

City of Redmond

Downtown Preliminary Development Plan Implementation Memo

April 27, 2007

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PLAN PURPOSE

The Downtown Preliminary Development Plan lays out a development vision that is intended to reinvigorate Redmond's Down-town core. It envisions a unique, mixed-use heart for Redmond that responds to and strengthens the historic character of the district, provides economic opportunities, invites pedestrian traffic, and creates an attractive community destination point. The plan divides the Downtown into three sub-districts (the Civic Core, 6th Street, and East Downtown), describes an appropriate mix of uses for each sub-district, and posits potential locations for those uses. Included with the plan are a

series of implementation measures and strategies. The plan recommends various public investments designed to meet current City needs as well as induce private redevelopment efforts. As such, the plan is meant to guide City-level decision-making regarding strategic invest-ments, policy decisions, and public-private partnerships.



The Redmond Downtown Preliminary Development Plan envisions a vibrant, 24/7 mixed-use core in the heart of the city.

INTRODUCTION

The Downtown Preliminary Development Plan envisions an attractive and active downtown core for the City of Redmond. Implementation of the plan will require significant public investment, particularly in early phases. This Implementation Memo describes the major improvement projects in detail, and groups these by sub-district within the Downtown. The Downtown Preliminary Development Plan provides a framework, with implementation of the identified projects expected to take place over the next decade.

The Preliminary Downtown Preliminary Development Plan envisions a revitalized downtown core based on the following Goal Statements which guided the planning process:

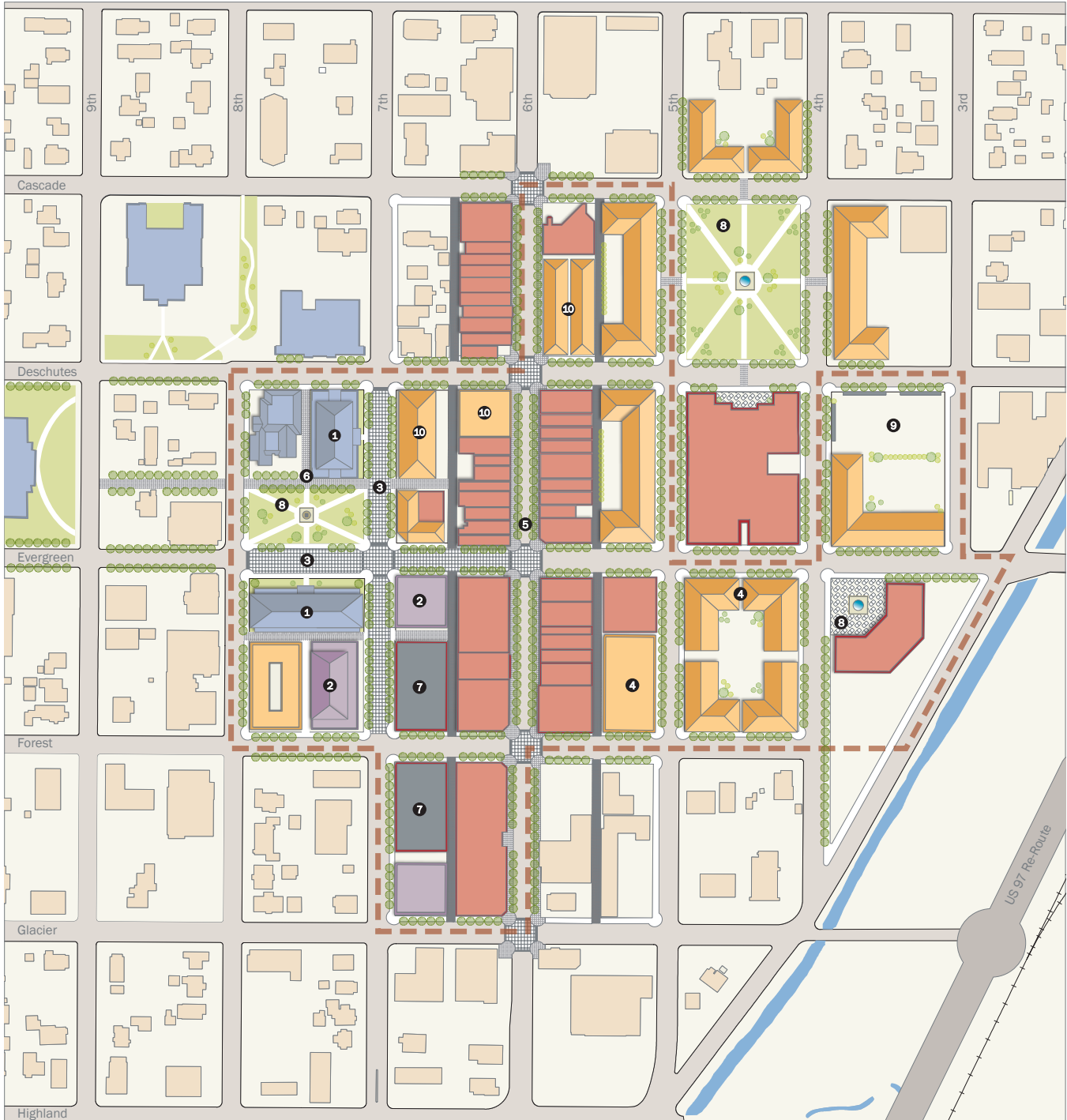
- **QUALITY ECONOMIC GROWTH:** Assure opportunities for a stable, vital, diverse, and competitive economy at the heart of the city.
- **VIBRANT DOWNTOWN:** Strengthen Downtown as a vibrant, mixed-use district that draws a wide spectrum of residents and visitors.
- **DOWNTOWN APPEARANCE:** Improve and enhance the appearance of the built environment and natural features throughout Downtown, especially along primary commercial corridors and other major arterials.
- **HISTORIC CHARACTER:** Preserve and retain historic structures and cultural resources throughout Downtown.

- **PEDESTRIAN ENVIRONMENT:** Improve and enhance the pedestrian environment throughout Downtown, as well as the pedestrian connections to surrounding neighborhoods and civic resources.

The plan divides the Downtown into three sub-districts – the Civic Core (focused around the City Hall), 6th Street (Redmond’s traditional Main Street), and East Downtown (envisioned as a new residential neighborhood in an area currently dominated by lumberyards). The plan posits a mix of uses and improvements in these sub-districts that are unlikely to be realized without a significant level of public action; implementation of the Downtown Preliminary Development Plan will require an investment of both time and capital. The development plan has a number of specific components, including building projects, infrastructure projects, and development assistance, for which we present characteristics of implementation and prospective implementation measures. We also discuss the relationship between these actions as they relate to the realization of the broader plan. The key plan components include:

- New City Hall
- Two Public Parks
- Streetscape Improvements
- Parking Structure(s)
- Catalyst Developments

INTRODUCTION



- 1 Potential City Hall Location
 - 2 Office w/ Ground-Floor Retail
 - 3 Potential Festival Street Location
 - 4 Mixed-Use (Residential & Retail)
 - 5 Significant Pedestrian Improvements / De-coupled 5th & 6th
 - 6 Pedestrian Circulation System
 - 7 Structured Parking with Ground-Floor Retail
 - 8 Public Park / Plaza / Open Space
 - 9 Surface Parking (Screened)
 - 10 Mixed-Use (Affordable Housing & Retail)
- Civic Use
 - Mixed-Use (Residential/Commercial)
 - Office
 - Retail / Commercial / Restaurant / Entertainment / Arts
 - Park / Green Space
 - Improved Alley
 - Enhanced Pedestrian Streetscape
 - Public Plaza / Open Space



100 Feet

City of Redmond Downtown Preliminary Development Plan

Although it is not described in this report, it is understood and assumed that the urban renewal district will continue to fund the City's Grant / Loan Program, which currently provides modest assistance for property owners wishing to rehabilitate existing buildings and storefronts. This program is seen as key for smaller-scale private improvements, especially along the commercial spine of 6th street.

Development of a new City Hall is seen as a key early investment in the district, as are the two parks outlined. These developments will provide a structure to guide development patterns in the area, and will set a tone for new development. The cost of these projects will be significant, with little potential for direct recovery, but the City, and perhaps the region, will benefit.

Two public parking garages are identified. These facilities will serve to mitigate the on-site parking requirements of new developments in the area and improve viability. The cost of these structures is very high, with the average estimated cost per space constructed as much as \$40,000 or above, including the cost of land. Payment for these structures will be primarily through increases in property tax revenues within the

City's Downtown Urban Renewal Area, or arranged through a public-private partnership.

The garage may charge for offsets to on-site parking requirements for local developments wishing to meet their parking requirements within the garage. The City may also look to establish a parking district to help fund the operation, maintenance, and some part of the capital costs of structured parking in the area.

The cost of structured parking remains the primary obstacle to achieving desired densities in many lower-density business districts. A program to provide structured parking in Downtown Redmond would be expected to increase the likelihood of achieving higher-density housing, but would require a considerable public commitment. As a result, public participation in parking may be tied to performance measures determined to deliver a public good (i.e., higher density housing).

It should be noted that, although the plan sites uses (parking garage, mixed-use residential, etc.) on specific parcels, this plan is not intended to be an inviolate set of directions for how the City and/or private property

owners should redevelop or dispose of property. It is much more important to understand the roles that various uses can and should play in the overall revitalization of Downtown Redmond, and that the relative proximities of certain uses (and the urban design relationships between them) are crucial for the plan's success. For example, the plan recommends a public plaza and festival street adjacent to a new City Hall – synergistic uses that, when well-designed and programmed, will create a heart for Downtown that would not exist were those uses not joined. Similarly, the larger park in the East Downtown is shown ringed by ground-floor retail and higher-density housing – thereby ensuring that there are always 'eyes on the park' and that the housing units are anchored by an attractive amenity.

General Implementation

The City has a few available funding mechanisms, with some other options potentially on the table. The following is a brief summary:

<i>Readily Available</i>	
City Funding	Dedicated Staff Time Bonding Authority (General Obligation and Revenue)
Grants	State and Federal
System Development Charges (SDCs)	SDC credits
Urban Renewal	Tax Increment Financing (TIF)
<i>Require Action</i>	
Property Tax Abatements	Vertical Housing Abatement
Improvement Districts	Business Improvement District (BID) Local Improvement District (LID) Economic Improvement District (EID)

The financial viability of the targeted development forms in the planning area represents the most significant impediment to achieving the community’s desired development patterns. Addressing the viability gap must be a primary consideration in any strategy to realize more urban development forms in Redmond’s downtown over the short term. There are a number of direct and indirect ways in which viability can be addressed. Direct methods include project specific actions, such as property tax abatements, public ownership of parking, System Development Charge (SDC) waivers, and land write-downs. Indirect methods include public parking programs, directed public improvements, and marketing.

A financial plan for the Downtown Urban Renewal Area is underway

that will explore the amounts and timing of costs and revenues to the Urban Renewal Agency. This financial plan will no doubt highlight the need to tie specific public improvements to commitments for specific private investments, in the form of Development Agreements between the Urban Renewal Agency and the private investor/developer. The financing plan will also focus on other revenue sources – again, the amount and timing – and how these sources could combine with urban renewal financing to provide the funds for needed public investments.

Development Assistance

In addition to the specific civic projects outlined above, achieving the urban form envisioned in the Downtown Preliminary Development Plan will likely require some active development assistance. The URA will want to maintain a level of financial capacity to assist development projects identified as having a “catalytic” impact in the area. In other words, the URA may find a project that is seen as highly beneficial to realizing the overall plan, and may want to provide assistance to this project. The need for assistance will vary widely depending upon program and timing, but the URA should maintain a capacity to partner in the development process (within well-defined parameters / programs) if it is deemed to be in the public interest.

As part of the Downtown Action Plan Update, we identified a series of redevelopment opportunities in

Downtown Redmond. As part of that work, prototypical development programs and feasibility analyses were created to test a number of potential permutations of development type, and are not intended to necessarily represent the highest and best use of the sites.

We have updated the feasibility analyses for two of these sites, which include mixed use developments with office and condominium space above ground floor retail. Costs have escalated since that time, as have achievable rents and sale prices.

The purpose of these analyses is to provide an understanding of these types of assumed development programs. The pro forma analyses attempt to model potential developments at the two sites from the perspective of a developer. A number of assumptions have been made as part of this analysis, which may vary substantively from those used by an individual developer, including the required rate of return and income and cost assumptions. As a result, conclusions reached by a developer with respect to the underlying value of the property or viability of development may vary widely.

As with our previous work, our expectation is that careful program evaluation and tuning by a developer will likely enhance the yield identified

in this analysis. Cost estimates are based on typical product types, taking into account recent increases in material costs, while lease rates and sales prices are based on professional opinion and current market conditions.

A Note about Land Acquisition Costs

We have assumed \$15 to \$25 per square foot for land acquisition based on current achievable development forms within Downtown Redmond. However, there is an apparent disconnect in Redmond between the value of property supportable under existing market conditions and actual asking prices. It is quite common for property owners to have unrealistic expectations of value, but in Downtown Redmond there has been some speculation and transaction activity to support the higher valuations. In the end, land values are set by whatever the market clearing price is, and that may have increased to be closer to \$85 per square foot due to speculation. This situation has some clear implications for development, as the higher land values directly impact the viability of a range of development forms. The City should not reinforce this trend by affirming speculative land values, and effectively rewarding land speculators by assuming land values that are not supportable by any achievable development type in the area.

THE CIVIC CORE

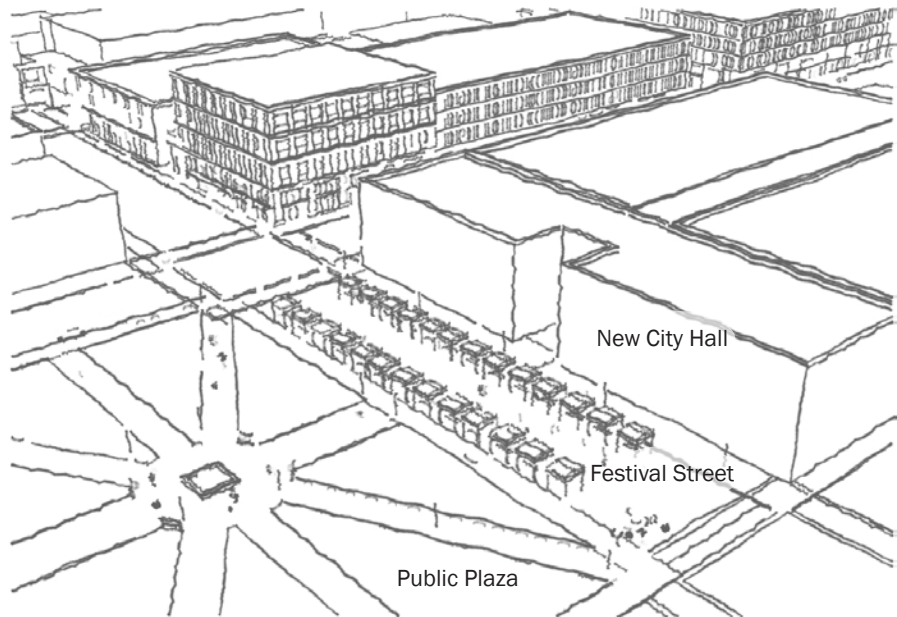


The Civic Core

Located on the west side of the study area, the Civic Core includes the Library, Police Station, the Becky Johnson Center, and City Hall. The plan considers the first three of those civic uses as relatively fixed, but anticipates the rebuilding of City Hall as a much-needed first step in the plan's implementation. The plan presents two potential City Hall locations, either of which would be coupled with a public plaza and a series of "Festival Streets." The first site is comprised of existing City property south of Evergreen between 7th and 8th, and the second

is on the southwest corner of the Deschutes / 7th intersection. While the latter offers immediate proximity to other civic uses, it does not offer the same strong relationship to the proposed plaza.

The plan also recommends the location of office uses within the Civic Core. Multi-story office buildings (featuring active ground-floor uses) can add much-needed employment to Downtown; office workers also could add weekday vitality to the public plaza, and could provide customers for nearby retailers.



The key components of the Civic Core are a new City Hall, an associated public plaza, and a series of Festival Streets. Together, these civic spaces will provide a recognizable heart for Redmond's Downtown.

City Hall

The new City Hall would consolidate existing City uses into a single structure. This proposed civic building also offers the potential to provide for additional leasable area that may facilitate future growth in City space needs. In addition to meeting the City’s own programmatic needs, consolidating and maintaining a significant number of City staff in the Downtown core will help ensure vibrancy and activity in this area – a clear benefit for nearby businesses.

Within this analysis, we assumed a building with approximately 38,000 square feet of office space, 3,000 square feet of ground floor retail space, and 128 structured parking spaces. It was assumed that the City would utilize approximately 34,200 square feet of office space for its near-term program needs, and that the remaining 3,800 square feet would be leasable. This strategy will allow the City some flexibility for future growth while providing a short-term income stream.

The estimated construction costs reflect steel and concrete construction. Wood or lightweight steel frame construction would significantly lower costs, but is not typical in a civic building. The differential between leasable area and overall building size reflects an assumed 90% efficiency ratio, with 10% of space dedicated to common areas such as lobby and building core. Lease revenue associated with the speculative office

space, retail, and parking was assumed to net just under \$135,000 per year in 2007 dollars.

Two potential sites for the new building have been identified – either north or south of a new half block park to be sited on the north side of Evergreen between 7th and 8th.

Site A – south of Evergreen – utilizes the City’s current property. A challenge

to this site would be the need to relocate the City’s offices during the construction period. This process would entail additional moving and administrative costs, with no clear alternative site yet identified to accommodate the City’s temporary needs. Under this scenario, City hall would front on Evergreen, which would be converted to a “Festival Street.”

**NEW CITY HALL
CITY AND SPECULATIVE SPACE OVER RETAIL
1/2 BLOCK SITE
SUMMARY INFORMATION**

AREA SUMMARY:			
Parcel Size (SF)			20,000
Building Size (SF)			48,547
Efficiency Ratio			91%
Saleable and Leasable Area (SF)			44,325
INCOME SUMMARY:			
	SF	Price/SF	Income
Speculative Office Space	3,800	\$22.00	\$83,600
City Office Space	34,200	\$0.00	\$0
Retail	3,000	\$20.00	\$60,000
Leased Parking	3,325	\$1.71	\$5,700
Vacancy/Collection Loss			(\$14,930)
TOTAL	44,325	\$3.03	\$134,370
COST SUMMARY:			
	Per SF		Total
Ac quisition Cost	\$25.00		\$500,000
Direct Construction Cost	\$200.00		\$8,200,000
Tenant Improvements	\$35.00		\$147,778
Soft Costs 25%	\$50.00		\$2,050,000
	Spaces	Costs Per	Total
Structured Parking Costs	128	\$35,000	\$4,462,500
TOTAL	\$316.40		\$15,360,278
TOTAL COST:			
Total Development Cost			\$15,360,278

**NEW CITY HALL
CITY AND SPECULATIVE SPACE OVER RETAIL
1/2 BLOCK SITE w/o PARKING
SUMMARY INFORMATION**

AREA SUMMARY:			
Parcel Size (SF)			20,000
Building Size (SF)			48,547
Efficiency Ratio			91%
Saleable and Leasable Area (SF)			44,325
INCOME SUMMARY:			
	SF	Price/SF	Income
Speculative Office Space	3,800	\$22.00	\$83,600
City Office Space	34,200	\$0.00	\$0
Retail	3,000	\$20.00	\$60,000
Leased Parking	3,325	\$1.71	\$5,700
Vacancy/Collection Loss			(\$14,930)
TOTAL	44,325	\$3.03	\$134,370
COST SUMMARY:			
	Per SF		Total
Acquisition Cost	\$25.00		\$500,000
Direct Construction Cost	\$200.00		\$8,200,000
Tenant Improvements	\$35.00		\$147,778
Soft Costs 25%	\$50.00		\$2,050,000
TOTAL	\$224.48		\$10,897,778
TOTAL COST:			
Total Development Cost			\$10,897,778

The second option (Site B) would be a building north of the new park, at the southwest corner of Deschutes and 7th. Under this scenario, the new building could be constructed prior to demolition of the existing facility, reducing moving and relocation costs. The facility would have a minor façade facing the park, and its primary entrance would be located 7th, which would be converted to a “festival street.” This option may offer better synergies between a range of government functions – including library and police – in the area.

While urban renewal funds could be utilized to fund the construction of a new City Hall, it is our understanding that the City’s preference would be to use other funding sources for City Hall and direct urban renewal funds to other projects within the district. There are a number of other funding and ownership options for the facility that could be evaluated further.

The City could fund the construction through a general obligation (GO) bond offering with relatively low interest rates and no equity requirement (100% of the cost could be borrowed). Principal

and interest payments for general obligation bonds are secured by the full faith, credit, and general taxing powers of the issuer. GOs represent a promise by the issuing municipality to levy enough taxes as necessary in order to make timely, complete payments to investors. GO bonds must be approved by Redmond voters in an election in which 50% of registered voters participate or at a general election in even numbered years.

Assuming a 20-year bond rate of 5.00%, a project with the assumed costs outlined here would require debt service of over \$1.2 million per year. While projected income associated with the project would generate \$135,000 annually, the project City would still need to dedicate about \$965,000 per year to cover debt service. This requirement would drop over time, as achievable lease rates in the development increased income. At the end of the twenty-year bond period, the City would own the facility outright.

As portions of the project are expected to generate revenue, the City could also issue revenue bonds, which would be secured by lease revenues from the project being financed. Because revenue bonds are not backed by the issuer’s taxing authority, they are generally considered more risky than general obligation bonds, and therefore tend to require higher interest rates. At the end of the twenty-year bond period,

**NEW CITY HALL
CITY AND SPECULATIVE SPACE OVER RETAIL
1/2 BLOCK SITE W/O PARKING AND RETAIL
SUMMARY INFORMATION**

AREA SUMMARY:			
Parcel Size (SF)			20,000
Building Size (SF)			45,547
Efficiency Ratio			91%
Saleable and Leasable Area (SF)			41,325
INCOME SUMMARY:			
	SF	Price/SF	Income
Speculative Office Space	3,800	\$22.00	\$83,600
City Office Space	34,200	\$0.00	\$0
Leased Parking	3,325	\$1.71	\$5,700
Vacancy/Collection Loss			(\$8,930)
TOTAL	41,325	\$1.94	\$80,370
COST SUMMARY:			
	Per SF		Total
Acquisition Cost	\$25.00		\$500,000
Direct Construction Cost	\$200.00		\$7,600,000
Tenant Improvements	\$35.00		\$147,778
Soft Costs @ 25%	\$50.00		\$1,900,000
TOTAL	\$222.80		\$10,147,778
TOTAL COST:			
Total Development Cost			\$10,147,778

the City would own the facility outright and, if the additional office space was still under lease, the City would retain the associated income stream. As some of the revenue-producing portions of the site are expected to transition into City use in the future, the level of lease revenues are expected to drop. Using revenue bonds, therefore, may not be worth the additional effort, although some financing capacity could be provided under the right conditions.

Another ownership option would be to purchase the building as a lease-purchase agreement, having a developer or contractor build the project and then lease it with an

option to purchase at completion to the City. Permanent financing would be similar. A turnkey deal of this type can sometimes save money, as private sector developers may be able to construct the project at a lower cost if not subject to prevailing wage requirements. This advantage, however, is usually offset by higher carrying costs and the need for a return on the developer's part.

Leasing a new facility can often be done at a lower initial cost, but over the long term this option tends to not compare favorably. A private property owner would have higher costs

THE CIVIC CORE

associated with holding the property than the City, including property taxes and necessary returns, and therefore the lease payments may exceed the cost to the City of outright ownership. A private developer leasing space to a public entity has the ability to apply for tax exempt status for the property, which may make a lease option more cost competitive. A City Hall type structure will require some specialized improvements with limited re-use potential, and a private developer would likely require a long-term lease commitment.

Replacement of the current City Hall will provide modest redevelopment

momentum, which can be greatly augmented if it is combined with development of an associated public park or plaza. A well-positioned public park provides a marketable amenity to local businesses and residents, which can be capitalized into the value of those properties. Another key positive outcome associated with replacement of the current City Hall is the property it could free up for redevelopment (depending on which site is finally chosen). (In fact, depending on the interest of adjacent property owners, there may be an opportunity to assemble a sizable lot for redevelopment once the current City Hall is vacated.)

General Issue/Action	Comments
CITY HALL	
Site Selection	<ul style="list-style-type: none"> The City needs to choose a preferred site location.
Land Acquisition	<ul style="list-style-type: none"> The City should acquire the necessary property, assuming additional land is required. If a temporary location is needed, space commitments should be tied up.
Design	<ul style="list-style-type: none"> An architectural design for the project will need to be completed. This should also include a formal assessment of the City's current and anticipated space needs.
Engineering/Cost Estimating	<ul style="list-style-type: none"> The project needs to be engineered and bid, allowing for the development of a more secure cost estimate.
Bond Issuance	<ul style="list-style-type: none"> Assumes bond financing is to be used to finance the project.
Bidding/Award/Construction	<ul style="list-style-type: none"> It may prove useful to have the City Hall and adjacent park constructed simultaneously. This could be evaluated as a single project for bidding purposes.

Cost Factor	Public	Private	Funding
CITY HALL: <ul style="list-style-type: none"> Design and Engineering Acquisition/Construction Relocation Costs 	✓		City (bonds)

City Hall Plaza

The provision of parks and gathering spaces will be important for ensuring livability and vitality with Redmond's historic core. Some of these spaces may be larger, public facilities (parks and/or plazas), but others may be smaller-scaled spaces provided on private property as redevelopment occurs. The Preliminary Development Plan identifies two new significant public parks in the downtown area – one in the Civic Core and one in the East Downtown/Residential area.

Park development costs can vary widely, and are impacted by the park's finishes and intended uses. Pricing is a function of the level and character of greenspace, hardscape (concrete, stone, etc.), playground equipment, furnishings, fountains, amphitheaters, and restrooms, etc. For this analysis, we have generated a relatively broad range of price guidelines, with the understanding that more detailed pricing requires developed physical plans for the parks.

The park in the Civic Core is a smaller, half-block park/plaza associated with

the new City Hall building. This plaza was estimated to cost between \$1.3 and \$1.8 million, with a greater level of hardscape assumed and a fountain in the high estimate. For development cost of this park, we are using a \$15 to \$20 per square foot base, with an estimated \$10 per square foot for concrete and \$50 per square foot for stone. A fountain would add a minimum of \$200,000. An additional 25% was added for soft costs, including architectural and engineering. Acquisition costs were estimated at \$15 to \$25 per square foot.

Parks are typically viewed as an amenity for the broader community, and as such are often funded through GO bonds. They can also be viewed as

providing a strong marketable amenity within an urban renewal area (URA), and are sometimes funded, at least partially, through URAs that anticipate a more localized, positive impact. (It should be noted that, while park improvements can be paid for with urban renewal funds, the on-going maintenance of the park facilities cannot.) The smaller plaza/park associated with the new City Hall will be largely tied to the civic function of that project, and therefore may potentially be linked from a funding perspective as well.

	Small Park	
	Low	High
Park Size/SF:	22,000	22,000
Acquisition Cost/SF:	\$15.0	\$25.0
Acquisition Cost/Total:	\$330,000	\$550,000
Site Work/Demolition/SF:	\$5.00	\$5.00
Hard Costs/SF:	\$30.00	\$40.00
Softs Costs/SF @ 25%:	\$8.75	\$11.25
Improvement Costs/SF:	\$43.75	\$56.25
Additional Features:	\$0.00	\$200,000
Total Park Cost:	\$1,292,500	\$1,787,500

General Issue/Action	Comments
PARK	
Land Acquisition	<ul style="list-style-type: none"> Our understanding is that the identified site is currently City owned.
Design/Engineering	<ul style="list-style-type: none"> This can be done in conjunction with the City Hall or separate.
Construction	<ul style="list-style-type: none"> Bid and construct park, potentially in conjunction with City Hall.
Operation	<ul style="list-style-type: none"> We would assume that ongoing operation would be transferred to the appropriate City agencies.

Cost Factor	Public	Private	Funding
PARK	✓		City (bonds, general fund), Tax Increment Financing

THE CIVIC CORE

Festival Street Improvements

The project also includes a system of “Festival Streets,” – which are designed to both foster pedestrian activity and to be closed off for special events. These streets would be curbsless (with bollards) and would include alternative paving treatments. These treatments are estimated to cost roughly \$1.0 million per block, excluding soft costs, with a total of four blocks designated on the development plan. This price reflects quality, stamped concrete work, but costs can vary between \$8 and \$20 per square foot depending upon what materials and details are

specified in the final design. Adding insets like brick, stone, or tile will add about \$50 per square foot to the cost, while adding gateway elements such as planters or monuments will cost at least \$250,000 plus the cost of any installed artwork. Assuming a baseline of \$1.25 million per block and four blocks of festival streets, the total estimated cost would be approximately \$5.0 million. (As discussed below under “6th Street,” utilities often are updated and/or upgraded when a major streetscape program is undertaken, and these costs (which

can be significant) are not included in our estimates.) It should be noted that these festival street improvements can be phased in over time, as budget allows. If the City chooses to phase these street improvements, the blocks adjacent to the City Hall and/or plaza should be completed first, as they will bolster the overall public space associated with these civic spaces.



The plan calls for Festival Streets along two blocks of Evergreen and 7th within the Civic Core. These high-quality, pedestrian-oriented streets would be closed to traffic periodically to allow for special events and markets.

Speculative Office and Retail Space on a Quarter Block Site

One such project which may benefit from a new public plaza is a speculative office and retail project to be located in the Civic Core. This program was developed on a quarter block site. The product program being modeled on this site includes speculative office space, with a limited amount of ground floor retail space. The program included 25,200 square feet of leasable office space, 3,800 square feet of retail space and 14 covered parking spaces. The parking is a “token amount” not adequate to meet the anticipated

demands of the office and retail space; additional off-site parking assumed. Due to the shortage of parking, we would expect that the direct access spaces would command an additional charge, and be allocated to office space tenants.

The total estimated development cost was just over \$7.1 million, with an indicated market value of just under \$7.1 million. Under the assumptions used, the calculated return on investment for this project was 8.0%,



Locating new office developments in the Civic Core will provide more weekday activity for Downtown retailers and for the adjacent plaza.



Office building with groundfloor retail, as seen from the new civic plaza.

THE CIVIC CORE

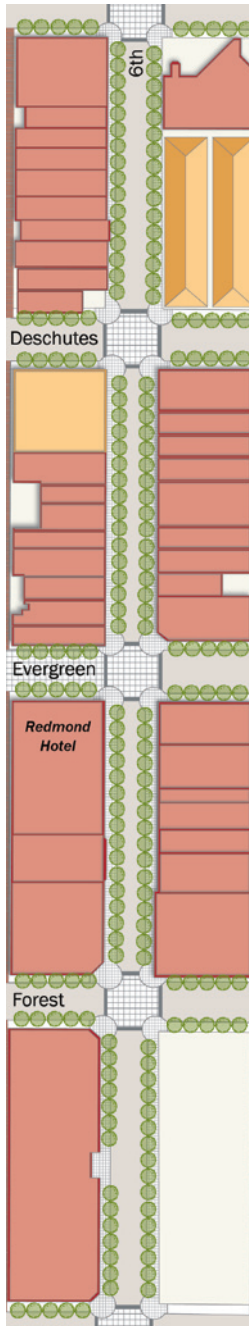
somewhat below an assumed 9.0% threshold. This implies a viability gap of \$791,000, or 11.1% of cost. The assumed rent level in this scenario was \$21 per square foot net, and a rent level of closer to \$22 would be necessary to achieve the targeted return.

This program works largely because it does not provide adequate parking, which would erode the return. This

is an example of the type of project that could be accommodated if public spaces were available at market prices in close proximity. If the costs to provide parking were internalized, it would directly increase the viability gap of the project. If parking is removed from the office building as a profit center and allocated to a public parking garage, the garage would likely be able to charge lease rates adequate to offset operating costs and some amortization

AREA SUMMARY:				CONSTRUCTION LOAN ASSUMPTIONS:		
Parcel Size (SF)			10,000	Construction Loan Amount		\$5,415,500
Building Size (SF)			37,000	Interest Rate		6.50%
Efficiency Ratio			92%	Term (months)		18
Saleable and Leasable Area (SF)			34,200	Drawdown Factor		0.54
Residential Units			0	Construction Interest		\$268,355
Density (Units Acre)			0.00	Construction Loan Fee (%)		1.00%
				Construction Loan Fee (\$)		\$54,155
INCOME SUMMARY:				PERMANENT FINANCING ASSUMPTIONS:		
	Total SF	Average Price/SF	Gross Net Income	Interest Rate	DCR	LTV
Residential Units	0	\$0.00	\$0	7.50%	7.50%	
Less Commissions		6.0%	\$0	Term (Years)	30	30
			Gross Income	Debt-Coverage Ratio	1.25	
Office Space	25,200	\$21.00	\$529,200	Loan-to-Value		75%
Retail	3,800	\$18.90	\$71,820	Stabilized NOI (Year 2)	\$567,989	\$567,989
Leased Parking	5,200	\$2.29	\$11,907	CAP Rate		8.00%
Vacancy/Collection Loss			(\$61,293)	Supportable Mortgage	\$5,415,500	\$5,324,901
TOTAL	34,200	\$16.13	\$551,634	Annual Debt Service	\$454,392	\$446,790
COST SUMMARY:				MEASURES OF RETURN:		
	Per SF		Total	Indicated Value @ Stabilization		\$7,099,868
Acquisition Cost	\$5.41		\$200,000	Value/Cost		100%
Direct Construction Cost	\$145.77		\$5,393,430	Return on Investment (ROI)		8.0%
Other Construction	\$0.00		\$0	Return on Sales (ROS)		N/A
Soft Costs	\$40.77		\$1,508,656	Internal Rate of Return (Income Component)		16.7%
				Modified Internal Rate of Return @ 8% Reinvestment		14.3%
TOTAL	\$191.95		\$7,102,086	ESTIMATION OF VIABILITY GAP		
EQUITY ASSUMPTIONS:				Targeted Return on Sales		15.00%
Total Development Cost			\$7,102,086	Calculated ROS		N/A
(-) Permanent Loan			(5,415,500)	Calculated Gap-Condos (includes parking)		\$0
(-) Applied Condomium Revenue			0	Targeted Return on Investment (ROI)		9.0%
				Calculated ROI		8.0%
				Calculated Gap-Income Components		\$791,092
				Total Calculated Gap		\$791,092
Net Permanent Loan Equity Required	23.7%		\$1,686,586	Overall Gap as % of Development Cost		11.1%

6TH STREET



6th Street

The Development Plan anticipates 6th Street solidifying its position as an urban Main Street with a high pedestrian concentration. 6th Street currently has the densest conglomeration of retail and mixed-use buildings in the City, although many have struggled with vacancy in recent years. Key to the renewed success of 6th, and Downtown retail generally, will be the removal of significant truck traffic, improvement of the pedestrian environment, infill and redevelopment, the physical enhancement of existing building stock, and the provision of accessible parking. The City has been actively evaluating marketing/business recruitment and downtown promotion efforts to support the district in support of strengthening the district over time.

Completion of the US 97 bypass will remove a significant level of through traffic (especially large trucks) from 6th Street, and will increase the attractiveness of the street for pedestrians. Streetscape improvements enhance the public environment, and can provide a cohesive theme and sense of place identifying the district. (They can also help strike a reasonable and equitable balance between various

transportation modes.) Increasing the attractiveness of the public realm has a positive impact on local properties, and can encourage cross shopping and more extended stays within the Downtown district. Streetscape improvements, however, should be undertaken following a comprehensive traffic study of the Downtown (and beyond) once the US 97 bypass opens, i.e. once new Downtown traffic patterns can be accurately assessed.

Likely funding for these items is through grants, the City, the URA, locally-applied System Development Charges (SDCs), or by a targeted improvement district.

Two public parking garages are proposed as part of the plan, and will provide a necessary functional asset to the 6th Street commercial space. Surface lots currently facing 7th and 8th provide important parking to support development on 6th Street, and maintenance of this parking supply is considered critical to supporting the existing commercial concentration, as well as potential redevelopment of currently under-utilized properties.

6TH STREET

Streetscape Improvements

A range of streetscape improvements are envisioned to enhance the pedestrian quality of 6th Street (Redmond's "Main Street"), including the following:

- Rebuilt roadways (asphalt)
- New sidewalks (10' wide) with a scored concrete furnishing zone
- New street trees (spaced 25'-30' apart)
- Benches
- Pedestrian-scale lighting
- Crosswalk improvements

These improvements would be undertaken after completion of the US 97 re-route, and would significantly change the character of 6th Street and of the Downtown generally. The cost of these improvements would be significant, and are estimated to be at least \$500,000 per block. New intersection treatments should be budgeted at \$450,000 per intersection, which includes signaling, walk improvements, and limited asphalt work. This does not include soft costs or upgraded utilities. Soft costs can add an additional 25% to the cost, and

upgraded utilities through this section could double costs. The overall cost based on these estimated would be as follows:

The intersection treatment estimates assume \$300,000 for signaling, \$100,000 for walkway improvements and an additional \$50,000 for asphalt work. Actual costs will vary significantly based on final design and engineering, but these are provided as a baseline for discussion.

The cost of the streetscape upgrades is substantial, but these types of



When the US 97 re-route opens, the City will have an opportunity to remake the public environment along 6th Street. Streetscape improvements, including new sidewalks, trees, public art, and street furniture, will strengthen the identity and bolster the commercial viability of Redmond's Main Street.

upgrades can be phased in over time, with no significant economies of scale associated with constructing them at a single time. Streetscape improvements are often funded through urban renewal, as they have a direct impact on the quality of the public realm within the district and can encourage nearby redevelopment. In addition to urban renewal funds, there are a range of State and Federal grants that can be utilized for these types of improvements, and ways in which the costs can be partially borne by adjacent property owners and development projects. There also is the possibility that the upgrade costs (and even a small portion of the streetscape improvement costs) could be borne in part by sewer and/or water revenues.

General Issue/Action	Comments
STREETSCAPE	
Traffic Study	<ul style="list-style-type: none"> Understanding of functional requirements of 6th Street and the Downtown street grid after the US 97 re-route opens
Streetscape Design	<ul style="list-style-type: none"> Urban Design and Engineering
Streetscape Improvements	<ul style="list-style-type: none"> A major component of cost associated with the Streetscape improvements is the repair of the current roadbed. The City should continue efforts to get funding assistance from ODOT for these repairs. Streetscape improvements can be done in phases, with utilities often upgraded during this process The final cost of improvements will be largely driven by design decisions.
FAÇADES/BUILDINGS	The City's façade and building improvement program will continue to improve the "street experience" on 6 th , increasing the marketability and viability of local businesses.

Cost Factor	Public	Private	Funding
STREETSCAPE: <ul style="list-style-type: none"> Design and Engineering Finishing materials Landscaping approach Signalization Signage 	✓	✓	Grants (State and Federal) City (general fund, gas taxes), Local Improvement District, Business Improvement District, System Development Charges, Tax Increment Financing

Streetscape Improvements	Cost/Unit	Units	Hard Cost	Soft Costs	Total Cost
Standard Upgrades on 6th	\$500,000	4	\$2,000,000	\$500,000	\$2,500,000
Intersection Treatments	\$450,000	6	\$2,700,000	\$675,000	\$3,375,000



The plan calls for two parking garages to provide needed parking for new civic, employment, and retail uses.



Providing ground-floor retail within a parking structure helps ensure active streets, while adhering to Downtown's Architectural Design Standards will help mask the building blend in with other area uses.

Parking Structure(s)

Two parking garages are shown in the development plan, on the northeast and southeast corners of Forest and 7th. Within this analysis, the garages were assumed to include three stories of parking over ground-floor retail. The structures would be publicly owned, with income derived from leasing the parking. The potential lease revenues from a new parking structure are typically well below the amount needed to cover the development costs of the structure, but can often support maintenance and operational costs. As demonstrated in a previous analysis completed for the City, the cost of structured parking cannot be carried by private developers given currently achievable rent income, yet this cost represents a critical public investment for achieving development objectives.

The cost of one of the parking garages was estimated based on numbers received from H&A Construction, and modified to partially reflect the recent experience of the City of Bend. Bend's project delivered 550 spaces for an average hard cost of just under \$20,000 per space. With soft costs, the cost was closer to \$26,000 per space, excluding land acquisition. We would expect the garage modeled here to have a significantly higher

cost, as steel and concrete prices have risen substantially and the scale of the projects is smaller. Using these estimates, the cost of individual modules was estimated at approximately \$9.0 million, yielding 170 parking spaces and 12,000 square feet of leasable retail space. This reflects a construction cost of about \$32,000 per space, which would require monthly net revenue of \$217 to generate an 8.0% annual return. Even at a lower return rate of 5.5%, more consistent with public sector thresholds, the garage would need to generate net monthly revenue of \$149 per space per month to cover interest only. This excludes operating costs, which can be significant depending upon the physical and operational nature of the structure. Key operational requirements include cleaning, elevators and any staff associated with security and fee collection.

There are a number of factors than can substantively impact the cost of garage construction, the most significant of which are configuration and finish quality. The preceding cost schedule is based on a 100' by 200' footprint, reflecting roughly one third of a block running north-south – a reasonable structure size given current

ownership and development patterns in Downtown. The 100' width, which reflects current east-west lot widths between north-south running streets and alleys, presents a sub-optimal width for parking structures. Increasing widths to approximately 120' wide provides more space per floor and allows for greater efficiencies in both ramping and circulation. If a parking garage were constructed on a half-block running from the east to west, a more efficient parking plate could be realized, which may allow for overall cost savings and greater potential for parking revenue over the long term. However, such a design would require at least the partial closure of a public alley.

The finishes assumed in our baseline numbers assume some level of decorative finish, such as brick accents, as well as screening. Hard costs would drop an estimated \$7,000 per space if a more minimal finish standard was used, providing for bare concrete with paint in most instances. This would assume that site work was minimal. Higher cost structures can provide for extensive brick or other decorative materials, nice wrought iron work and larger drive lanes.

AREA SUMMARY:			
Parcel Size (SF)			20,000
Building Size (SF)			80,000
Parking Spaces:			170
Leasable Retail Area/SF:			12,000
INCOME SUMMARY:			
	Units	Rate/Unit	Net Income
Retail Space	12,000	\$18.00	\$216,000
Parking	170	\$40.00	\$81,600
Vacancy/Collection Loss		10.0%	(\$29,760)
TOTAL	12,170	\$22.01	\$267,840
COST SUMMARY:			
	Per SF		Total
Acquisition Cost	\$25.00		\$500,000
Direct Construction Cost			
Ground Floor Retail	\$200.00		2,400,000
Parking Garage	\$65.00		4,420,000
Soft Costs		25.0%	\$1,705,000
TOTAL	\$112.81		\$9,025,000
FUNDING ASSUMPTIONS			
Total Development Cost			\$9,025,000

The cost effectiveness of structured parking should be evaluated on the basis of cost per space (taking into account efficiency, availability of private participation), utilization level (proximity to parking demand generators, opportunities for shared parking), and revenue potential (monthly

6TH STREET

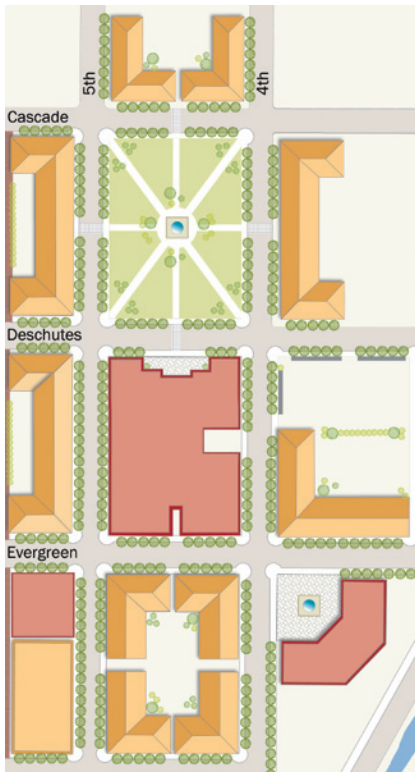
parking charges, which are the most cost effective, are more likely to be supportable for office and residential users, who will need in and out privileges and will have regular use). Retail should not be expected to pay for parking, but there could be a validation program set up sometime in the future.

As a general rule, investments in public parking garages do not make sense as a stand-alone proposition, but do allow for a greater intensity of development

within a broader area. This can allow for recovery of costs through tax increment financing. As a result, these types of improvements are often funded through URAs. Structured parking is also often addressed through a public-private partnership, in which a private development proposal triggers a public parking investment, often with public ownership of the garage at completion.

General Issue/Action	Comments
PUBLIC PARKING	
Conduct a Parking Study	<ul style="list-style-type: none"> Identify parking needs and assets, as background to better respond to requests for parking assistance.
Land Acquisition	<ul style="list-style-type: none"> A site(s) should be identified and acquired. Development of public parking is typically done in association with a specific proposal
Negotiation	<ul style="list-style-type: none"> The City needs to determine the nature of use provisions and reimbursement schedules.
Engineering/Cost Estimating	<ul style="list-style-type: none"> The project needs to be engineered and bid.
Construction	<ul style="list-style-type: none">
Operation	<ul style="list-style-type: none"> The ongoing operation of the garage will require management support as well as maintenance expenses.

EAST DOWNTOWN



East Downtown

The East Downtown area is currently dominated by two major lumberyards, and includes a mix of primarily industrial uses with small-scale residential to the north. The lumberyards – currently occupying nearly four full blocks – represent a significant redevelopment opportunity if relocated, as the improvement value is relatively low and the parcel sizes are significant. It is rare to have redevelopment opportunities at this scale within walking distance of a downtown core.

The Downtown Preliminary Development Plan envisions a major full-block park improvement in this area, which will provide an amenity for proximate properties as well as the broader community. This park could be financed through the URA or a bond issue, as well as potential system development charge credits.

The plan envisions more urban residential redevelopment in the area that can take advantage of the relatively large parcel sizes, as well as some commercial development. Increasing residential units within the Downtown area is seen as crucial to

the plan's success. They will provide evening and weekend vitality to the area, provide nearby customers for area retail and restaurants, and ensure users for the proposed Downtown parks. Described below is a prototypical residential condominium development. The assistance for "catalytic projects" is a traditional role for an urban renewal agency. Viable development forms, including or excluding public participation, need to be identified and effectively marketed to property owners and the development community. If targeted development is not viable, and there is no ability or political will to address the viability gap, there is no point in marketing it.

EAST DOWNTOWN

Park

The larger of the plan’s two proposed new parks is a full block bounded by Cascade, Deschutes, 4th, and 5th. This park would be of a substantial scale, allowing for a mix of uses and active programming. For development cost of this park, we are using a \$15 to \$20 per square foot base, with an estimated \$10 per square foot for concrete and \$50 per square foot for stone. These approximate costs assume a typical ‘urban’ park, with higher quality landscaping, lighting, and hardscape areas. An additional 25% was added for soft costs, including architectural and engineering. Acquisition costs were estimated at \$15 to \$25 per square foot.

A ‘basic’ park with grass and minimal landscaping could be delivered at \$3 to \$4 per square foot on a cleared and prepared site. Such a park would have very little, if any, hardscape, minimal lighting, and virtually no utilities. For \$6

to \$8 per square foot, better lighting and utilities for future improvements could be provided. While a park with such minimal improvements may not meet the long-term needs of the area, especially as sites are redeveloped and densities are increased, it could represent a reasonable interim step to provide urban greenspace – with the understanding that additional improvements could be phased over time.

Additional park amenities bring their own costs. For example, a fountain would add a minimum of \$200,000, while a 5,000sf basketball court (without bleachers or water fountains) would add approximately \$25,000 to \$30,000. Basic, durable playground equipment starts at about \$10,000 per unit, but this cost can go up significantly depending on the size and relative ‘complexity’ (i.e. number of modules and/or features) of specific equipment.



A large public park can act as an anchor for a residential concentration on the East side of Downtown, as well as a civic amenity and attractor for the City as a whole. Adjacent housing and commercial uses will help activate the park and foster a sense of security for park users.

	Baseline		Extensive Hardscape		Basic Park	
	Low	High	Low	High	Low	High
Park Size/SF:	32,500	65,000	32,500	65,000	32,500	65,000
Acquisition Cost/SF:	\$15.0	\$25.0	\$15.0	\$25.0	\$15.0	\$25.0
Acquisition Cost/Total:	\$487,500	\$1,625,000	\$487,500	\$1,625,000	\$487,500	\$1,625,000
Site Work/Demolition/SF:	\$5.00	\$5.00	\$5.00	\$5.00	\$3.00	\$5.00
Hard Costs/SF:	\$10.00	\$20.00	\$20.00	\$35.00	\$3.00	\$8.00
Softs Costs/SF @ 25%:	\$3.75	\$6.25	\$6.25	\$10.00	\$1.50	\$3.25
Improvement Costs/SF:	\$18.75	\$31.25	\$31.25	\$50.00	\$7.50	\$16.25
Additional Features:	\$0.00	\$0.00	\$0.00	\$0	\$0.00	\$0
Total Park Cost:	\$1,096,875	\$3,656,250	\$1,503,125	\$4,875,000	\$731,250	\$2,681,250

Using the assumption of a more ‘urban’ park, we estimated overall costs for the full block park at between \$2.6 and \$4.9 million. The basic variables in this estimate is the degree of hardscape, which is estimated at \$10 per square foot for concrete ranging up to \$50 per square foot for stone. This park could be reduced to a half block in size, halving the estimated cost of construction. The final decision on the location and size of the park can be made when a redevelopment opportunity arises on the large parcels in this area of town.

Parks are typically viewed as an amenity for the broader community, and as such are often funded through GO bonds. They can also be viewed as providing a strong marketable amenity

within an urban renewal area (URA), and are sometimes funded, at least partially, through URAs that anticipate a more localized, positive impact. (It should be noted that, while park improvements can be paid for with urban renewal funds, the on-going maintenance of the park facilities cannot.) In the case of the two parks discussed in this plan, either funding strategy seems viable, although the larger park may be a more appropriate focus for urban renewal funding. The larger urban park is seen as benefiting the broader Redmond area, but also the future properties facing the park, which will have enhanced marketability as a result of the park.

General Issue/Action	Comments
PARK	
Land Acquisition	<ul style="list-style-type: none"> ▪ The location of the park, as well as timing, will be dependent upon the ability to acquire the necessary property. The City should investigate the ability to relocate existing businesses on the property.
Design/Engineering	<ul style="list-style-type: none"> ▪ The park will be quite large, and can provide the ability for programming components. Cost will be driven to a large extent by the final design.
Construction	<ul style="list-style-type: none"> ▪ Bid and construct park.
Operation	<ul style="list-style-type: none"> ▪ We would assume that ongoing operation would be transferred to the appropriate City agencies.

EAST DOWNTOWN

Condominiums with Retail on a Half Block Site

The assumed development program in this case would include 6,400 square feet of ground floor retail, 27 condominium units on three levels, and 70 covered and secured parking spaces.

The estimated cost of the development is just under \$12.0 million. The indicated value at completion was \$12.3 million, with the condominium component negatively impacting viability. The assumed sales price was set at \$330 per square foot, a level which would be considered above current market prices in Redmond, but well below Bend levels. Based on our assumptions with respect to construction costs, a sales price of closer to \$375 would be necessary to meet the threshold returns. The model assumed an average unit size of 1,291 square feet, which would represent either a generous two-bedroom/two-bath unit or potentially a three-bedroom unit. At \$330 per square foot, this unit would sell for \$426,000, while the price would increase to \$484,000 at \$375.

The retail component of the project is largely supportable, with a yield only slightly below the targeted threshold. The overall calculated gap is 11.0% of development costs, indicating that this type of development is somewhat premature in the current market. If



Providing a range of mixed-use housing options (including condominiums (shown here), apartments, and affordable housing above ground-floor retail) will be crucial for creating a vibrant, 24/7 Downtown neighborhood.

a greater level of urban amenity can be created over time, achievable sales prices may allow for this form of development in the future without assistance.

While the condominium project as modeled is not viable, this is the type of development that can significantly benefit from design ideas outlined in the development plan. Urban amenities

can increase achievable pricing, including a better retail mix as well as park space and other common area improvements. Public parking garages are not seen as being directly useful for condominium development, as units will require secured direct access parking to be marketable.

AREA SUMMARY:				CONSTRUCTION LOAN ASSUMPTIONS:		
Parcel Size (SF)			17,500	Construction Loan Amount		\$9,751,471
Building Size (SF)			73,735	Interest Rate		6.50%
Efficiency Ratio			67%	Term (months)		18
Saleable and Leasable Area (SF)			49,584	Drawdown Factor		0.54
Residential Units			27	Construction Interest		\$482,744
Density (Units Acre)			67.21	Construction Loan Fee (%)		1.00%
				Construction Loan Fee (\$)		\$97,515
INCOME SUMMARY:				PERMANENT FINANCING ASSUMPTIONS:		
	Total SF	Average Price/SF	Gross Net Income		DCR	LTV
Residential Units	34,860	\$330.00	\$11,503,800	Interest Rate	7.50%	7.50%
Less Commissions		5.0%	\$10,928,610	Term (Years)	30	30
			Gross Income	Debt-Coverage Ratio	1.25	
Office Space	0	\$0.00	\$0	Loan-to-Value		75%
Retail	6,400	\$18.90	\$120,960	Stabilized NOI (Year 2)	\$117,848	\$117,848
Leased Parking	8,324	0.783304	\$6,521	CAP Rate		8.00%
Vacancy/Collection Loss			(\$12,748)	Supportable Mortgage Annual Debt Service	\$1,123,621	\$1,104,823
TOTAL	14,724	\$7.79	\$114,732	Annual Debt Service	\$94,278	\$92,701
COST SUMMARY:				MEASURES OF RETURN:		
	Per SF		Total	Indicated Value @ Stabilization		\$12,286,670
Acquisition Cost	\$4.75		\$350,000	Value/Cost		103%
Direct Construction Cost	\$124.58		\$9,186,140	Return on Investment (ROI)		8.1%
Other Construction	\$0.00		\$0	Return on Sales (ROS)		3.9%
Soft Costs	\$33.03		\$2,435,441	Internal Rate of Return (Income Component)		17.6%
TOTAL	\$162.36		\$11,971,581	Modified Internal Rate of Return @ 8% Reinvestment		14.9%
EQUITY ASSUMPTIONS:				ESTIMATION OF VIABILITY GAP		
Total Development Cost			\$11,971,581	Targeted Return on Sales		15.0%
(-) Permanent Loan			(1,123,621)	Calculated ROS		3.9%
(-) Applied Condominium Revenue			(10,518,311)	Calculated Gap-Condos (includes parking)		\$1,167,448
Net Permanent Loan Equity Required	22.7%		\$329,649	Targeted Return on Investment (ROI)		9.0%
				Calculated ROI		8.1%
				Calculated Gap-Income Components		\$143,850
				Total Calculated Gap		\$1,311,297
				Overall Gap as % of Development Cost		11.0%

General Issue/Action	Comments
CATALYTIC PROJECTS	
Market Potential Assistance Programs	<p>Market the range of assistance that the City and/or DURAC would be willing to provide to encourage targeted development forms. These may include the following:</p> <ul style="list-style-type: none"> ▪ <i>Property Tax Abatements</i> ▪ <i>Public Parking Programs</i> ▪ <i>Allow for Phased Development</i> ▪ <i>Site and Market Analysis</i> ▪ <i>Land Assembly</i> ▪ <i>Infrastructure Improvements</i> ▪ <i>Public Facilities</i> <p>The level of subsidy needed is directly related to the degree to which a publicly mandated development program varies from the market solution. DURAC should set up review criteria for projects, allowing for assessment based on needs, desirability and payback potential to the URA and City.</p>
Land Acquisition	DURAC and/or the City should evaluate strategic acquisitions if available, for release to the development community.

CONCLUSION

The City has limited resources available to implement the plan, and needs to prioritize its investments in the area. We feel that a hard determination of future public land requirements and associated acquisitions should be the first investment made by the City. The first of these would be the site for the City Hall and plaza space, as well as necessary parking. The second park site (within the East Downtown area) can be more loosely delineated initially, but marked as a strategic acquisition when available. To the extent possible, the City should seek to clarify its intentions in the Downtown and thereby reduce uncertainty.

A number of the strategies suggested in our analysis are more responsive in nature, and most likely will be handled by on a case by case basis. We would strongly recommend that guidelines be developed to evaluate projects, utilizing quantifiable measures such as the percentage of private to public investment, anticipated return to the URA base on projected tax revenues, and consistency with the Preliminary Development Plan and its vision for the revitalization of Downtown Redmond. For parking garages, either stand-alone or within a public-private partnership, additional evaluation criteria should include the ability of this structured parking to serve a broader area, opportunities for shared parking arrangements, and specific sources of demand.