the district has begun to change, residential uses can be introduced in the second phase. At that time, buyers will have concrete assurance that the transformation of Glenwood is real. When the second phase is ready for development, a new market analysis should be performed to define the Phase 2 program.

Table 5: Phase 1 Development Program - Pad Acres and Uses

Block No.	Office	Retail	Restaurant	Total
Block 1	0.45	0.45		0.89
Block 2	1.14			1.14
Block 3	3.63		0.80	4.43
Block 4	1.27			1.27
Block 5	0.63	0.63		1.26
Total	7.12	1.07	0.80	8.99

Source: Leland Consulting Group.

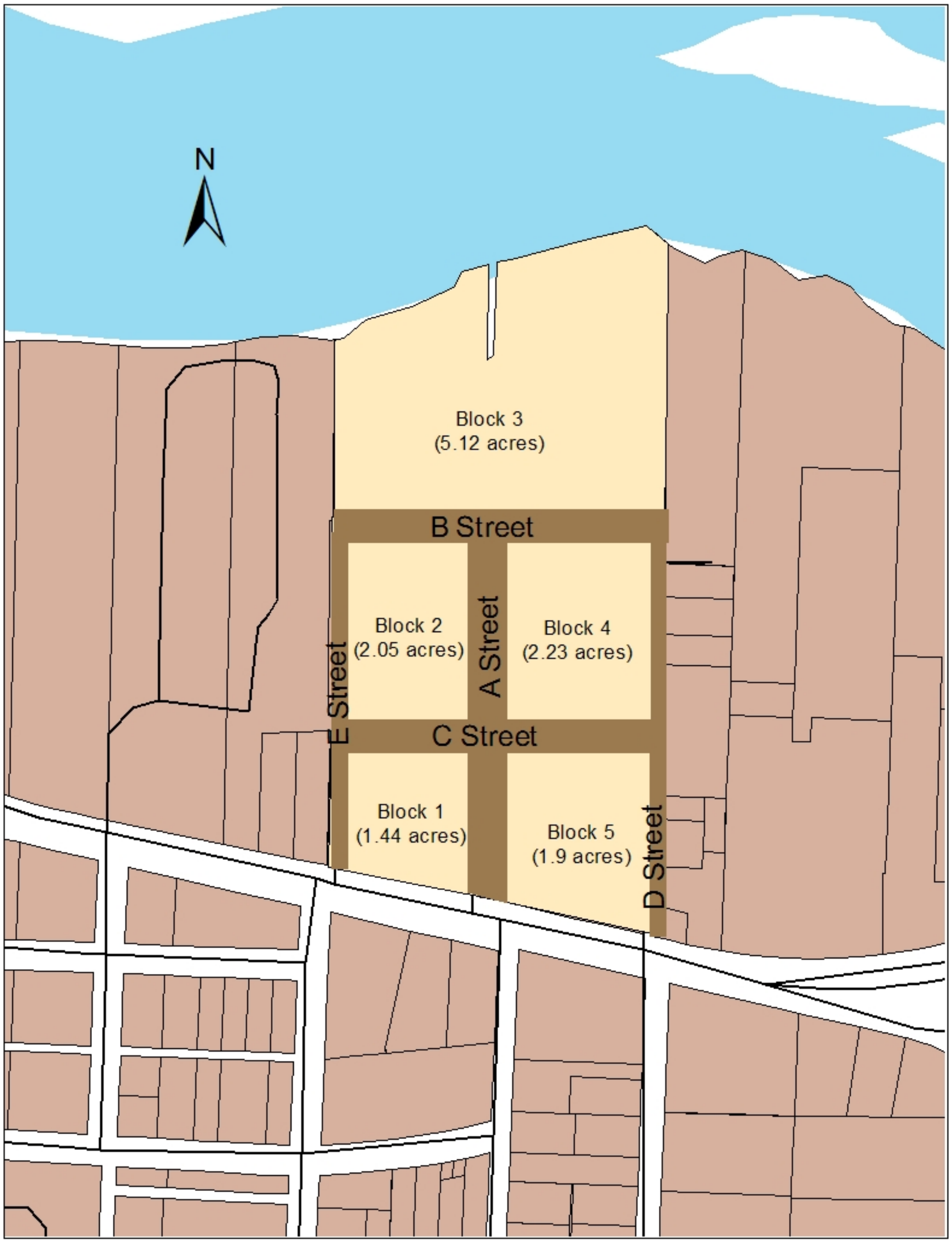
Table 6: Phase 1 Development Program - Building Square Footage at Build-out

Block No.	Office	Retail	Restaurant	Total
Block 1	6,794	6,794		13,588
Block 2	17,428			17,428
Block 3	55,300		12,197	67,496
Block 4	19,388			19,388
Block 5	9,587	9,587		19,173
Total	108,495	16,380	12,197	137,073

Source: Leland Consulting Group.

The Building square footage estimates assume that development in Phase 1 will be subject to an overall floor-to-area ratio (FAR) of 0.35, which is a density similar to most office buildings in the region while still allowing for surface parking.

Figure 9: Phase 1 Conceptual Layout



Source: Leland Consulting Group.

Phase 1 is anticipated to build out over a period of four years, allowing time for office space to absorb in pace with regional demand. Certain infrastructure components, such as the main road leading into the site, must be built in the first year, with other elements (e.g., side roads) being built in pace with building absorption.

Office buildings are expected to be between two and three stories tall, which is typical of many office buildings built in the Eugene-Springfield area. More importantly, buildings of this scale can still be surface parked, avoiding the need for parking garages, which would be cost-prohibitive in Glenwood.

Phase 1 would also include retail uses. The existing Roaring Rapids Pizza would remain on the waterfront (or another restaurant in the same building) and one additional restaurant could be close to the water. Unlike other types of retail, restaurants can operate successfully in locations not visible from the street. However, the restaurant must be a "destination" restaurant that is known for its high quality and unique experience. In addition to waterfront restaurants, the first phase would include retail space at the entrance to the project on Franklin Boulevard. Franklin is a heavily traveled street and a wide range of retail uses could be successful in that location.

Pro Forma

Components of the pro forma include a cash flow analysis as well as the following costs and cost categories:

Category	Items
Hard Costs	▪ Demolition of existing structures ▪ Site clearing ▪ Road construction ▪ Utilities
Soft Costs	▪ Architectural and engineering fees ▪ Permits ▪ Management expenses ▪ Real estate and financing commissions and fees

Cash Flow Analysis

The cash flow analysis is a balance sheet that identifies annual revenues (sources of cash) and expenditures (uses of cash) in the development process.

As shown below in Table 7, the primary sources of cash for Phase 1 of the Glenwood redevelopment are private equity (i.e., what the developer pays for raw land), a $3.4 million loan to finance development costs, and sales of finished pads during Years 2 to 5. Uses of cash include land acquisition, hard and soft development costs, loan fees, debt repayment, and equity distributions.

Table 7: Cash Flow Analysis

	Start	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Source of Cash							
Equity	2,619,041						2,619,041
Loan	527,131	2,203,092	613,370	75,000	-	-	3,418,593
Pad sale			2,404,708	3,980,665	2,289,587	1,220,879	9,895,839
Total	3,146,172	2,203,092	3,018,077	4,055,665	2,289,587	1,220,879	15,933,473
Uses of Cash							
Land	2,619,041						2,619,041
Project management	100,000	75,000	50,000	50,000	50,000		325,000
Engineering (8% of constr.)	193,823						193,823
Taxes and insurance	83,309	85,000	75,000	25,000	10,000		278,309
Approvals	150,000						150,000
Permits		11,501	9,576		5,723	21,656	48,456
Site preparation		1,381,527					1,381,527
Roads and utilities		575,064	478,794		286,130	1,082,797	2,422,785
subtotal	3,146,172	2,128,092	613,370	75,000	351,853	1,104,453	7,418,940
Loan placement		75,000					75,000
Debt repayment		-	2,164,237	1,439,158	-	-	3,603,395
Equity Distributions	-	-	240,471	2,541,507	1,937,735	116,426	4,836,139
Total	3,146,172	2,203,092	3,018,077	4,055,665	2,289,587	1,220,879	15,933,473

Source: Leland Consulting Group.

Hard Costs

An estimated $3,804,312 in hard costs will be incurred in Phase 1.

Table 8 identifies cost estimates for demolition and site clearing activities, which will occur in Year 1. Table 9 identifies cost estimates and a development schedule for Phase 1 roads and utilities.

Table 8: Site Work Cost Estimates and Development Schedule

	Length (ft.)	Unit Cost	Current Cost	Year Built	Inflation	Future Cost
Residential Demolition	7,594	$4	$30,376	1	105%	$31,895
Industrial Demolition	35,091	$5	$175,455	1	105%	$184,228
Grubbing & Grading	554,954	$2	$1,109,909	1	105%	$1,165,404
Total			$1,315,740			$1,381,527

Source: Leland Consulting Group.

Table 9: Roads and Utilities Cost Estimates[1/] and Development Schedule

Street Name	Length (ft.)	Unit Cost	Current Cost	Year Built	Inflation	Future Cost
A Street	652	$840	$547,680	1	105%	$575,064
B Street	462	$940	$434,280	2	110%	$478,794
C Street	428	$550	$235,400	4	122%	$286,130
D Street (1/2 street)	555	$840	$466,200	5	128%	$595,002
E Street (1/2 street)	455	$840	$382,200	5	128%	$487,795
Total	2,552		$2,065,760			$2,422,785

Source: Leland Consulting Group.

[1/]Depending on the level of utilities and streetscape improvements, the estimated cost for roads ranges from $550 to $840 per linear foot in 2007 dollars. (Since development of roads and utilities will be phased over four years, construction costs identified in the "future cost" column are adjusted for 5 percent annual inflation.)

The primary road leading into the site, A Street, will be completed in Year 1. B Street, an east-west access road that is expected to cut across the broader study area and strengthen connections between the Phase 1 site and areas to the east and west, will be completed in Year 2. B Street will provide access to riverfront property in Block 3 and development on the north side of Blocks 2 and 4. In Year 3, C Street, an east-west collector that will provide access to Blocks 2 and 4 and the northern sections of Blocks 1 and 5, will be completed. Two half-width streets that extend north-south between Franklin Boulevard and Block 3, along the eastern and western edges of Phase 1, will be completed in Year 5. The second halves of these streets would be built (and paid for) as adjacent property develops.

Soft Costs

In addition to the hard costs outlined above, an estimated $995,587 in soft costs will be incurred in Phase 1. Table 10 below provides a detailed summary of soft costs.

Table 10: Soft Costs

Soft Costs	Start	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Project management	$100,000	$75,000	$50,000	$50,000	$50,000		$325,000
Engineering (8% of constr.)	$193,823						$193,823
Taxes and insurance	$83,309	$85,000	$75,000	$25,000	$10,000		$278,309
Approvals	$150,000						$150,000
Permits		$11,501	$9,576		$5,723	$21,656	$48,456
Subtotal	**$527,131**	**$171,501**	**$134,576**	**$75,000**	**$65,723**	**$21,656**	**$995,587**

Source: Leland Consulting Group.

Land Sales Revenue

Table 11 below identifies sales revenue that will result from the sale of finished pads in Phase 1. It also details the land price assumptions and sales schedule that the revenue estimates are based on. Current land values for finished pads in the study area are estimated between $15 and $20 per square foot. These prices were derived through research of comparable sales in the region by an appraiser consulted for this study. Beyond Year 0, land prices are adjusted to reflect annual appreciation of 8 percent[3]. The first sales of finished pads are not anticipated to occur until Year 2, at which time A Street and most of B Street will be completed.

Table 11: Land Price and Sales Assumptions

Land Price ($/sf)	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Block 1	20.00	21.60	23.33	25.19	27.21	29.39	
Block 2	15.00	16.20	17.50	18.90	20.41	22.04	
Block 3	20.00	21.60	23.33	25.19	27.21	29.39	
Block 4	15.00	16.20	17.50	18.90	20.41	22.04	
Block 5	20.00	21.60	23.33	25.19	27.21	29.39	
Land Sales (sf)							
Block 1	-	-	19,411	-	19,411	-	38,822
Block 2	-	-	-	-	49,793	-	49,793
Block 3	-	-	34,848	157,999	-	-	192,847
Block 4	-	-	-	-	-	55,394	55,394
Block 5	-	-	27,390	-	27,390	-	54,780
Total	**-**	**-**	**81,649**	**157,999**	**96,594**	**55,394**	**391,636**
Sales Revenue							
Restaurant bldg	-	-	500,000				500,000
Block 1	-	-	452,820	-	528,169	-	980,989
Block 2	-	-	-	-	1,016,142	-	1,016,142
Block 3	-	-	812,934	3,980,665	-	-	4,793,599
Block 4	-	-	-	-	-	1,220,879	1,220,879
Block 5	-	-	638,954	-	745,276	-	1,384,230
Total			**$2,404,708**	**$3,980,665**	**$2,289,587**	**$1,220,879**	**$9,895,839**

Source: Interviewed real estate and development professionals and Leland Consulting Group.

Purchase Price of Land

As described in the introduction to this section, LCG used a "residual land value" model to identify what the purchase price of raw land would have to be for Phase 1 to be feasible (i.e., providing a developer a reasonable rate of return given the risk profile of the project).

> A residual land value model is based on the principle that most costs of development are fixed and not controllable by the developer:
>
> - Hard and soft development costs are determined by contractors and materials prices (once design efficiencies in the project have been maximized);
> - Sales prices and lease rates are determined by regional market conditions; and

[3] This assumes that the development in early years will cause the remaining land to appreciate faster than the rate of inflation, which was estimated at five percent.

- Profit margins are determined by terms set by investors and by the overall risk profile of the project.

Thus, the only variable in the development equation is the original cost of the land. The residual land price is simply the purchase price for raw land at which the project earns the required rate of return given the myriad of fixed costs and values discussed above.

Since there is no market precedent for the proposed development, the level of risk associated with implementing Phase I is moderate. An expected return of 20 percent[4] is used in this analysis.

Table 12: Equity Cash Flows and Net Present Value of Land

	Net Present Value of Land[1/]	Year 1	Year 2	Year 3	Year 4	Year 5
Equity cash flows	$2,619,041	$0	$240,471	$2,541,507	$1,937,735	$116,426

[1/] Assumes a discount rate of 20 percent.

Source: Leland Consulting Group.

As shown in Table 12, assuming a discount rate of 20 percent is applied to equity cash flows, the net present value of land in Phase 1 is just over $2.6 million. In other words, in order to earn a 20 percent return on equity, the maximum amount a private investor would pay to acquire raw land in Phase 1 is $2,619,041. In current dollars, this translates to per square foot land values of $4.72 to as much as $6.25 if the two-half streets are removed from the Phase 1 development program (a savings of just over $1 million in Year 5). Notably:

- The value of the land is reduced by the five-year period needed to fully build out the first phase due to the time-value of money (the value of a dollar in year five is worth less than a dollar today).

- If land for future phases of development were acquired today, the average land price would need to be even lower to account for the longer holding time of that land.

- If SEDA were to take a more active role in the development by paying for or constructing *all* of the roads and utilities, it would reduce the burden on a private developer, which would raise the residual land value to approximately $9.01 per square foot.

- Some properties may have income producing potential today, but it was assumed that all properties would be demolished or cleared at the beginning of the project.

[4] A 20 percent rate of return is considered a standard, mid-point rate of return on equity. Developers generally seek a 15 to 30 percent return on equity, depending on the risk involved.

Conclusion and Recommendations

1. The market for higher-density, mixed-use urban development is untested in the Glenwood area. Accordingly, investors must proceed very cautiously and development should be phased. Phase 1 should be smaller and less intensive than future phases.

2. Office uses are more likely to be feasible as a "pioneering" use in a distressed area such as Glenwood. Further, Glenwood has an industrial character that will be more compatible with office uses than housing in the short term.

3. Housing should be considered for future phases. Regionally, there are simply too few examples to demonstrate the viability of such products in Glenwood, which has more challenges than other areas such as downtown Eugene. Once the market is more clearly established, particularly in downtown Eugene, consider adding condominiums and/or townhomes to the project.

4. The price of raw land in the first phase of the project should be in the range of $4.72 to $6.25 per square foot in order for the development to be financially viable as designed. If SEDA were to pay for roads and infrastructure onsite, the raw land value would rise to $9.01 per square foot.

5. The development program assumes that SEDA and the City proceed with other improvements to the Glenwood area such as storefront improvements, utility upgrades, street improvements, and other efforts.

6. SEDA and the City should collaborate on efforts to increase certainty in the regulatory process. Having as many entitlements as possible in place before development begins reduces risk and speeds up the time frame for development. These are important incentives for developers. Therefore, the City should continue to refine the planning and regulatory framework at Glenwood, including:

    a. Annex property that is currently under County jurisdiction into the City of Springfield.

    b. Create a "fast-track" permitting process to ensure that development can occur in an efficient and timely manner.

    c. Implement zoning and entitlement changes ahead of time to reduce encumbrances in the development process.

    d. Complete transportation studies and any other infrastructure analyses that will be needed to support new development.

7. Alternatives to pursuing the full redevelopment of the riverfront could include:

    a. More selective redevelopment of individual parcels, particularly those fronting Franklin Boulevard.

b. Re-use of existing structures.

c. Exploring redevelopment of the south side of Franklin where lots are not as deep.

d. Continuing to recruit light industrial employers to the area who will bring new investments and jobs.

In conclusion, while the market is not strong for the desired land uses, a modest first phase of office uses and supporting retail is feasible at the Glenwood riverfront if raw land can be acquired at feasible prices. This would be strengthened if SEDA and the City continued to pursue transportation and infrastructure improvements throughout the district. Further, if the City were able to recruit a large office user to serve as an anchor tenant, the phasing schedule could be accelerated considerably.

Appendix A – New Speculative/Multi-tenant Office Development

10th & Mill Building

Location:	Downtown Eugene 10th & Mill
Product Type:	Class A Office
Completion Date:	2003
Building Size:	62,000 square feet
Lease Type:	Modified, full-service
Lease Rate:	$1.78 per square foot of rentable area
Other fees:	In addition to base rent, tenants pay a monthly fee of $35 per space for underground parking. A "bill back" clause requires tenants to reimburse the landlord for operating expenses in excess of the first year of operating expenses.
Project Description:	Although the 10th and Mill Building is technically classified as a speculative office building, when the first phase of construction was completed in 2003 the local law office of Harrang Long Gary Rudnick P.C. moved in and leased 32,000 square feet under a long-term, 15-year lease. It took three years for the remainder of the building to be built out and leased up by tenants that signed a minimum 5-year lease – a more typical term for speculative office space. In addition to the law firm, current tenants include a title company, commercial bank, stock brokerage and other businesses in the real estate and finance industry.

Jordan Plaza

Location:	Eugene 2650 Suzanne Way
Product Type:	Class A Medical and General Office
Completion Date:	Fall 2004
Building Size:	25,000 square feet
Lease Type:	Triple Net
Lease Rate:	$18.00 per square foot of rentable area per year (full service equivalent is $24.00 per square per year)

Parkview Office Building
101 E. Broadway, Eugene

Appendix B – Overview of Suburban Eugene Office Districts

Country Club Road

Location:	Eugene Across the river from Downtown
Land Use Description:	The area is dominated by "campus-style" development with ample on-site parking. The majority of office buildings in the Country Club Road area are three-story Class B/A- multi-tenant buildings averaging 55,000 to 65,000 square feet.
Leasing Trends:	Brokers consistently rated Country Club Road the most desirable suburban location for professional offices in Eugene. Full-service leases and modified gross leases are the most common lease structures. Full-service monthly rent equivalents for Class A Office Space generally range from $1.60 to $1.70 per square foot of leasable area. (Modified gross rents, which generally pass on janitorial and maintenance fees to tenants, are generally about $0.22 per square foot lower than full-service rents.)

Valley River

Location:	Eugene Off Delta Highway, between Interstate 5 and Beltline Road
Land Use Description:	The district is comprised largely of four-story Class A Office buildings clustered on Executive Parkway, behind the Valley River Center, the largest shopping center south of Portland and north of San Francisco. Buildings date back to the late 1980s and average 40,000 to 50,000 square feet of leasable area.
Leasing Trends:	Full-service rents average about $1.45 per square foot per month. Vacancy appears to be somewhat higher than in the Country Club Road subarea. In February 2007, vacancy rates for three Class A Office buildings located at 1200, 1400 and 1600 Executive Parkway ranged from approximately 9 percent to 44 percent.

Chad Drive

Location:	Eugene Vicinity of Chad/Crescent Road and Coburg Road
Land Use Description:	Office development on Chad Drive is comprised almost exclusively of build-to-suit corporate offices, including headquarters facilities for companies such as the Register Guard and Chambers Media Center. The Chad Drive district is zoned Campus Industrial. As of 2002, the City of Eugene's Development Code allows a maximum of 50 percent of the building footprint to be developed as office space (with the remainder of the footprint developed as light industrial facilities). This restricts the amount of office demand that can be accommodated in the district.
Leasing Trends:	Buildings are typically owner-occupied or under a long-term lease.

Appendix C – Overview of Suburban Springfield Office Districts

RiverBend

Location:	Northwest Springfield
Land Use Description:	The Riverbend district is comprised almost exclusively of larger, built-to-suit facilities – most of which are owner occupied. In recent years, the district has attracted several large employers, including Symantec, Royal Caribbean and PeaceHealth, which is currently constructing a new medical center on MLK Drive and planning additional facilities along the McKenzie River.
Leasing Trends:	No data on leasing trends was gathered given that most office buildings in the Riverbend district are owner-occupied.

Gateway

Location:	Northwest Springfield
Land Use Description:	With the exception of the Pacific Continental Bank Building, completed in the late 1990s, there is a limited supply of newer, high-quality multi-tenant office space in the Gateway district.
Leasing Trends:	Monthly full service rents in the Pacific Continental Banking, where the tenant mix consists primarily of businesses in the real estate and finance industries, are an estimated $1.70 per square foot. The building is currently at 100% occupancy. Rents for Class B/B+ Office space in the Gateway district currently range from $1.00 to $1.60 per square foot at the upper end of the spectrum.

Appendix D – New Condominium and Townhome Projects

Crescent Village Townhomes

Location:	Northeast Eugene Vicinity of Coburg Road and Crescent Avenue
Product Type:	Detached, small-lot townhomes
Construction Start Date:	Fall 2006
Total Units:	64
Sales Activity:	Since January 2007, when the first units were released, Crescent Village Townhomes has been well received. An estimated 17 units pre-sold as of March 2007

Figure

Unit Type	Unit Size Min.	Unit Size Max.	Unit Price Min.	Unit Price Max.	Avg. Sales Price	Avg. Price per S.F.
2 BD/ 2 BA	2,320	2,360	$495,000	$515,000	$501,667	$215
3 BD/ 3+ BA	2,260	2,700	$470,000	$550,000	$512,222	$207

Terraces at the Pavilion

Location:	Ferry Street Bridge area Vicinity of Coburg Road and Highway 105
Product Type:	Attached condominiums, primarily one-level units in two-story walk-up buildings
Construction Dates:	Fall 2005 to Spring 2007
Total Units:	49
Sales Activity:	Approximately half of the units sold since sales began in Summer 2006.

	Total	Unit Size		Unit Price		Avg.	Avg. Price
Unit Type	Units	Min.	Max.	Min.	Max.	Sales Price	per S.F.
1 BD/ 1 BA	13	799	818	$186,000	$195,000	$190,731	$237
2 BD/ 2 BA	29	1,100	1,169	$252,000	$272,300	$262,650	$232
2 BD/ 2.1 BA	5	1,307	1,307	$289,000	$299,500	$297,400	$228

The Tate

Location:	Downtown Eugene 14th Avenue and Olive Street
Product Type:	Attached, one-level condominiums in 6-story building with contemporary, urban design
Construction Dates:	Fall 2005 to Fall 2006
Total Units:	47
Sales Activity:	Units were pre-sold starting in 2004. As of March 2007, all but one one-bedroom unit had sold.

	Unit Size		Unit Price		Avg.	Avg. Price
Unit Type	Min.	Max.	Min.	Max.	Sales Price	per S.F.
1 BD/ 1 BA	829	927	$245,000	$298,500	$275,710	$312
2 BD/ 2 BA	1,162	1,838	$350,000	$562,500	$432,439	$320
3 BD/ 3 BA	1,919	2,069	$592,500	$655,400	$610,350	$312

Lincoln School Condominiums

Location:	Edge of downtown Eugene 6th and Jefferson
Product Type:	Historic condo conversion project with attached studio and one-bedroom units in a two-story building. Formerly an elementary school, the building dates back to 1924.
Total Units:	59
Sales Activity:	Pre-sales began in Summer 2006. According to the project's listing agent, second-story units are selling faster than ground floor units. As of March 2007, 25 units – 8 ground floor units and 23 second-story units – had sold.

	Unit Size		Unit Price		Avg.	Avg. Price
Unit Type	Min.	Max.	Min.	Max.	Sales Price	per S.F.
1 BD/ 1 BA (< 600 S.F)	328	597	$109,001	$197,000	$140,483	$335
1 BD/ 1 BA (> 600 S.F.)	647	746	$210,701	$210,701	$204,830	$301

Appendix E – New Apartment Projects

Heron Meadows

Location:	Eugene (west side) 721 Throne Drive
Product Type:	Market rate apartments
Construction Dates:	Winter 2005 to Late Spring 2007 The project was 80 percent built-out as of April 2007
Total Units:	300
Unit Features:	All units feature a patio or balcony, broadband internet, washer/dryer and vaulted ceilings. Rent includes water, sewer and trash.
On-site Amenities:	Fitness center, basketball and racquetball courts, playground, business center
Rental Activity:	Heron Meadows leasing staff noted that the project is leasing well. Since the project is under construction and in its initial lease-up period, staff cautioned that the vacancy rate of 45 reported in Duncan Brown's Annual Apartment Survey is overstated. Many vacant units, including units that are currently under construction, have been pre-leased.
Renter profile:	The project has attracted a diverse tenant mix, including seniors, university students, families and professional singles. According to leasing staff, no single demographic group is predominant.

	Total	Unit Size (S.F.)		Monthly Rent		Annual per S.F. Rent ($)	
Unit Type	Units	Min.	Max.	Min.	Max.	Min.	Max.
1 BD/ 1 BA	110	789	823	$705	$789	$10.72	$11.50
2 BD/ 2 BA	124	1093	1114	$835	$865	$9.17	$9.32
3 BD/ 3 BA	66	1232	1232	$935	$935	$9.11	$9.11

Brentwood Estates

Location:	Springfield 30th and Main
Product Type:	2-story, market-rate units with townhome-style design
Construction Dates:	Fall 2004 to Summer 2007
Total Units:	300
Unit Features:	All units feature granite countertops, an oak trim fireplace, oak kitchen cabinets and two full baths as well as a garage and a fenced yard. Most units have an upper deck.
On-site Amenities:	Recreational center, fitness rooms, playground, group kitchen and dining facilities, outdoor tennis and basketball courts.
Rental Activity:	The project is in its initial lease-up period. According to Brentwood Estate's leasing staff, units were being pre-leased as early as Spring 2005.
Renter profile:	The tenant mix at Brentwood Estates includes seniors, young couples and singles, families with small children and students.

Unit Type	Unit Size	Monthly Rent	per ($)
2 BD/ 2 BA	799	$825	$237
3 BD/ 2 BA	1,100	$925	$232
3 BD/ 3 BA +	1,307	$975	$228

Crescent Village

Location:	Northeast Eugene Vicinity of Coburg Road and Crescent Avenue
Product Type:	Upscale market-rate apartments in a mixed-use, urban village setting. Designed to maximize energy efficiency and minimize impacts on the environment, the project will feature one, two- and three-bedroom units.
Construction Dates:	Summer 2006 to Fall 2007
Total Units:	100 to 120 anticipated
Unit Features:	Large energy-saving windows, outdoor decks, views of the Coburg Hills, in-unit washers and dryers, and low emitting floors and wall coverings for improved air quality
On-site Amenities:	Controlled access entry, underground parking
Rental Activity:	Pre-leasing will begin in Summer 2007.
Renter Profile:	While no units have been leased yet, Crescent Village Apartments is anticipated to attract primarily young professionals, retirees and individuals seeking to live in a pedestrian-oriented, amenitized community with convenient access to restaurants and shopping.