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Executive Summary

The Goodwill Site comprises approximately six acres of underdeveloped land within the North Gateway Urban Renewal District. The site is adjacent to the Highland Neighborhood and within the newly established Mixed-Use Overlay Zone of the larger Portland/Fairgrounds Road Design Overlay Zone. The City of Salem acquired the properties as a result of street right-of-way needs for the Portland Road Street Improvement Project and related realignment of Pine Street. Boundaries of the site are Brook Street on the west, Highland Street on the south, Pine Street on the north, and Portland Road on the east. The largest property was owned by Goodwill Industries and all properties within the site are commonly and collectively referred to as the “Goodwill Site.”

Project Purpose and Goals

The Goodwill Site Redevelopment Master Plan continues years of work initiated through the Salem Industrial/Northgate Area Local Access and Circulation Study (SINALACS). The SINALACS plan identified the Goodwill Site as a key location for mixed-use redevelopment. The Salem Urban Renewal Agency acquired the properties and developed this master plan to encourage mixed-use development as a pilot project within the Portland Road Corridor, as well as for the City.

Mixed-use development is new to the Salem area. Based on this master plan, the City plans to initiate a Request for Qualifications process that will identify development team partners willing to follow the key goals of the plan in redeveloping the site. Preliminary market analysis and site design completed as part of the master plan will also reduce risk for developers and the Urban Renewal Agency.
Project goals were established by a Technical Advisory Committee (TAC) and Citizen Advisory Committee (CAC). The goals are:

**Land Use**
- Commercial/Retail to serve the Highland neighborhood
- New residential choices
- Maximize development potential

**Development Character**
- Enhance the Highland neighborhood
- Good street edges
- Encourage pedestrian activity
- Visible public spaces
- Nighttime safety

**Circulation and Access**
- Good pedestrian connections
- Good ties to transit service
- Attractive and compact parking areas
- Limit cut-through traffic between Brooks Avenue and Portland Road

**Related Planning and Policies**
- Support SINALACS goals for corridor revitalization
- Feasible development program for implementation
- Opportunities to initiate “green design” measures
The Master Plan

The master plan illustrates a development program and conceptual site plan for mixed-use development of the Goodwill Site. Proposed uses include:

- Retail and office uses
- Apartments above retail to maximize street frontage for retail
- Senior apartments integrated with a daycare facility and community building
- Owner-occupied townhomes
- Open spaces and a pedestrian circulation system

The mix of uses meets project goals and reflects desires expressed by a Citizen Advisory Committee (CAC) and Technical Advisory Committee (TAC). The plan is also consistent with recommendations of a preliminary market analysis and requirements of the Mixed-Use Overlay Zone. Input from the CAC was especially important. Their input included multiple meetings with the consultant team to review preliminary market analysis and preliminary site development studies that varied the mix of housing, commercial/retail land uses and parking strategies. Consideration of alternative development scenarios culminated with a CAC design charrette with the consultant team. The redevelopment master plan is largely the outcome of that charrette and discussions with Highland Neighborhood residents at a public open house.

Retail and Office Uses

Retail business that would serve Highland Neighborhood residents was a primary consideration of the development program. Visibility, transit service and the availability of on-street parking are important to these uses. The Portland Road and Pine Street intersection meets those criteria as an excellent retail/office location. Another consideration in the proposed retail/office locations was to minimize the customer traffic impacts on neighborhood residents near Brooks Avenue.

The concept plan provides:

- Ground floor retail or office space with apartments above at the south side of the intersection. This space can accommodate multiple small shops and offices or single anchor use such as a small grocery store.
- Office space at the north side of the intersection in a two story building without any housing above.
- If market conditions at the time of development support additional retail space it could be developed along Portland Road, potentially extending as far south as the intersection with Highland Avenue.

“Big box” retail or commercial uses that primarily target drive-by or regional traffic are not the intent of the master plan.
Housing Options

Housing is a key element in mixed-use development. Providing a variety of housing choices was a goal endorsed by the CAC. The conceptual plan accommodates three distinct housing options with opportunities for both ownership and rental units.

• 40-45 apartments above the retail uses. Studio and one-bedroom units would be the most likely mix. These are intended to be “urban” style, upper story apartments with internal corridors and architecturally integrated with the retail buildings below.

• 50-55 senior apartments in a three story building with internal corridors and a common area. A daycare facility and small community building could be integrated with the building providing additional amenities for Highland Neighborhood residents.

• 28 townhomes with approximately 1,500 square feet per unit, including rear garages. The intent is that these townhomes be owner occupied rather than rental units. That reflects a strong desire by the CAC to maintain a significant number of ownership housing opportunities (as opposed to a predominance of rental housing). Maintaining a compatible residential edge for the existing neighborhood was also a key consideration.

Open Space and Pedestrian Circulation

Public open space was the most enthusiastically supported development characteristic at the public open house. It is also one of the elements of site planning that has been largely neglected in development to date in the Portland Road Corridor. Open space and pedestrian amenities are an opportunity to “raise the bar” for redevelopment in the mixed-use nodes.

Key elements of the master plan are:

• Pedestrian-scale plaza.
• Pedestrian “street” for Highland Neighborhood.
• Residential open spaces associated with townhomes.
• Open space for a potential stormwater quality/retention treatment facility.
• Continuous pedestrian walkway system.
Green Design Strategies

The City of Salem has not adopted specific “green design” requirements for new buildings or site development. However, there is an increasing focus on requiring green design and establishing measures for evaluating compliance. The following key elements of a green design strategy for redevelopment of the Goodwill Site were identified:

- Green design requirements for the RFQ process for selecting a development team. Particular emphasis should be placed on past project experience with green design measures and specific technologies that might be applicable to this site and development program.
- Prepare criteria and identify staff for evaluating green design capabilities of prospective development teams.
- Provide technical and financial assistance to the selected development team to ensure green design measures are included in the development.
- Identify opportunities for green design at each step of the design and construction process.

Potential Changes to the Development Program

The mix of uses or the conceptual site plan should not be considered final. Among CAC members there was consensus, though not unanimous support, for the development program. Potential for even greater commercial and retail development was the most frequently debated aspect of the plan. Potential changes to the conceptual master plan were discussed and explored through site design studies. Factors considered included near-term versus long-term market conditions, parking strategies and the potential site design impacts that might limit opportunities for the proposed open space and housing options.

A selected development team may also propose significant changes. The changes may give greater or lesser emphasis to any of the proposed land uses or result in a different site plan. It is also possible that phasing of development may occur.
Figure 1: Illustrative Plan

- Senior Housing with Community Building
- Central Plaza
- Pedestrian "Street" Connection to Highland Neighborhood
- Portland Road
- Neighborhood Retail with Apartments Above
- Pedestrian "Street" Connection to Highland Neighborhood
- Brooks Avenue
- Townhomes
- Pine Street
- Brooks Avenue
- Future Pine Street Extension
- Potential Future Mixed Use Development
- Small Offices
- Potential Future Mixed Use Development
Neighborhood Involvement

Following planning discussion meetings with the CAC and a design charrette, the Highland Neighborhood was invited to an open house. The open house format allowed small group discussion of the plan. Emphasis of the discussion was the mix of uses, open space and the general locations of those uses within the site. A comprehensive questionnaire was provided and a summary of responses has been included in the Master Plan Summary. Key aspects of the public feedback were:

- Strong support for neighborhood retail and commercial uses, including a small grocery store if possible.
- Strong support for open space and pedestrian amenities as a desirable “character” element of development.
- Support for a mix of housing types.
- Building heights of two to three stories.
- Conviction that high quality redevelopment at this site is an important step toward revitalization of the Portland Road Corridor.

Market Feasibility and Financial Analysis

Preliminary analysis of current market conditions that may affect redevelopment of the Goodwill Site was part of the master planning process. Candidate land uses evaluated were retail, office and residential (apartments, including senior housing, and owner-occupied townhomes). Understanding current market conditions is critical if implementation of redevelopment is to begin in 2003 or 2004. The selected development team will probably conduct further market analysis to determine financial risks associated with the desired mix of land uses. The following is a summary of key findings and conclusions of the preliminary analysis.

Retail

Potentially the best use of the site. The site is located on Portland Road, which has high traffic volumes and excellent visibility. Additionally, the retail market within the surrounding area is expected to improve based on current planning initiatives and improvements to Portland Road. However, size of the site and the desire for housing types as part of a mixed-use development may limit the possibility of accommodating an anchor tenant. Ways to overcome this limitation include:

- Build a small amount of neighborhood-serving retail and service space integrated with housing options. Limiting retail will reduce market risk.
- Build a larger amount of small shop retail to act as “mini-anchor” for the site. This mini-anchor could be an integrated specialty center, such as Hispanic-oriented shops, or a diversity of shops and services architecturally integrated for ease of shopping and access.
• Build a larger amount of retail or a single anchor tenant and offer
subsidy to offset market risk.

Market conditions at the time of development may constrain the
amount and types of retail development considered feasible in the
near-term.

Office

Demand for office space appears limited. Best opportunities are
neighborhood-oriented professional services and small medical
offices. Larger scale office development could be implemented as
a build-to-suit development, such as government offices. Market
conditions for office uses may improve at the time of development.

Residential

There is market support for a range of housing alternatives. The
housing types with the least near-term market risk appear to be:

• Affordable apartments integrated with retail development.
The mix of sizes will be determined by the selected development
team. Studio and one bedroom appear to be the most feasible,
given the prevailing rental rates in the surrounding area.

• Senior housing that capitalizes on proximity to the nearby
senior center and access to transit service.

• For-sale townhomes are feasible with the expected improvements
to the surrounding area. Limiting factors may be sales prices of
surrounding single-family homes and the lack of a proven sales
history for townhomes within the Portland Road corridor.

A financial analysis of the concept plan identified the potential subsidy
needed, including tax credits, for each of the proposed land uses.
The analysis assumed a write-down of land costs and identified the
potential funding gap that would require additional urban renewal
subsidy for full development of the plan. Full development would
include proposed open spaces and pedestrian amenities. Results of
the analysis are:

• Townhomes and retail uses appear to be the most financially
viable from the perspective for development subsidy
requirements. Write-down of land value would eliminate the
funding gap. Whether or not market conditions are conducive to
retail development beyond the amount illustrated in the concept
plan remains an uncertainty.

• Market conditions for office development would make it
difficult to match construction costs with lease revenues,
leaving a significant funding gap even with land write-down.

• Senior and non-age-restricted affordable apartments showed
the highest potential funding gap. The gap is largely due to
high construction and operating costs of multi-story, mixed-use
buildings versus relatively low rental rates prevailing in the area.

The complete market and financial analysis are included in
Appendix A of the Master Plan Summary.
Portland Road Corridor Revitalization

An overwhelming majority of participants in the public open house considered the proposed redevelopment of the Goodwill Site to be an important step toward corridor revitalization. Key aspects of the master plan can establish the expectation for mixed-use redevelopment:

- Compact, urban forms of development
- Good design of multiple story, mixed-use buildings
- Neighborhood-scale office and retail uses
- Multiple housing options within a single development
- Well-designed open space and pedestrian circulation as a development amenity
- “Green design” strategies as an integral part of development
- A link between transit service and land use

Next Steps

This is a pilot project for the City of Salem, the Urban Renewal Agency and the North Gateway Redevelopment Advisory Board. Successful near-term implementation of mixed-use development on the Goodwill Site will create confidence in redevelopment throughout the corridor. Implementation will begin with a Request for Development Qualifications (RFQ) inviting members of the development community to become partners with the City in bringing the site to life. Language, requirements, and incentives in the RFQ will be partly influenced by this master plan. Other considerations will come from continued discussions with the CAC and TAC and evolving City policies for “green design” requirements for new developments.

A selected development team may propose significant changes to the development program and/or conceptual site plan developed as part of this project. That team will almost certainly continue the preliminary market and financial analysis provided by this project and work closely with staff from the City’s Urban Development Division and the CAC to identify the best use of any public subsidy monies that may be available.

Public involvement should also continue. Newsletters and a series of public open houses should be used to provide information about proposals for final development plans and allow for public comment to be heard and carefully considered. Changes to conceptual plans and new ideas for the best mix of uses remain very possible.
Development Program "Block" Diagram

- Red: Retail or Office
- Yellow: Residential
- Pink: Residential/Community Uses
- Red/Black Diagonal Stripes: Retail/Office Alternative
Development Program

Development programming addressed the overall site as five distinct “blocks” with street frontages roughly equivalent in length to a typical neighborhood block. Land uses for each were explored through site development alternatives (Appendix B) and discussions with the TAC and CAC. Final programming recommendations are:

**Block 1**

Small office or retail for tenants that do not require on-street parking for business viability. Truck access to existing businesses to the north must be accommodated.

**Block 2**

Retail anchor or mini-anchor of integrated shops at street level with apartments above. On-street parking is an added encouragement to retail development.

**Block 3**

Senior apartments integrated with daycare facilities and a community building. This block could be a good location for additional retail or office uses if the market supports them. Additional parking would be needed for office or retail development.

**Block 4**

Townhomes and open space as a residential edge for the existing neighborhood. Southeast corner of the block is shared with the daycare facility.

**Block 5**

Townhomes and open space as a continuous residential edge.
Preferred Concept Plan

Developing a preferred concept plan was a two-step process. First, alternative site development studies were completed along with preliminary market and financial analysis. Second, a CAC design charrette utilized that information and a discussion of individual preferences to arrive at the preferred concept plan. The plan illustrates potential site layout for mixed-use development, open space, parking and circulation. The mix of uses reflects CAC consensus support for a potential development. The site plan and development program are conceptual and subject to alteration by a selected development team.

Mix of Uses

The mix of uses reflects desires expressed by the CAC, recommendations of the preliminary market analysis, and requirements of the Mixed-Use Overlay Zone. Key considerations were:

- Retail and office uses for Highland Neighborhood residents
- Flexible retail “footprint” for medium-size anchor or multiple small shops
- Housing above retail to maximize street frontage for retail
- Ownership and rental housing options
- Owner-occupied residential edge along Brooks Avenue

Architectural Character

Renderings of building are for illustrative purposes only. Recommendations for architectural character are:

- “Urban” style apartments with double-loaded corridors and internal access
- Building heights not greater than three stories
- Zero setback buildings on Portland Road, unless 10-foot setback is used for stormwater infiltration planters
- Appealing building exteriors with quality materials, windows, exterior lighting and pedestrian entries visible from the street

Building design must also conform to requirements and design guidelines of the Mixed-Use Overlay Zone.
Vehicle Circulation and Parking

Access points to the site are consistent with final design plans for the Portland Road Street Improvements Project. Design and location of internal streets and parking areas is critical to maintaining a block-scale character for the development. A clear and continuous internal sidewalk should be provided. Internal streets should be functionally equivalent to neighborhood streets around the site.

Adequate parking for customers or tenants may be an implementation challenge for prospective development teams. The master plan illustrations would meet the City’s current minimum requirements if ratios are reduced by established administrative variances. The principal reductions would be parking minimums for retail, office and apartment uses if a transit plan is submitted and approved. Compact spaces as allowed under existing zoning were assumed. While on-street parking will be available on three sides of the larger site, it was not counted as meeting required parking minimums.

Open Space and Pedestrian Circulation

Open space and pedestrian amenities were enthusiastically supported at the public open house. They are elements of site planning that can “raise the bar” for redevelopment in the mixed-use nodes throughout the corridor. Key elements of the concept plan are:

- Pedestrian-scale plaza
- Pedestrian “street” extension of Spruce Street for walking access to plaza, community building and retail shops
- Residential open spaces associated with townhomes
- Open space for a potential stormwater quality/retention treatment facility
- Continuous pedestrian walkway system

Final development planning should include an inventory of significant existing trees and usage of site or building design strategies to preserve those trees as a site amenity.
**PREFERRED CONCEPT PLAN**

A  Retail/Office Two Story (8,000 - 10,000 sf)
   30 Parking Spaces Provided

B  Ground Floor Retail/Office (18,000 - 20,000 sf)
   40 - 45 Apartments Above (36,000 - 40,000 sf)
   100 - 104 Parking Spaces in Rear Parking Lot
   12 - 15 Parking Spaces on Internal Street

C  Community Use Building (2,500 - 3,000 sf)
   12 Parking Spaces Provided
   (Retail/Office Alternative Use)

D  Senior Apartments (30,000 - 32,000 sf)
   50 - 55 Apartments (three floors)
   18 Parking Spaces Provided

E  Daycare Facility (3,000 sf)
   6 Parking Spaces Provided

F  Two Story Townhomes w/ Rear Garages
   28 Units with 1,300 - 1,500 sf
   Guest Parking on Brooks Avenue

G  Central Open Space / Plaza (.25 - .33 ac)

**TOTAL SITE AREA = 266,710 sf**

**BUILDING FLOOR AREA = 134,000 - 150,000 sf**

**FLOOR AREA RATIO = .50 - .56**

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**Figure 3** Preferred Concept Plan
Mixed-Use Overlay Zoning Analysis

The intent of this analysis is to highlight key land use or site design aspects of the master plan with respect to requirements of the overlay zone. Analysis has been organized into categories for overall development and issues specific to individual land uses proposed in the plan. All zoning requirements have not been addressed. It is assumed that the selected development team will address all requirements through a design development and review process.

Overall Development Requirements

Mixed-Use

This requirement is met with full development. Partial or phased development may not meet requirements of a mixed-use building. Examples include development of only townhomes, senior housing buildings without non-residential uses, or a commercial or office building without housing. Whether or not same or contiguous lot requirements are met when the whole site is completed would be subject to administrative interpretation.

Development Density

Overall density of 21 dwelling units per acre (d.u.a) for the concept plan meets the intent of the overlay zone (20 d.u.a. minimum). However, when the density requirement of 20 d.u.a. is applied to residential rather than mixed-use building types, only senior housing is able to meet the requirement. Townhomes do not meet that requirement unless the land is partitioned from the whole site. Administrative review will be needed to fully evaluate acceptable measures of compliance for townhomes.

Floor Area Ratio (FAR)

Minimum requirement of .50 FAR is met by the concept plan. If development of the small site within the old Portland Road right-of-way is not included in the development, the FAR will improve.
Proposed Land Uses and Building Types

Analysis of key zoning requirements for specific uses is based on the preferred concept plan as illustrated. Changes in the development program and/or site plan are likely once a development partner has been selected.

Retail/Office (north of Pine Street)

Building height, entry orientation, and parking requirements are met. Two aspects of the illustrated site plan may require further consideration:

• As a single use development, it may not meet the mixed-use intent of the overlay zone.

Mixed-Use Retail/Commercial (south of Pine Street)

Building height, setback and entry requirements are met. Parking ratios may pose the following constraints:

• Apartment parking does not meet the overlay zone minimum of 1 space per dwelling unit. However, parking is shown at .75 spaces per dwelling unit which is consistent with current administrative rules for transit planning for development.

• Retail/commercial uses have parking at a ratio of 4 spaces per 1,000 square feet, including 12 parallel parking spaces on the proposed internal street and maximum allowable use of compact spaces within the rear parking area.

• No allowance has been given for on-street parking on Pine Street or Portland Road for meeting required parking minimums.

• Use of “tuck-under” parking for the mixed-use building could be considered if it was limited to approximately one-half of the building footprint. Ground level parking extended to back of sidewalk would not be in compliance with requirements for active ground floor uses.

Senior Housing

Building height, setback and entry orientation requirements are met. Illustrated parking may be the biggest constraint:

• Parking is at .30 spaces per dwelling unit, which is consistent with the underlying base zone minimum of .25 spaces per unit. It is the planning intent of the overlay zone to reduce residential parking requirements for senior housing to less than 1 space per unit.
• Converting the building footprint to retail/commercial use in the final development program would require a much higher parking minimum. This requirement could not be met without significant changes to the site plan and locations of other uses. “Tuck-under” parking for the building would not be in compliance with requirements for active ground floor uses if it extended to the sidewalk on Portland Road or Pine Street.

• There is no allowance assumed for on-street parking on Pine Street or Portland Road.

**Townhouse**

Building height and lot size requirements are met. A parking ratio of one space per unit and dimensions for the alleys are also in compliance. Orientation and building entry issues that may require additional administrative evaluation are:

• Front setbacks at Pine Street may exceed the 10 foot maximum at corners of the buildings to meet sight distance requirements.

• Some townhomes do not face a public or private street. Front setbacks could only be measured from lot lines.

• The front doors of some townhomes are oriented to internal pedestrian walkways rather than streets. Alternative site plans were developed that did not include this entry orientation.

Preliminary feedback for City Planning staff indicates that setbacks and orientation as illustrated are not in conflict with the intent of the overlay zone.

**Community Uses**

Entry and setback requirements are met. Height minimums are met if the single story daycare and community buildings are attached to a three-story senior building as illustrated. Parking for the Community Building is consistent with parking ratios for office development. Parking for the daycare is one-half the minimum for office development.
Potential Changes to the Development Program

At the conclusion of this project, some uncertainties remained about the development program most likely to succeed on the Goodwill Site. Factors in that uncertainty included near-term versus long-term market conditions and the most appropriate use of public subsidy to assist mixed-use redevelopment. Three potential changes to the conceptual master plan were repeatedly discussed and are outlined below.

Additional Retail Development

If additional Portland Road retail use of Block 3 were desired as part of the final development plan, two potential ways to accommodate it are:

- Maintain senior apartments and parking approximately as illustrated. The daycare and/or the community buildings could be converted to an additional 5,000-6,000 square feet of retail space. 6-10 additional parking spaces would be required. If those spaces were surface parking, there would be a reduction in space available for the plaza or the open space along Brooks Avenue.

- A more far-reaching change would eliminate senior housing entirely and use the entire Portland Road street frontage for ground-level retail with apartments above (illustrated on the right). Depending on the number of apartments provided, this would require considerable additional surface parking and have significant impacts to the conceptual site plan. Site design impacts would be the elimination of up to six townhomes and elimination of Brooks Avenue open spaces. If the central plaza area were maintained, it would be smaller and provide less pedestrian connectivity for the ‘blocks’ of the site.

If market conditions support this change, a greater diversity of retail and professional office space would be available to the neighborhood. An overall reduction in development subsidy might be possible with increased retail uses. However, second and third story apartments will remain constrained by low surrounding rental rates versus relatively high costs for mixed-use buildings and the need for on-site parking. (See site study alternatives 4 and 5 in Appendix A for other explorations of maximized retail and office development.)
**Structured Parking**

Structured parking was explored as a site design strategy to maximize the building footprints available for retail development along Portland Road. The illustrated concept is a five-story building with three levels of parking to accommodate all retail/office uses and apartments on Blocks 2 and 3. This parking strategy would support more total retail space than the preferred concept plan. Fewer apartments would be supported. Potential constraints for this strategy are:

- Uncertainty about market support for this much retail
- High building construction costs
- Difficult to phase Portland Road development when all uses rely on a single structure for parking
- Scale of the multi-story, multi-use building at Pine Street was considered too big
- Only two housing types would be provided

An exploration of underground parking for retail or grocery development can be found in Alternative 4 in Appendix A. Ground level parking partially or wholly within the building envelope (e.g. “tuck-under parking”) is a viable option provided the building design maintains active street level uses along the public streets.

**Townhome Orientation**

If preferred as a development characteristic, orientation of townhomes along Brooks Avenue could be changed to place more front doors along the public street (illustrated at right). This layout is less efficient, resulting in fewer townhomes, more paved alley to access the rear garages and more “left over” space. It also provides less shared front yard space for residents.

For other explorations of townhome development, see Alternatives 2a, 2b and 4 in Appendix A. These townhome layouts conflict with the mixed-use parking area or central plaza of the preferred concept plan.

Again, it should be emphasized that the mix of uses and the illustrated master plan are not final or binding. A selected development team may propose significant changes and the City staff and CAC will have the opportunity to evaluate that proposed plan.
Green Design Strategies

The City of Salem has not adopted specific “green design” requirements for new buildings or site development. However, there is an increasing focus on requiring green design and establishing measures for evaluating compliance. This is particularly true when public buildings or public/private development partnerships are involved. Work sessions with the TAC identified steps for including green design strategies in the Request for Qualifications (RFQ) and in the subsequent redevelopment of the Goodwill Site. Example language from RFQs initiated by other cities was also provided by the consultant team.

Green Design Requirements for the RFQ Process

- **Project Management Experience** — Request project experience of the developer(s) with green design measures, particularly in evaluating quality of and quantity of specific technologies and strategies. Require additional information about the experience of key design team members.

- **Building Design** — Request that development teams provide a preliminary summary of green objectives or strategies that will be integrated into the building program.

- **Site Design** — Request that development teams provide a preliminary summary of green objectives or strategies that will be integrated into the design and development of the site.

RFQ Evaluation Considerations

- **Development Team Capabilities** — Prepare an approach for evaluating green design capabilities of prospective development teams. Evaluation may be weighted for certain capabilities or strategies most consistent with City goals.

- **Third Party Evaluation** — The City may elect to contract with an experienced third party to assist in evaluating qualifications and proposed strategies of development teams.
Technical and Financial Assistance

The City can provide technical assistance to development teams to ensure that green design is a vital part of the development program and design. Examples of assistance are:

- Support from the Environmental Commission.
- Funding and coordination for an Eco-Charrette with staff and development team.
- Contracting with a third party to provide project management and documentation of green design implementation, research assistance for systems design and best practices and energy modeling.
- Capital investment subsidy for selected systems such as energy, water or stormwater management.

The project checklist for the Leadership in Energy and Environmental Design (LEED) rating system, developed by the U.S. Green Building Council, may be another useful tool in ensuring that each step of the process is evaluated for green design opportunities. Requiring documentation for a specific level of LEED certification is not recommended until more specific City policies and requirements have been adopted and the local development community becomes more familiar with LEED process. This should not be construed as discouraging prospective development teams from pursuing LEED certification if they feel their development program can achieve it.
Public Involvement

Review and discussion meetings with the Citizen Advisory Committee occurred throughout the project. In addition, a public open house was held in the Highland Neighborhood. The master plan, early site studies of development alternatives, and photographic examples of comparable development were available for discussion. Discussion was in a small group format with a facilitator for each group. Questionnaires were given to each participant and responses summarized.

Continued public involvement is essential. When a development team has been selected, the CAC should remain active in final design development. Two or three additional neighborhood open houses should be held to explain and discuss the final development plans and construction schedules.

The Public Open House Summary is included on Pages 27 through 32.
Goodwill Site Redevelopment Master Plan
Public Open House Summary  January 25, 2003

Development Program

Commercial/Retail Uses

- Small Shops
- Anchor Store (such as grocery or pharmacy)
- Professional Offices
- Medical Offices

What neighborhood commercial/retail services are most important to you?
Grocery store was the most frequently mentioned desirable neighborhood service. A small restaurant and pharmacy were mentioned by several participants, as were medical or urgent care offices and a veterinary clinic. Several responses noted a need for small-scale commercial uses to provide a direct service for nearby residents. Representative comments were:

- “I would really like to see money-makers come and stay in this area”.
- “I am concerned that these businesses will not succeed...if we will pay for these businesses”.
- “We need an appropriate mixture of anchor store and small shops to reflect the community at large”.
- “Office or medical office make the most sense for the small triangle north of Pine Street”.
- “Services that utilize local employees”.
- “Used by Northgate/Highland people, not drive-by shoppers”.
- “Some place teens can go...many teenagers live in these neighborhoods”.
- “In the face of big-box stores, the small retailer has to fight for his life...I cannot see small retail stores suddenly prospering with this base of 300 persons living here”.
- “Not having simply storefronts. The retail stores need to be for the neighborhood, not for trying to get people to stop from Portland Road”.
- “Try to attract small retailers who provide things people need; e.g. hardware, shoes, fabric shop, etc.”
Development Program

Residential Uses

- Townhomes (For Sale)
- Apartments Above Retail
- Senior Apartments

Should other housing types be considered?

- “No”.
- “No. Almost too much already considering parking shortage”.
- “I don’t think it is feasible”.
- “Mix should be predominantly market rate. We should use this project to raise the bar for economic conditions of the area”.
- “It is my opinion that no home owners from the Highland or Northgate neighborhoods will move into this development”.
- “I would like to see some or all of the townhomes built in cooperation with Salem Area Habitat for Humanity”.
- “Minimal low income housing regardless of subsidies”.
- “These are good but make them affordable for people”.
- “I would not want housing considered as much as retail outlets and offices”.
- “Condos above the retail space”.
- “Lofts above retail”.
- “Common wall rowhouses would save space and mean less maintenance for owners”.
- “Single person housing for those who work in banks, hospitals and schools”.
- “Less rental, more owner occupied properties”.

<table>
<thead>
<tr>
<th></th>
<th>More</th>
<th>Less</th>
<th>Just Right</th>
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</thead>
<tbody>
<tr>
<td>Town</td>
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<td>18</td>
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</table>
Goodwill Site Redevelopment Master Plan
Public Open House Summary January 25, 2003

Development Program

Parking/Circulation

Are street connections good?
An overwhelming majority of respondents felt the street connections illustrated are good. Three respondents were not sure. Two of those not sure stated that configuration and construction of retail development will determine adequacy of the street connections.

Several participants noted that Brooks Avenue needed substantial improvement, including widening, as part of this development. It should include on-street parking on both sides.

Are pedestrian connections good?
An overwhelming majority of respondents felt the pedestrian connections were good. A few mentioned larger concerns about the overall pedestrian environment of Portland Road.

Is parking shown adequate?
The responses were almost evenly split between those who thought parking as illustrated would be adequate and those felt it would not meet development needs. The greatest concerns seemed to be (1) low parking ratios proposed for senior housing; and (2) inability of the site to provide parking space for both retail and housing development. One person suggested the existing City parking requirements are too low.

Would you prefer a parking garage?
Responses were evenly split between favorable and unfavorable. Two participants were unsure of their preference at this time. Among those expressing preference for a parking garage an underground structure seemed to be the most appealing. Others favored a parking garage only as a last resort and acknowledged the high cost involved. Those stating a clear preference for avoiding a parking garage gave little explanation for their response.
Development Character

Are the buildings about the right height?
An overwhelming majority of participants felt the illustrated building heights were “about right”. Four participants indicated they would be comfortable with even taller buildings along Portland Road and Pine Street. One person suggested increasing the mixed use housing to three stories of apartments over retail.

Is the development density about right?
By a 3:1 margin, participants felt the density was “about right”. Some responses raised concerns over given potential parking and traffic circulation issues. Representative comments were:

- “I like it very much”.
- “Seems about right”.
- “There is no way to fit all this into this space”.
- “Will be crowded, however it is workable”.
- “No. It seems extremely crowded”.
- “Too much housing”.

Are the plaza and open spaces important?
There was one unfavorable response to including the plaza and open spaces in the development program. Two respondents were unsure about their importance. Twenty-seven respondents felt there were important. Of all the questions asked, this one seemed to elicit the most positive enthusiasm. Representative comments were:

- “Key to building a village atmosphere”.
- “Yes. It sets the tone for quality and employment wage levels and housing types. The development should be an improvement to the area”.
- “Open space is nice but may mean sacrificing other needed components”.
- “Yes. Maximize it”.
- “Absolutely”.
- “Very important”.
- “Consider the possibility that bicyclists and skateboarders would take over the area”.
- “Yes. This is what makes an area pleasant to be in”.
- “Plazas and open space in Salem lead to littering, neglect and a hangout for undesirables”.

Goodwill Site Redevelopment Master Plan
Public Open House Summary    January 25, 2003
Is development here an important step toward corridor revitalization?
Support for redevelopment as an important revitalization effort was nearly unanimous. One participant felt that a “safe community for seniors, children and families” was more important than revitalization goals.

Is it important to include a daycare facility and community building?
By a margin of more than 2:1, respondents favored including these uses in the development program. A few suggested keeping one of the two facilities but not both. Representative comments were:

- “No. Enough daycare exists in the area already”.
- “Provides a community service”.
- “Not as important as retail and housing”.
- “Yes. It is wonderful to mix young families, singles and the elderly together. That is community”.
- “Yes, to serve our community”.

Other Comments
Please share any other comments or suggestions here.

- Representative comments were:
- “Tax incentives for owner-occupancy”.
- “With street improvements this will be become a more desirable area for retail in the future. Because of the railroad across Portland Road this site is a more desirable residential location”.
- “Facades on Portland Road should look urban and urbane. Don’t want a strip mall look. Suburban is okay for Brooks Avenue. Use materials that give the look of a city edge”.
- “Have more of this type meeting to keep the public informed and to have input”.
- “We are so excited about this. We love our little part of town”.
- “The parking area on Brooks and Highland could be three stories or more with a spiral ramp like at the Portland International Airport”.
- “Pay particular attention to safety with senior housing at the transit stop. Improve walking crossings on Pine and Highland”.
- “I think it is an excellent concept. It goes along with quality construction and open space”.
- “I am pleased to see the progress that has been made”.
- “I am very excited about this plan. I hope the City Council agrees to push this forward”.
- “Need parking subsidy for housing if tuck-under parking would allow more surface parking area for retail”.
- “We need to build a stronger community. A mixed use venue with adequate parking makes the most sense”.
- “Be flexible about housing above retail. Office or even parking might be best. This plan should be a catalyst for higher wage jobs in the area”.
- “Thanks”.


Appendix A
Conceptual Financial Analysis
DATE: April 1, 2003

TO: Mr. Chuck Fisher
CITY OF SALEM

FROM: Mr. Steve Ferrarini
HOBSON FERRARINI ASSOCIATES

SUBJECT: Financial Analysis for Redevelopment of Goodwill Site in Salem, Oregon

Hobson Ferrarini Associates and OTAK have been retained by the City of Salem to project the financial performance for a proposed mixed-use redevelopment project at the Goodwill Site, a 5.75-acre parcel located at the intersection of Portland Road and Pine Street. Key findings follow:

- The proposed redevelopment of the Goodwill Site will require an infusion of approximately $6 million in public investment to cover the gap between construction costs and available funding. Fifty percent of the funding gap could be covered by writing down the value of the land, worth approximately $3 million. The remaining portion of the funding gap could be covered in a variety of ways, including but not limited to:
  - Cash contributions;
  - Reducing permitting fees and/or waiving system development charges (SDC); and
  - Financing and constructing the public areas, such as the central plaza and improvements to Brooks Street.

- Available private financing includes the maximum loan a private bank would make, and the maximum equity a private developer would invest, assuming a 15% return. Public funding sources considered included Low Income Housing Tax Credits (LIHTC) and Low Interest Urban Renewal Loans.

- Each component land use – affordable senior housing, townhomes, affordable multifamily apartments, retail, day care/community, and office – was analyzed separately, because some components will probably be developed by separate entities.

  - The most financially viable land uses are townhomes and retail, with funding gaps of $511,000 and $209,000 respectively. With a write-down of approximately 90% of the land costs, the funding gap is eliminated.
• By contrast, affordable apartments (both senior and non-age restricted) and office have funding gaps ranging from $1 to $2 million. Even after a full land write-down, a funding gap of approximately $1 million remains for each land use. This results from the fact that these land uses are comparable to retail space and townhomes in terms of development cost, but generate lower lease rates and higher operating expenses.

- If the City of Salem contributes the $6 million needed to cover the funding gap, the project will perform well financially and should attract the attention of the development community. As shown on the accompanying pro forma financial statement, each component would produce a return on equity of 15% in the first year of operation, and an internal rate of approximately 30% when growth in cash flow and equity are considered over a 10-year period.
### Financial Summary

#### Goodwill Site

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Senior Apartments</th>
<th>Townhomes</th>
<th>Affordable Commercial</th>
<th>Daycare</th>
<th>Office (Total)</th>
<th>Total/ Weighted Average</th>
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<td>Total Square Footage (Gross)</td>
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<td>Total Square Footage (Net)</td>
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#### Development Costs

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<th>Land 1/</th>
<th>Total Hard Costs</th>
<th>Hard Costs per Square Foot</th>
<th>Site Costs</th>
<th>Contingency (10%)</th>
<th>Soft Costs (30% of hard costs)</th>
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<td>$2,176,000</td>
<td>$68</td>
<td>$147,804</td>
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#### Projected Operating Results

| Gross Possible Income | $285,000 | N/A          | $297,000 | $280,000 | $72,000 | $96,000 | $1,030,000 |
| Lease Rate 2/          | $475 | N/A          | $550     | $14.00   | $12.00  | $12.00  | $9.54       |
| Less: Vacancy Allowance | 5.0% | N/A          | 5.0%     | 7.5%     | 0.0%    | 7.5%    | 5.6%        |
| Equals: Effective Gross Income | $270,750 | N/A          | $327,150 | $259,000 | $72,000 | $88,800 | $972,800 |

#### Sources of Financing

| Permanent Loans 4/      | $1,000,295 | $3,000,400 | $1,302,211 | $2,166,956 | $182,138 | $146,001 | $7,998,011 |
| Interest Rate           | 6.50%      | 6.50%      | 6.50%      | 6.50%      | 6.50%    | 7.50%    | 7.50%      |
| Amortization Term       | 30         | 30         | 25         | 25         | 25       | 25       | 25         |
| Low-Interest Urban Renewal Loans | $44,388 | $116,417 | $35,465 | $33,209 | $9,480 | $15,800 | $209,000 |
| Interest Rate 3/        | 3.00%      | 3.00%      | 3.00%      | 3.00%      | 3.00%    | 3.00%    | 3.00%      |
| Amortization Term       | 30         | 30         | 30         | 30         | 30       | 30       | 30         |
| Developer’s Equity      | $112,549       | $402,238        | $47,328         | $31,705        | $83,815        | $40,359        | $1,040,015 |
| Required Return         | 15%        | 15%        | 15%        | 15%        | 15%      | 15%      | 15%        |
| Low-Income Housing Tax Credits | $1,006,174 | $1,257,718 | $1,257,718 | $1,257,718 | $1,257,718 | $1,257,718 | $2,626,392 |
| Total Financing Currently Available | $2,563,426 | $2,944,275 | $2,562,742 | $2,562,742 | $2,562,742 | $2,562,742 | $11,466,917 |

#### Funding Gap (Required Subsidy), excluding Land Write-Down

- **$1,702,107**

#### Funding Gap (Required Subsidy), including Land Write-Down

- **$1,030,778**

---

1/ Pro-rated based on floor area
2/ Residential: per unit/month, Commercial: per square foot/year.
3/ Residential per unit/year, Commercial: per square foot/year.
4/ Maximum LTV of 80%, minimum DCR of 1.20.
5/ Minimum at 15% ROE.
## EXHIBIT 2
### PRO FORMA CASH FLOW ANALYSIS
#### GOODWILL SITE

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<th></th>
<th>Year 0</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9</th>
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<td><strong>Senior Apartments</strong></td>
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<tr>
<td><strong>Estimated Equity</strong></td>
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**Source:** Hobson Ferrarini Associates
## EXHIBIT 2
### PRO FORMA CASH FLOW ANALYSIS
#### GOODWILL SITE

### Affordable Apartments

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<th>Year</th>
<th>Year</th>
<th>Year</th>
<th>Year</th>
<th>Year</th>
<th>Year</th>
<th>Year</th>
<th>Year</th>
<th>Year</th>
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<tr>
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### Operating Income

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<th>Year</th>
<th>Year</th>
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<td>$0</td>
<td>$22,099</td>
<td>$25,839</td>
<td>$29,600</td>
<td>$33,658</td>
<td>$37,744</td>
<td>$41,853</td>
<td>$46,288</td>
<td>$50,753</td>
<td>$55,352</td>
<td>$60,089</td>
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### Capital Spending
- $4,831,916

### Loan Draws
- $1,357,696

### Subsidies
- $3,326,892

### Annual Cash Flow

<table>
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<tr>
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<th>Year</th>
<th>Year</th>
<th>Year</th>
<th>Year</th>
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### Estimated Equity

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<th>Year</th>
<th>Year</th>
<th>Year</th>
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</thead>
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<td>Estimated Property Value</td>
<td>$1,351,586</td>
<td>$1,466,471</td>
<td>$1,510,465</td>
<td>$1,555,779</td>
<td>$1,602,452</td>
<td>$1,650,526</td>
<td>$1,700,041</td>
<td>$1,751,043</td>
<td>$1,803,574</td>
<td>$1,857,681</td>
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<td>$399,705</td>
<td>$453,436</td>
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<td>$565,952</td>
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### Return

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<tbody>
<tr>
<td>Return on Initial Equity</td>
<td>15.0%</td>
<td>17.5%</td>
<td>20.2%</td>
<td>22.8%</td>
<td>25.6%</td>
<td>28.9%</td>
<td>31.4%</td>
<td>34.4%</td>
<td>37.6%</td>
<td>40.8%</td>
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<td>IRR</td>
<td>27.5%</td>
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**EXHIBIT 2**

**PRO FORMA CASH FLOW ANALYSIS**

**GOODWILL SITE**

<table>
<thead>
<tr>
<th>Year</th>
<th>Income</th>
<th>Operating Expenses</th>
<th>Net Operating Income</th>
<th>Debt Service</th>
<th>Operating Cash Flow</th>
<th>Capital Spending</th>
<th>Loan Draws</th>
<th>Subsidies</th>
<th>Annual Cash Flow</th>
<th>Estimated Equity</th>
<th>Return</th>
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<tbody>
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<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<td>$16,000</td>
<td>$264,000</td>
<td>$196,094</td>
<td>$46,906</td>
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</table>

*Income*
- **Gross Possible Income (GPI)**: $0 to $280,000
- **Less: Vacancy Allowance**: $0 to $21,000
- **Equals: Effective Gross Income (EGI)**: $0 to $289,000

*Operating Expenses*
- **Operating Cash Flow**: $0 to $46,906
- **Capital Spending**: $2,891,958
- **Loan Draws**: $2,200,175
- **Subsidies**: $379,078

*Net Operating Income*
- **Debt Service**: $0 to $196,094
- **Interest**: $0 to $165,013
- **Principal**: $0 to $31,081

*Operating Cash Flow*
- **Annual Cash Flow**: -$312,705 to $120,966

*Estimated Equity*
- **Estimated Property Value**: $2,634,860 to $2,858,824
- **Less: Loan Balance**: $2,200,175 to $2,169,094
- **Equals: Estimated Equity**: $434,686 to $689,730

*Return*
- **Return on Initial Equity**: 15.0% to 30.2%
- **Net Present Value**: $416,357

*SOURCE: Hobson Ferrarini Associates*
## EXHIBIT 2
### PRO FORMA CASH FLOW ANALYSIS
#### GOODWILL SITE

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<thead>
<tr>
<th>Year</th>
<th>0</th>
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<th>7</th>
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<td><strong>Income</strong></td>
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<td>$83,468</td>
<td>$85,972</td>
<td>$88,551</td>
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<td>$74,160</td>
<td>$76,385</td>
<td>$78,676</td>
<td>$81,037</td>
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<td>$85,972</td>
<td>$88,551</td>
<td>$91,207</td>
<td>$93,944</td>
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<td><strong>Operating Expenses</strong></td>
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<td>$18,626</td>
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<td>$22,970</td>
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<td>$18,626</td>
<td>$20,766</td>
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<td>$25,240</td>
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<td>$29,987</td>
<td>$32,468</td>
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</tr>
<tr>
<td>Return on Initial Equity</td>
<td>15.0%</td>
<td>17.3%</td>
<td>19.7%</td>
<td>22.2%</td>
<td>24.8%</td>
<td>27.4%</td>
<td>30.1%</td>
<td>32.9%</td>
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<td>38.7%</td>
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<td>IRR</td>
<td>30.2%</td>
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*SOURCE: Hobson Ferrarini Associates*
# EXHIBIT 2
PRO FORMA CASH FLOW ANALYSIS
GOODWILL SITE

<table>
<thead>
<tr>
<th>Income</th>
<th>Year</th>
<th>Year</th>
<th>Year</th>
<th>Year</th>
<th>Year</th>
<th>Year</th>
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<th>Year</th>
<th>Year</th>
<th>Year</th>
<th>Year</th>
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<td>$9,317</td>
<td>$10,552</td>
<td>$11,824</td>
<td>$13,134</td>
<td>$14,483</td>
<td>$15,873</td>
<td>$17,305</td>
<td>$18,779</td>
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**Office (Two-Story)**

| Capital Spending                | $1,375,979 |
| Loan Draws                     | $361,802   |
| Subsidies                      | $967,818   |
| **Annual Cash Flow**           | -$46,359   |
|                                 | $6,954     |
|                                 | $8,118     |
|                                 | $9,317     |
|                                 | $10,552    |
|                                 | $11,824    |
|                                 | $13,134    |
|                                 | $14,483    |
|                                 | $15,873    |
|                                 | $17,305    |
|                                 | $18,779    |

**Estimated Equity**

| Estimated Property Value        | $420,710   |
| Less: Loan Balance              | $361,802   |
| Equals: Estimated Equity        | $58,909    |
|                                 | $99,380    |
|                                 | $118,138   |
|                                 | $137,687   |
|                                 | $158,068   |
|                                 | $179,323   |
|                                 | $201,499   |
|                                 | $224,645   |
|                                 | $248,812   |
|                                 | $274,057   |
|                                 | $300,436   |

**Return**

| Return on Initial Equity        | 15.0%  |
| IRR                             | 30.7%  |
| Net Present Value               | $380,414 |
EXHIBIT 2  
PRO FORMA CASH FLOW ANALYSIS  
GOODWILL SITE

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**Source:** Hobson Ferrarini Associates
Appendix B
Site Development Alternatives
Site Development Alternatives

Prior to the CAC design charrette to develop a preferred concept plan, site development studies explored alternative mixes of land uses, open space, and on-site parking and circulation plans. Types of uses considered are consistent with the concept plan. The principal variation in the studies was an emphasis on maximizing retail and office development versus maximizing residential development. With the exception of Alternative 1, the development scenarios included site amenities such as a small park space, plaza space or “pedestrian street.” Alternative 4 explored underground parking for potential grocery store development on Block 2.

General comments from the CAC and TAC supported development scenarios that provided at least 12,000 – 15,000 square feet of retail and office space. Even more retail, particularly a small grocery store, was preferred if market conditions support it and site planning can accommodate it. There was also strong support for including pedestrian-scale site features such as plaza/open space and a “pedestrian street” for the Highland Neighborhood. Maximizing residential development on the site was not supported.
## Development Summaries

### Goodwill Redevelopment Master Plan

#### Alternative 1

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<tr>
<th>Development Program</th>
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<th>Parking</th>
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<td>Townhomes (2 Story AF)</td>
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<td>Daycare</td>
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<td>MultiFamily (3 Story AF)</td>
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<th>Square Footage</th>
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