

# Lents Town Center Mixed-Use Market Study Residential Market Analysis Lents, Oregon

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**Portland Development Commission**

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# EXECUTIVE SUMMARY

The primary conclusion of the Lents Town Center Residential Market Analysis is that there is an existing and growing level of potential market support for rental and for-sale residential product—both market-rate and affordable. The following table summarizes the level of potential demand and identifies redevelopment considerations including key target markets.

<b>Lents Town Center Residential Analysis Summary of Findings</b>	
<b>Demographic Characteristics</b>	<ul style="list-style-type: none"> <li>• Population and household growth is occurring at a very moderate rate with the number of households in the market area expected to increase from 188,513 (2007) to 193,841 (2012).</li> <li>• Market area residents are a diverse mix of young, active singles/couples and more settled older households.</li> <li>• More than one-third (37%) of householders within the Lents Residential Market Area are age 45 to 64.</li> <li>• Median household income for market area households is \$52,573, below that of the Portland metro area at \$60,579.</li> <li>• Households in the Residential Market Area are expected to become more affluent, with the largest gain by 2012 among those earning more than \$100,000.</li> <li>• Within the market area, 61% of occupied households are owner-occupied.</li> </ul>
<b>Top Strengths/ Opportunities</b>	<ul style="list-style-type: none"> <li>• Easy access to work centers by car (I-205) and soon by rail with new MAX green line.</li> <li>• Lents has the potential to become the next 'up and coming' location for Portlanders seeking an alternative, close-in affordable place to settle.</li> <li>• Good housing values with single-family homes ranging from \$190s - \$220s; SE Portland overall is experiencing strong appreciation.</li> <li>• The proximity to schools, parks is appealing to families. The town center location, access to transit and services appeals to those who cannot or do not drive.</li> <li>• The town center's small scale is conducive to multi-modal transportation, mixed use development and offers a friendly neighborhood feel</li> <li>• Responding to the need for density with a unique high quality product will be key to residential product success.</li> <li>• Lents' ethnic diversity and community activism will contribute to a town center residential community that is authentic/one of a kind.</li> </ul>
<b>Weaknesses/ Challenges</b>	<ul style="list-style-type: none"> <li>• Limited land availability will affect the rate of absorption of demand and likely require rezoning for future high density development.</li> <li>• Perception of high crime remains an issue in the community; developing a safe environment and feeling of safety are essential</li> <li>• Neighborhood character, housing quality and potential outside of I-205 viewed as 'uncertain.'</li> <li>• Many recent multi-family projects in the Lents URA and surrounding area are inferior in part leading to low sales/rent prices.</li> <li>• Hispanic/E. European households put yard/garden space as priority in housing choice; less interested in high density development.</li> <li>• Lents' image as 'economically depressed' still remains within the greater market place.</li> </ul>

<b>Residential Supply</b>	<ul style="list-style-type: none"> <li>• Rental market is very strong; SE Portland had the lowest vacancy rates 2.9% in Q4 of 2007.</li> <li>• Within the Lents URA and surrounding area, occupancies are at 97%; many affordable units have waiting lists.</li> <li>• The majority of apartments are two bedroom units with a shortage of three bedroom and an extreme shortage of four bedroom units</li> <li>• Rent rates have increased 3.5% for market rate and 3.0% in affordable rental projects in the last two years.</li> <li>• There is a need for additional affordable housing units as half of Lent's households have incomes below Portland metro's 50% MFI level</li> <li>• Abundance of new infill construction in Lents URA includes skinny houses and larger homes on wide lots</li> <li>• Single family home market is very strong in Lents, with the median price of \$204,250, significantly below the Portland region's prices of \$371,000 for new homes and \$311,700 for existing homes.</li> <li>• Condos in Lents URA have significantly lower price points than condo developments in most closer-in Portland neighborhoods.</li> <li>• The new green MAX line favors opportunities for higher density Transit Oriented Development (TOD).</li> </ul>
<b>Residential Demand</b>	<ul style="list-style-type: none"> <li>• It is estimated that Lents Town Center has the ability to capture 2% of the affordable and market rate housing demand within the Residential Market Area.</li> <li>• These conservative captures result in potential demand over the next five years of approximately 516 affordable and market rate for-sale units and 655 affordable and market rate rental units in the Lents Town Center area.</li> <li>• Of the total potential demand (1,171 for-sale and rental housing units), 44% is estimated to be for ownership product and 56% rental.</li> <li>• Absorption will be influenced by ready sites, price, potential for high density development, the character/quality of product and other factors.</li> <li>• Demand for housing is anticipated to be distributed fairly equally among household income brackets, with the largest percentage (36%) tied to households with \$100,000 and above a year.</li> <li>• Rents at nearby competitive projects suggest that market rents for two bedrooms should range from \$750 to \$850.</li> <li>• New development should include a full range of price points appealing to the low-to-moderate to moderate income households and to accommodate the diverse Lents' market place; incorporate live/work units into the mix.</li> </ul>
<b>Key Target Markets (selected)</b>	<p>Entry-Level Professionals age 25-35, singles and couples</p> <ul style="list-style-type: none"> <li>• Price Point: \$130,000-\$200,000</li> <li>• Motivations: access to work in Clackamas &amp; Downtown Portland, east Multnomah County; desire competitive home prices; value urban lifestyle &amp; authentic community</li> </ul> <p>Mid-Level Professionals age 30-50, singles/couples, some children</p> <ul style="list-style-type: none"> <li>• Price Point: \$200,000-\$300,000</li> <li>• Motivations: move-up/move-over buyer, access to work, live/work/play environment, investment and resale key.</li> </ul> <p>Ethnic Families (w/ children &amp; extended families)</p> <ul style="list-style-type: none"> <li>• Price Point: \$130,000 - \$220,000 (some with assistance)</li> <li>• Motivations: first time buyer, proximity to ethnic community, access to work/activities/services/transit</li> </ul>

# INTRODUCTION

The final element of the Lents Town Center Mixed-Use Market Analysis is the housing feasibility analysis. This study is part of a larger, ongoing effort to create a sustainable economically healthy town center district that includes a mix of uses and activity.

This analysis provides the Portland Development Commission and Lents Town Center stakeholders and development interests with a thorough understanding of the residential marketplace, housing trends, data and demand estimates for both for-sale and for-rent product, and recommended strategies to meet City and neighborhood goals to 'develop housing types and densities affordable to households of varying comes and needs and recognize the importance of affordable housing to enabling Lents residents to remain in the area.' It builds upon the 2006 Lents Housing Study update and considers related neighborhood goals and plans.

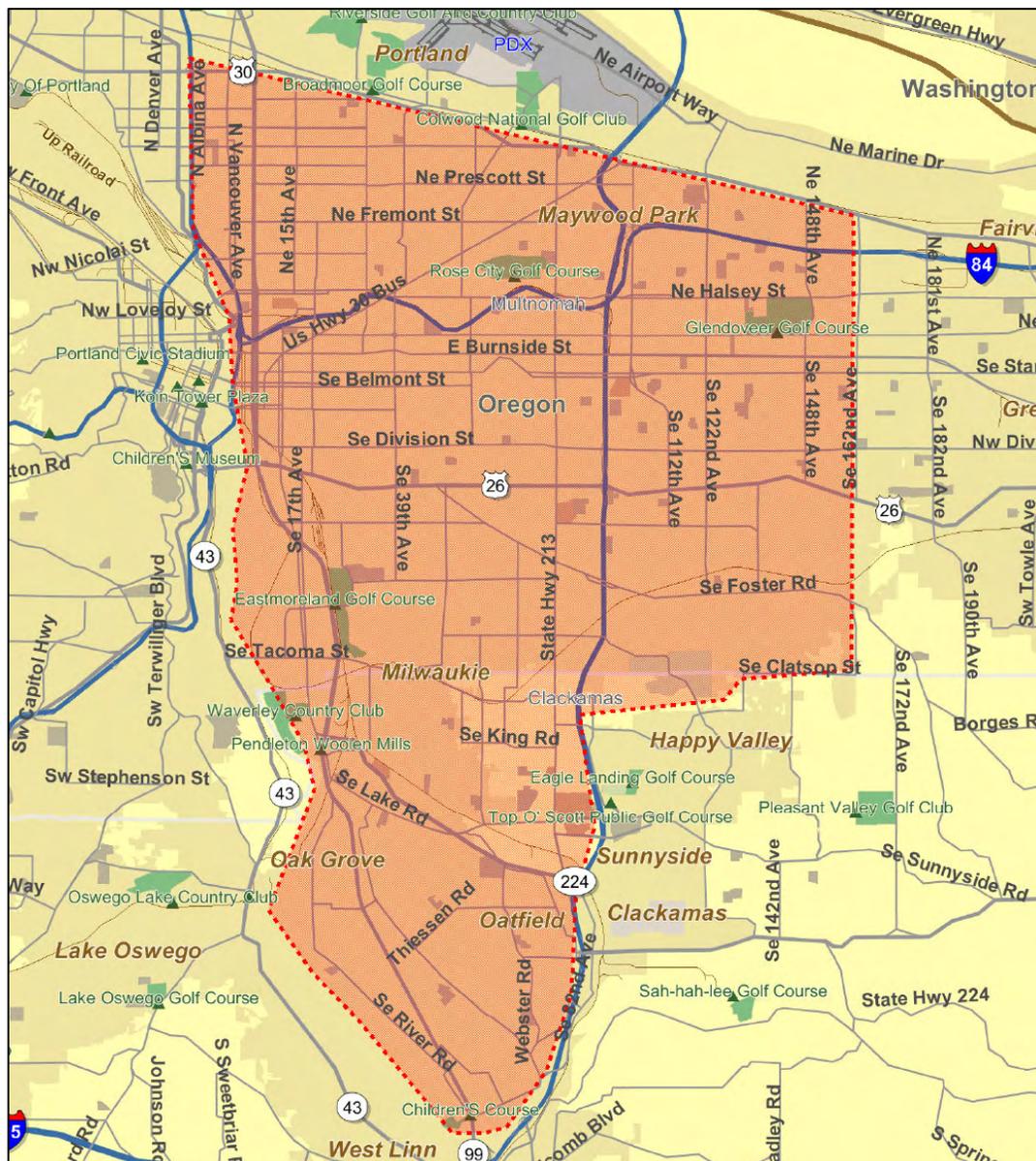
Major tasks included:

- Meetings/site visits with PDC staff;
- Data collection regarding a host of factors affecting housing choice and availability;
- Telephone interviews with realtors, developers and key information sources (see Appendix A);
- A community survey including questions on housing needs and interests;
- Market survey of and site visits to existing housing developments: attached for sale and rental in December and January;
- Demographic and economic analysis of trade area residents;
- A statistical analysis of market rate and affordable for-sale and rental product demand over the next five years; and
- Case studies of illustrative mixed-use/housing projects in town centers within the Portland metro area.

This report includes the following sections: Residential Market Profile; Existing Housing Supply; Demand Potential; and Conclusions and Recommendations.

# RESIDENTIAL MARKET AREA PROFILE

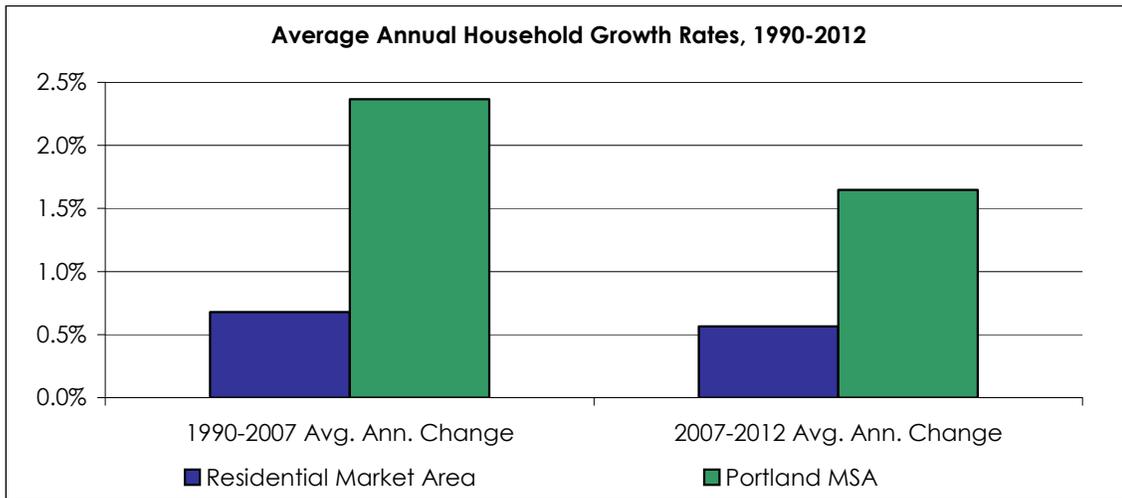
The demographic characteristics of Market Area households for new housing development in the Lents Town Center Area are provided in this section. The Residential Market Area is illustrated on the map below. This custom-drawn trade area is based on interviews with realtors regarding the geographic area from which Lents is currently drawing new households, an analysis of competitive supply, geographic/man-made boundaries, research of other town centers and anticipated redevelopment activity including the Green light rail line. While some residents of new housing developed in the Lents Town Center Area will undoubtedly come from outside the Market Area, a significant share will emanate from within its boundaries. Comparisons to the Portland-Vancouver MSA are provided where appropriate.



### Household Growth

The Lents Residential Market Area experienced moderate population and household growth since 1990 as the number of households increased by an average annual rate of only 0.68%, far below 2.37% throughout the Portland Metropolitan Statistical Area (MSA). Over the next five years, the average annual rate of household growth in the Market Area is expected to drop to 0.57%, again below the MSA rate of 1.64%. Households are generally smaller in the Residential Market Area, 2.41 persons per household compared to 2.56 throughout the MSA.

EXHIBIT 2.1 POPULATION & HOUSEHOLD GROWTH Lents Residential Market Area and Portland MSA 1990-2012							
Geographic Area	Avg. Ann. Change 1990-2007				Avg. Ann. Change 2007-2012		
	1990	2007 (Estimate)	Number	Percent	2012 (Forecast)	Number	Percent
<b>Residential Market Area</b>							
Population	411,797	462,155	2,962	0.72%	475,585	2,686	0.58%
Households	169,047	188,513	1,145	0.68%	193,841	1,066	0.57%
Avg. Household Size	2.40	2.41	0.001		2.41	0.000	
<b>Portland MSA</b>							
Population	1,523,741	2,162,868	37,596	2.47%	2,345,078	36,442	1.68%
Households	592,507	830,829	14,019	2.37%	899,164	13,667	1.64%
Avg. Household Size	2.53	2.56	0.002		2.57	0.002	



Source: ESRI BIS; Marketek, Inc.

### General Demographic Characteristics

Relative to the Portland MSA, the population of the Market Area is slightly older, is generally less affluent and maintains a higher share of workers employed in the services sector. Exhibit 2.2 also shows that the estimated \$52,573 median income of Residential Market Area households is 13% below the MSA's estimated median of \$60,579, with the share of white collar jobs just below that found in the MSA.

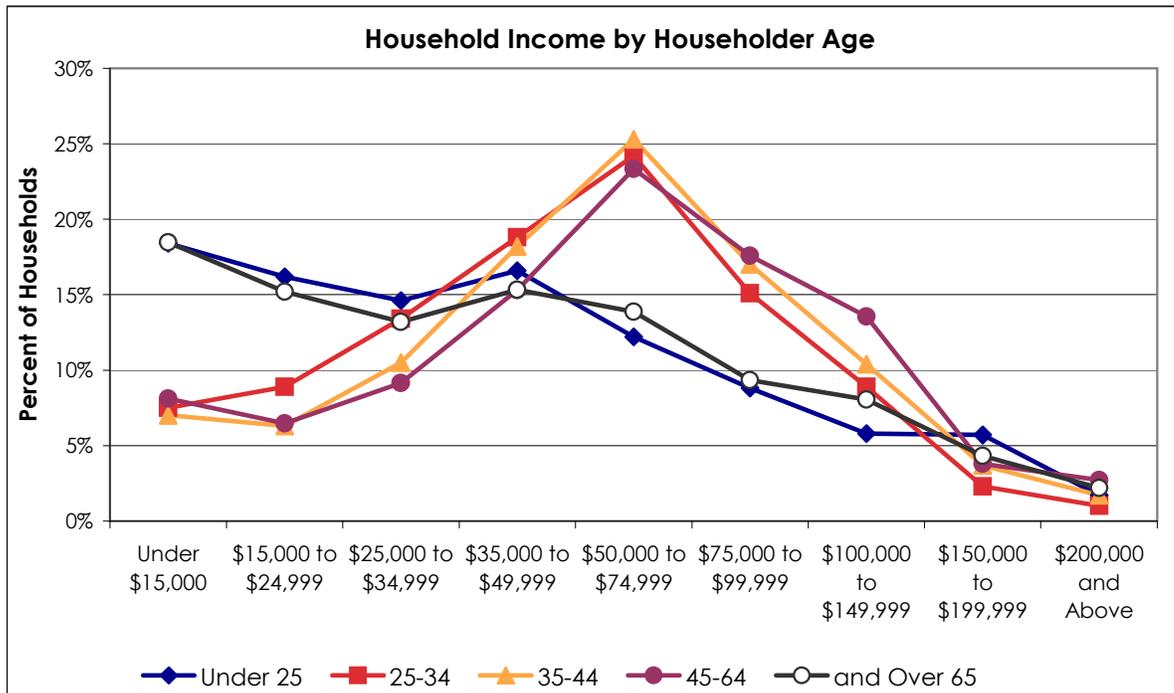
Exhibit 2.2 DEMOGRAPHIC SNAPSHOT Residential Market Area and Portland MSA					
Demographic Characteristic	Residential Market Area	Portland MSA	Demographic Characteristic	Residential Market Area	Portland MSA
<b>Age</b>			<b>Household Income</b>		
Under 15	18.1%	20.4%	Under \$15,000	10.2%	8.3%
15 to 24	13.0%	13.4%	\$15,000 to \$34,999	20.2%	16.8%
25 to 34	15.9%	14.5%	\$35,000 to \$49,999	16.6%	14.9%
35 to 44	15.1%	14.7%	\$50,000 to \$74,999	21.6%	21.3%
45 to 64	26.1%	26.8%	\$75,000 to \$99,999	15.0%	15.4%
Above 64	11.8%	10.3%	\$100,000 and Above	16.3%	23.3%
Total Population	462,155	2,162,868	Total Households	188,513	830,829
Median Age	36.9	36.2	Median Income	\$52,573	\$60,579
<b>Employment by Industry</b>			<b>Employment by Occupation</b>		
Services	46.6%	42.7%	White Collar	60.0%	62.3%
Retail Trade	12.3%	12.0%	Blue Collar	23.2%	23.1%
Manuf./Const.	17.2%	20.4%	Services	16.7%	14.6%
Information/FIRE	9.8%	10.0%	Total Number	228,899	1,052,621
Other	14.1%	14.8%			
Total Number	228,899	1,052,621			

Source: ESRI BIS

### Age by Household Income

More than one-third (37%) of householders within the Lents Residential Market Area are age 45 to 64. At the prime of their careers, incomes are higher for this age group than other age groups. At age 65, income drops dramatically with retirement. Pricing of new housing developed in the Town Center Area should reflect variations of income and lifestyle among different age groups, clarified further in the sections that follow.

EXHIBIT 2.3 AGE BY INCOME PROFILE Residential Market Area 2007					
Household Income	Householder Age				
	Under 25	25-34	35-44	45-64	65 and Over
Under \$15,000	18.4%	7.5%	7.0%	8.1%	18.5%
\$15,000 to \$24,999	16.2%	8.9%	6.3%	6.5%	15.2%
\$25,000 to \$34,999	14.6%	13.4%	10.5%	9.1%	13.2%
\$35,000 to \$49,999	16.6%	18.8%	18.2%	15.3%	15.3%
\$50,000 to \$74,999	12.2%	24.2%	25.3%	23.3%	13.9%
\$75,000 to \$99,999	8.8%	15.1%	17.0%	17.6%	9.3%
\$100,000 to \$149,999	5.8%	8.9%	10.4%	13.6%	8.0%
\$150,000 to \$199,999	5.7%	2.3%	3.7%	3.8%	4.3%
\$200,000 and Above	1.7%	1.0%	1.7%	2.7%	2.2%
Total Households	10,158	34,637	38,173	71,157	34,388

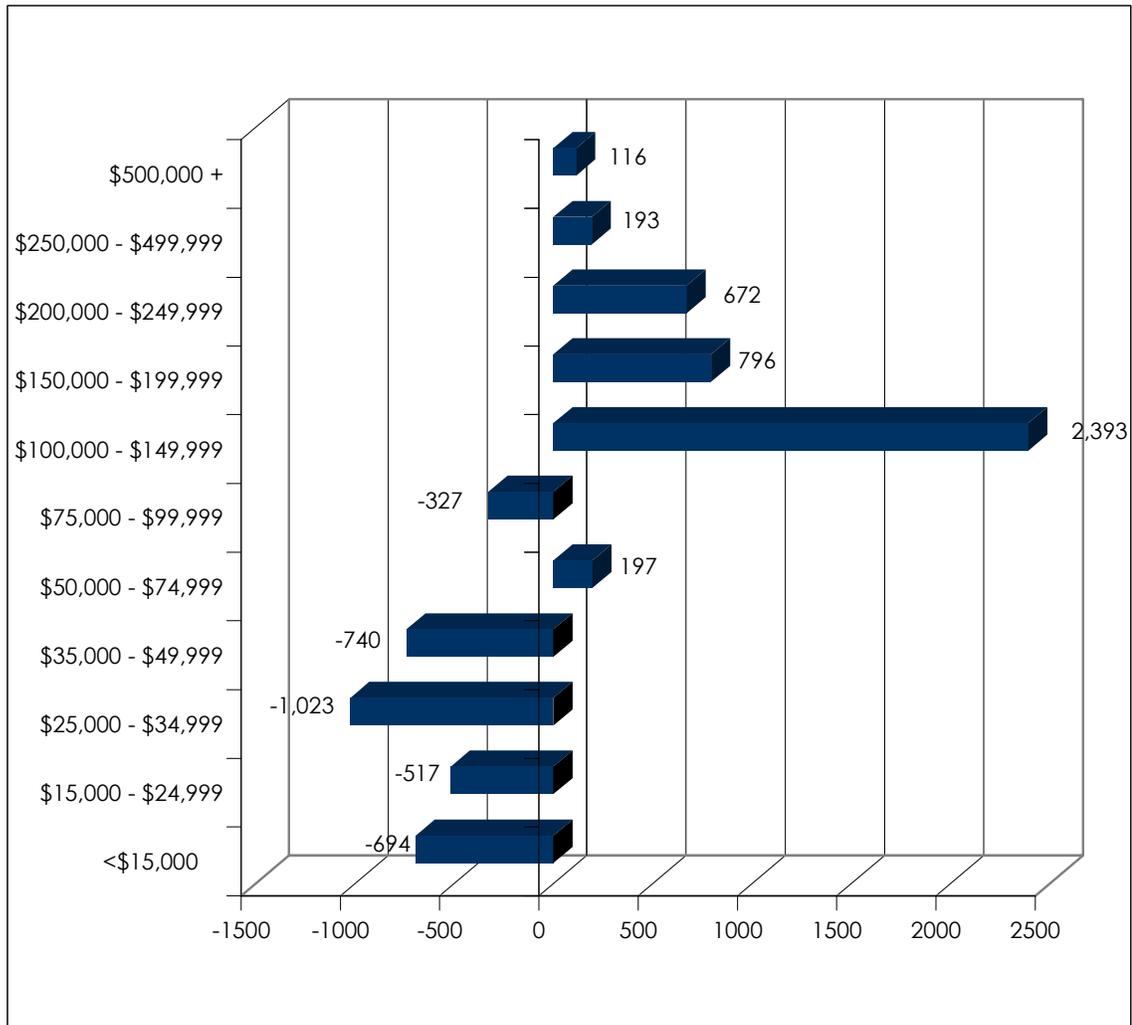


Source: ESRI BIS

### Projected Income

Over the next five years, households within the Residential Market Area are expected to become more affluent. The largest gain is expected to occur among households earning more than \$100,000 (4,170 households annually). The largest decline is projected for households with incomes below \$50,000 (2,974 annually).

**EXHIBIT 2.4**  
**PROJECTED ANNUAL CHANGE IN**  
**NUMBER OF HOUSEHOLDS BY INCOME**  
**Residential Market Area**  
**2007-2012**



Source: ESRI BIS

## Tapestry Market Segments

Tapestry Lifestyle data shows that the Residential Market Area maintains a diverse mix of young, active singles/couples and more settled, older households. The Main Street, USA group, accounting for more than one-third of Market Area households, represents traditional, middle-income residents who typically reside in single family homes. Potential targets for higher density housing in urban areas such as Lents include Metropolitans, Metro Renters, Old and New Comers, and Trendsetters.

Exhibit 2.5 PRIMARY TAPESTRY LIFESTYLE GROUPS Residential Market Area 2007					
Market Segment	% of Hholds	Hhold Type	Median Age	Median Income	Consumer Purchases/Preferences
1 Main Street, U.S.A.	35.8%	Family Mix	36	\$51,200	These fairly well-educated consumers tend to purchase software, savings certificates, home improvement items and prescription medication. Civic-minded, they often attend public meetings and work as volunteers.
2 Metropolitans	10.1%	Married couples/Singles	37	\$57,600	Singles and childless couples with a busy, urban lifestyle. Do yoga, listen to jazz and visit museums. Travel frequently for business and pleasure.
3 Old and Newcomers	9.8%	Single Persons/Shared Hholds	37	\$40,400	Households are often in transitional mode, either starting careers or retiring. Older members consult with financial planners and are health-conscious. Younger members typically enjoy movies, college football games and activities such as yoga and kickboxing.
4 Metro Renters	5.6%	Singles	34	\$52,300	A young market whose members spend primarily on themselves. Purchases include ski/workout clothing, designer clothes and imported wine/beer. Favorite stores are Banana Republic and Macy's.
5 Cozy and Comfortable	3.9%	Married couples	41	\$61,800	Middle-aged married couples settled in single-family homes in older neighborhoods. These families have mutual funds, second mortgages and home equity lines of credit. They play softball and golf, eat at family restaurants and travel domestically.
6 Retirement Communities	3.6%	Married couples/Singles	51	\$45,100	Live in multiunit dwelling, frequently congregate housing that includes meals and other services in rent. Residents make good health a priority and spend leisure time playing bingo, gambling and spoiling their grandchildren.
7 Aspiring Young Families	3.5%	Family Mix	30	\$47,200	Live in start up homes or town homes, nearly half are renters, spend their discretionary income on their children and homes. Enjoy eating out, movies, and playing sports.
8 Great Expectations	2.4%	Family Mix	33	\$36,600	Made up of a mix of renters living in low-density buildings and owners living in homes valued below the national average. Purchase baby and children's products and eat in family restaurants, practice martial arts and play pool.
9 Wealthy Seaboard Suburbs	2.3%	Married couples	42	\$93,100	These affluent, professional couples value their leisure time and often spend it traveling. They contract out home and garden maintenance. They are technologically savvy and use the Internet for convenience rather than entertainment.
10 Trendsetters	2.2%	Singles/Shared hholds	35	\$56,700	These households are on the cutting edge of urban style. They love to shop both online and in stores. Health conscious, members of these households eat well and exercise regularly.
Total Households	188,513				

Source: ESRI BIS

### Existing Housing Characteristics

The Lents Town Center's urban orientation and connection to transit will set new residential development apart from most existing housing units in the Residential Market Area. New units will likely be higher density than that currently found in much of the Lents neighborhood (i.e., other than single family detached) and may command higher rents and sales prices – particularly well designed units with easy access to transit. Relative to the city and MSA, Market Area units are generally lower density, more affordable and older. Exhibit 2.6 compares key housing characteristics of the City of Portland, the Lents Residential Market Area and the Portland MSA.

EXHIBIT 2.6 SUMMARY CHARACTERISTICS OF EXISTING HOUSING UNITS City of Portland, Residential Market Area and Portland MSA			
Housing Characteristic	City of Portland	Residential Market Area	Portland MSA
Occupied Units (2007)	234,726	188,513	830,829
Owner-Occupied	58%	61%	66%
Renter-Occupied	42%	39%	34%
Owner-Occupied Unit Value (2007)			
Median	\$281,126	\$273,935	\$304,693
Average	\$337,068	\$301,701	\$362,559
Contract Rent (2000)			
Median	\$562	\$570	\$601
Average	\$588	\$595	\$633
Units in Structure for Occupied Units(2000)			
Single Family Detached	61.6%	65.3%	63.8%
Single Family Attached	2.6%	2.2%	3.3%
2-4 Units	9.1%	9.9%	7.4%
5-9 Units	4.8%	4.8%	5.1%
10+ Units	20.5%	15.7%	15.2%
Mobile Home	1.3%	2.1%	5.2%
Other	0.2%	0.1%	0.2%
Median Year Occupied Units Built (2000)	1953	1955	1974

Source: ESRI BIS

# EXISTING SUPPLY

## National Overview

Throughout the nation, residential markets are responding to recent foreclosure rate increases as sub-prime, adjustable rate mortgages default. Banks have reacted by tightening lending standards and taking a more conservative approach.

To loosen the tight lending market, the Federal Reserve lowered the federal funds rate twice in January 2008, taking it from 4.25% to 3.0%. In response, several banks reduced their interest rates for prime loans to 6.0% or below. Along with encouraging home purchases, federal rate cuts may allow homeowners at risk for foreclosure to refinance adjustable rate mortgages in favor of fixed rate loans.

From 2006 to 2007, national home sales decreased while prices stagnated. According to the U.S. Department of Commerce, home sales dropped by 27% from 2006 to 2007 to reach 774,000 last year. Nationally, the median new home sales price moved up only 0.2% since 2006 to \$246,900 in 2007. The 2006-2007 drop in sales surpassed the previous largest decline of 23% from 1979 to 1980; the sales price increase was the weakest since prices declined by 2% from 1990 to 1991. With slowed sales and an increasing number of foreclosures, the U.S. Department of Commerce estimates a 9.6-month supply of unsold new homes.

## Portland Overview

### *For-Sale Housing*

Despite national housing market trends, real estate markets remain intensely local. Portland State University (PSU) Real Estate Center's 2007 third quarter report indicates that metropolitan Portland has fared well through the recent downturn when compared to other housing markets. From Q3 2006 to Q3 2007, the median sales price of existing detached homes in metro Portland increased by 8.2% to reach \$311,700; median price for new homes increased 1.0% to reach \$371,000.

Although median home prices have increased, the number of home sales in metro Portland has declined. In Q3 2007, 4,700 homes were sold in metro Portland, compared to just over 6,000 in Q3 2006. The PSU Real Estate Center comments that the shrinking number of transactions may be due to sellers' inability to sell at desired prices and unwillingness to drop asking prices. Along with sales transactions, metro Portland building permits have also declined – by 14% for single family homes and 4% for multifamily from August 2006 to August 2007.

When broken down by submarkets, the areas with greatest appreciation tend to be the inner city neighborhoods of northeast and southeast Portland and Oregon City and Canby. All show increases in median sales price of over 8% for existing detached homes from Q3 2006 and Q3 2007. Third quarter 2007 median prices of new detached homes in these areas ranged from \$280,000 in southeast Portland to \$327,200 in Oregon City/Canby. Homes in downtown and close-in neighborhoods also had the lowest number of days on the market, averaging 41 days compared to about 50 for other submarkets.

Lake Oswego/West Linn and Milwaukie/Clackamas submarkets saw negative appreciation over this period, although they had among the highest median sales prices for new detached homes in Q3 2007 at \$1,420,000 and \$450,000, respectively.

### *Condominium Development*

According to the PSU Real Estate Center, the Portland condominium market has softened in last two years following a boom in 2005. That year, over 1,000 condo units were sold in the Pearl District, South Waterfront and Northwest Portland. As of the Q3 2007, less than 700 sales were projected for 2007 in Portland. While a reduced inventory may be contributing to slowed sales, sellers also report difficulty selling units. One project in South Waterfront is expected to sellout a year later than developers initially expected. Other projects originally planned as condominiums have been converted to apartments. These include the 244-unit Wyatt Tower in the Pearl District and the 220-unit Ladd Tower in the South Blocks.

Condominium sales prices showed a steady increase from 2004 to 2006 throughout Portland. In Northwest Portland this trend increased through 2007 to reach \$397/SF. Meanwhile, prices leveled off at \$427/SF in the Pearl District and declined to \$337/SF in South Waterfront. Leveling sales prices and slowed sales indicate a weakened market for condominium development in metro Portland submarkets, which will be tested as additional units are constructed and planned condominium conversions completed.

In Southeast Portland, condo sales were examined for the 2005-2007 timeframe within the Lents neighborhood (zip code 97266) and area immediately adjacent to the west (zip code 97206 with boundaries from 42<sup>nd</sup> and 80<sup>th</sup> Avenue and Division to Johnson Creek). For the two zip codes combined, 243 condos sold at a median sales price of \$176,000, with median \$152/SF. The average sales price was \$177,461 with average cost per square foot of \$166. (Source: MLS, Meadows Group Realtors)

### *Rental Housing*

With tightened lending standards and decreased sales volumes, the slowed home market has bolstered Portland's apartment market in 2007. Norris, Beggs and Simpson report a metro-wide vacancy rate of 3.3% in Q4 2007, with an overall average monthly rental rate of \$755 for a two bedroom/two bath apartment. For new 2bd/2ba units, rental rates average \$929/month. Average rents are highest in downtown Portland at \$1,627 for a 2bd/2ba unit and lowest in Gresham/Troutdale at \$703. Vacancy rates are lowest in southeast Portland (2.9%) and highest in Wilsonville (5.1%).

Decreases in vacancy rate and increases in rental rates since 2006 have been fueled by a variety of factors. On the supply side, nearly 7,500 apartment units (3% of the city's stock) were converted to condominiums in recent years, according to the Portland Business Journal. Further, the Journal reports a slowdown in apartment construction in 2007 – 770 new units compared to the previous annual average of 1,000. Demand for rental units is being buoyed as households that would have transitioned to homeownership in previous mortgage markets are remaining renters and as households that faced foreclosure return to apartments.

## Local Supply

Based upon a review of building permit activity and multiple neighborhood drive-arounds, there is quite a bit of new construction around the Lents Town Center. Many of the new homes are houses on narrow lots called “skinny houses.” However, there is also new construction of larger homes that are on wider lots. New residences are all two stories tall, and use craftsman or bungalow motifs such as porches, narrow siding, and mullioned windows.

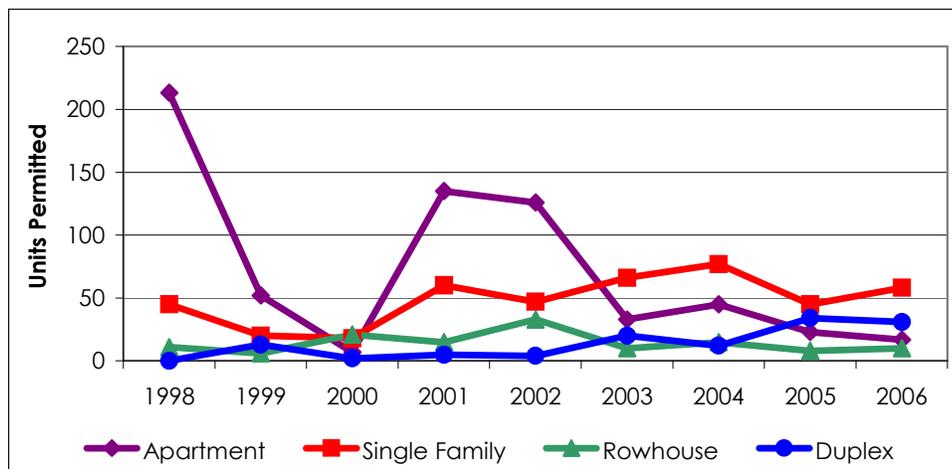
The target audience for newer homes appears to be urban residents, who want to own single family homes, but desire the amenities of the city such as public transportation and nearby commercial opportunities. Older homes in the area include a variety of craftsman, bungalow and ranch style homes. They appear to have been built anywhere from the 1930's up until the 1970's. Compared with newer homes they have larger front setbacks and rear yards that vary from large to very small.

### *For-Sale Housing*

In 2006, the Portland Development Commission conducted an update of a 1999 housing study for the Lents Urban Renewal Area (URA). It reported 4,402 owner occupied units making up 69% of URA housing stock as of 2000. Building permit data (Exhibit 3.1) indicates that 436 single family units were permitted in the Lents Urban Renewal Area since 1998.

According to PDC's 2006 report, the largest share of single family homes in the URA was built during the 1950s housing boom, with little construction from 1960 to 2000. Construction picked up from 2000 to 2005, however, with the number of units constructed during that period outpacing the number built throughout the 1990s.

EXHIBIT 3.1 RESIDENTIAL BUILDING PERMITS Lents URA 1998-2006				
Year	Units Permitted			
	Apartment	Single Family	Rowhouse	Duplex
1998	213	45	11	0
1999	52	20	6	13
2000	7	18	21	2
2001	135	60	15	5
2002	126	47	33	4
2003	33	66	10	20
2004	45	77	15	12
2005	23	45	8	34
2006	17	58	10	31
Total	651	436	129	121



Source: Elaine Howard Consulting, LLC

Exhibit 3.2 displays number of sales and median and average sales price for single family homes in the Lents URA from late 2004 to late 2007. As shown, the number of sales peaked during the May 2005 – October 2005 period, then declined steadily over the next three periods. Sales prices, however, have increased from a median of \$165,000 in the May 2005 – October 2005 period to a median of \$204,250 two years later. While this figure remains well below the metro-wide median home sales prices of \$311,700 for existing homes and \$371,000 for new homes, it demonstrates the market strength of single family homes in the Lents area.

EXHIBIT 3.2 HOME SALES Lents URA 2004-2006			
Time Period	Number of Sales	Median Sales Price	Average Sales Price
11/04 to 04/05	231	\$199,900	\$151,880
05/05 to 10/05	286	\$165,000	\$172,319
11/05 to 04/06	244	\$177,925	\$185,349
05/06 to 10/06	205	\$195,150	\$197,501
11/06 to 04/07	157	\$196,000	\$203,862
05/07 to 10/07	164	\$204,250	\$217,461

Source: Multiple Listing Service

Marketek surveyed condominium, townhome and other attached for-sale housing within and nearby the Lents Urban Renewal Area. Exhibit 3.3 on the following pages provides a summary of these projects. As shown, prices are clustered from the mid \$100,000s to low \$200,000s. Unit sizes range from 775 square feet (SF) to 1,820 SF, with prices per square foot from \$66/SF to \$196/SF. Most developments have square foot prices from around \$130/SF to \$170/SF. Units tend to have two or three bedrooms, with a few offering one or four bedrooms.

EXHIBIT 3.3 Summary of Selected Condo and Townhouse Communities Lents Competitive Market Area Winter 2008								
Development Location Developer/Builder Unit Type	Total Units	Unit Price Range		Unit Size Range		Avg. \$/SF	Sales	
		From	To	From	To		Total	/Mo
<b>141st Condos</b> 2710 SE 141st Ave. Hasson Realty Condo/New Construction	14	\$190,000	\$190,000	1,413	1,413	\$134	3	NA
3 bd/2.5 ba. \$149/mo HOA fees. Tax abatement for buyers who qualify. Tile flooring & counter tops, stainless steel appliances. Seller will contribute \$3500 towards buyers closing costs & pre-paids.								
<b>Cooper Street Bungalows</b> 8038 SE Cooper Oasis/ PDC Multi-dwelling & Rowhouse New Construction	12	\$109,000	\$299,999	1,075	1,820	\$141	NA	NA
Targets moderate-income, first-time homeowners. Courtyard style. Five rental units.								
<b>Foster Knoll Condos</b> 11744 SE Foster Road Oasis Condo/New Construction	9	\$109,000	\$270,000	1,075	1,820	\$131	9	NA
1, 3 & 4 bd. One 2 bd unit available. Affordable, for growing families and empty nesters. Accessible by bus. Located outside of URA. One resale available.								
<b>Lexington Point</b> 2607-09 SE 109 Ave Mitchell Realty Townhome	9	\$230,000	\$245,000	1,400	1,600	\$158	0	--
	30	\$170,000	\$190,000	775	1,100	\$192	0	--
Two townhome style, 20 unit buildings. Playground, 1-car garage, 2 masters in townhomes, top of the line finishes. Starter market, seniors, all markets. Sales began in February 2008.								
<b>New Crystal Springs</b> 80th & Crystal Springs New Construction HOST Development	11	\$216,000	\$219,000	1,374	1,390	\$157	8	1.0
2 & 3 bd. \$5,000 down payment costs. Tax abatement. Sales began in August 2008. Target audience is first time homeowners, often with large and/or intergenerational families.								
<b>6624 SE 80<sup>th</sup></b> Portland Rental Service Townhome/condo	20	\$169,950	\$169,950	1,000	1,000	\$170	2	NA
Complex of 20 units with 5 owner-occupied units and 15 rental units managed by Portland Rental Service. Three units for sale. Across the street from Woodmere Elementary School.								
<b>Raymond Park Place Site</b> 118th South of Holgate New Construction HOST Development	7	\$240,000	\$250,000	1,327	1,483	\$174	NA	NA
Five 4 bd units and 2 3 bd units. \$5,000 down payment costs. Tax abatement. Special grant with PDC-20%, with silent 2nd mortgage from PDC. Sales began in October 2007.								
<b>Sunstone Homes Condos</b> 3103 SE 92nd Ave. New Construction Just North of Powell Blvd.	24	\$215,000	\$245,000	1,394	1,750	\$146	NA	NA
Twelve 2-unit buildings with 3bd/2.5 ba and 4bd/3.5 ba units. Single car garages. Fenced backyards. Under construction. Near Lents Park & MAX.								

NA: Not Available.

Source: Marketek, Inc.

EXHIBIT 3.3 (continued)								
Summary of Selected Condo and Townhouse Communities Lents Competitive Market Area Winter 2008								
Development Location Developer/Builder Unit Type	Total Units	Unit Price Range		Unit Size Range		Avg. \$/SF	Sales	
		From	To	From	To		Total	/Mo
<b>The Ellis</b> 8819 SE Ellis Near Lents Town Center	12	\$189,840	\$178,380	1,008	1,232	\$164	12	NA
3 bd/2.5 ba. \$170/mo HOA fees. Opened 2006.								
<b>6507 SE Duke</b> Townhomes New Construction	8	\$172,000	\$211,000	1,252	1,252	\$153	8	NA
Owner occupied. Small yards. Constructed in 2000. Sales prices higher for end vs. middle units.								
<b>Tabor Point</b> 141 st Ave Emerald Realty Mid-rise Building Near to the Mid City District	46	\$169,900	\$200,000	911	980	\$196	0	--
Urban living. Some units with designer features. Going on market early 2008. Near Mall 205, new MAX, 2 studio, 2 commercial. Ground floor retail. Sales began February 2008.								
<b>Town Home</b> 12309 SE Long St, off Holgate Pete Anderson Realty New Construction	20	\$179,900	\$185,000	1,242	1,500	\$66	4	NA
2 & 3 bd/2 ba townhomes and 2 bd/ 2.5 ba rowhouses. No HOA. Small yards. Two car garages.								
<b>Woodmere Condos</b> SE 81st Ave near Duke Street Rose Community Development Three-Story Townhomes New Construction	15	\$155,000	\$185,000	825	1,400	\$153	4	4.0
Owner occupied requirement. Purchasers so far have been young couples and singles. Too many stairs to appeal to older. Income qualifications: family of 1-4 \$62,800 (max. income). \$3,000 credit on closing cost. Developer is optimistic they will sell quickly.								

NA: Not Available.

Source: Marketek, Inc.

#### Rental Housing

PDC's 2006 Lents URA Housing Update lists 1,969 rental units in the URA as of 2000. Of these rental units, 356 were in multifamily properties and 1,613 were single family homes. Since 1998, 615 multifamily rental permits were issued for developments within the URA, although building permit data does not indicate whether units would be owner or renter occupied (i.e., developed as condominium or rental units).

The following exhibit provides rents by number of bedrooms from a survey of URA rental units conducted in 2005. A related field survey of multifamily rental properties indicated that 51% were in good condition, 32% in fair condition and 17% in poor condition. Common problems included the need for roof, window and gutter/downspout repair, repainting, landscaping improvements and clean-up for trash areas.

EXHIBIT 3.4 Rent by Number of Bedrooms Lents URA 2005	
Unit Type	Rent Range
1 Bedroom	\$385 to \$420
2 Bedrooms	\$525 to \$800
3 Bedrooms	\$750 to \$910
4 Bedrooms	\$975 to \$1,150

Source: Lents Housing Study Update, PDC

Summaries of market rate and affordable rental housing developments in and around the Lents URA are provided in Exhibits 3.5 and 3.6. In both market rate and affordable apartment communities occupancies are high. Overall, they range from 92% to 100%, with the exception of one complex built in the 1970s where occupancy is 60%.

In market rate rental communities, one and two bedroom units are most common; about half offer some three bedroom units and none offer four bedroom or larger units. Across the board, approximately 50% of all units are two bedroom; 30% are one bedroom; 15% are three-bedroom; and 5%, studios. In the Lents URA, one bedroom rents range from \$510 for a 600 SF unit to \$625 for an 800 SF unit; two bedroom rents range from \$525 for a 1,100 SF unit to \$735 for a 1,000 SF unit. Outside the Lents URA, rents are somewhat higher. One bedroom units range from \$550 for a 620 SF unit to \$950 for an 825 SF unit. Two bedroom units range from \$600 to \$1,105. Highest rents are found at Altamont Summit, the Overlook at Causey Lane and Monterey Springs.

Regarding changes in rent since PDC's 2005 study, apartment managers at six market rate projects reported rents have increased an estimated ten percent in the last two years, with several noting that these increases have occurred recently. Cascade Management reports that average rent increases in 2006 at 3.5% and in 2007 at approximately 3.0% on their Lents area affordable housing rental projects.

In affordable rental communities, occupancies are all at or above 97%. Waiting lists exist with many projects such as Leander Court which has 100 names and will accept no more. Subsidy levels target households with incomes of 30% median family income (MFI) to 60% MFI, with eight of the ten communities surveyed offering at least some units at the 30% MFI affordability level. Two and three bedroom units are most common; half of communities surveyed offer one bedrooms and only one offers four bedroom units. Monthly rents for two bedroom units range from \$369 to \$725, with the exception of Marla Manor which offers units for \$107. Three bedroom rents range from \$422 to \$775.

Although several complexes offer some units targeted to 30% MFI households, the 2006 Lents Housing Study Update indicated the need for more subsidized units as half of Lents households have incomes below the Portland metro's 50% MFI level. Further,

the study points out the need for four bedroom or larger rental units considering the number of large families in the Lents URA.

EXHIBIT 3.5 Summary of Selected Market Rate Apartment Communities Lents Competitive Market Area Winter 2008									
Project/ Unit Size	Rent		Square Feet		Rent/ Sq. Ft.	Location	Occ Rate	Year Built	Amenities/ Comments
	Low	High	Low	High					
<b>In Lents URA</b>									
Holgate Commons	48 Units					12105 SE Holgate Blvd.	NA	~1998	One block from Springwater Trail
1 bedroom	\$625	\$625	800	800	\$0.78				
2 bedroom	\$695	\$735	950	1,000	\$0.73				
3 bedroom	\$900	\$900	1,200	1,200	\$0.75				
Stonebridge Gardens	116 Units					7757 SE 92nd Ave.	95%	~1975	Pool; Accepts Section 8 no limit
1 bedroom/1 bath	\$510	\$510	600	600	\$0.85				
2 bedroom/1.5 bath									
<b>Outside Lents URA</b>									
Altamont Summit	439 Units					9701 SE Johnson Creek	95%	2000s	Pool, spa, fitness center, sports club, trails; No assist.
1 bedroom/1 bath	\$745	\$950	750	825	\$1.08				
2 bedroom/2 bath	\$900	\$1,105	975	1,125	\$0.95				
Division & 1-205/Clinton	108 Units					9230, 9234, 9257 SE Division	100%	1990s	Convenient location
2 bedroom/1 bath	\$595	\$595	1,100	1,100	\$0.54				
Easton Ridge	216 Units					9009 SE Causey Ave.	99%	1989	W/D in some units, pool, fitness center; Accepts Section 8
1 bedroom/1 bath	\$640	\$640	717	717	\$0.89				
2 bedroom/1 bath	\$725	\$725	1,010	1,010	\$0.72				
2 bedroom/2 bath	\$740	\$740	1,010	1,010	\$0.73				
Evergreen Park Apts.	52 Units					12645 SE Division St.	NA	NA	
1 bedroom	\$550	\$550	NA	NA	NA				
2 bedroom	\$600	\$600	NA	NA	NA				
Garden Park Estates	63 Units					3208 SE 136th Ave.	95%	1970	Playground, enclosed yards
2 bedroom	\$635	\$635	825	825	\$0.77				
Hidden Court Apts.	69 Units					2305 SE 121st Ave.	95%	1962	
1 bedroom	\$550	\$550	535	535	\$1.03				
2 bedroom	\$650	\$650	690	690	\$0.94				
Mt. Scott Commons	123 Units					11299 SE Stevens Rd.	NA	1992	Clubhouse, pool, fitness room
1 bedroom	\$645	\$655	620	620	\$1.05				
2 bedroom/1.5 bath	\$750	\$770	944	944	\$0.81				
3 bedroom/2 bath	\$935	\$945	1,185	1,185	\$0.79				
Magnolia Court	31 Units					13436 SE Bush St.	95%	NA	W/D in units, patio; No third party vouchers
2 bedroom/2 bath	\$795	\$795	950	950	\$0.84				
Monterey Springs	300 Units					8640 SE Causey Ave.	92%	~1990	Renovated in 2007; Pool, sauna, weigh; No assist.
1 bedroom/1 bath	\$670	\$795	700	700	\$1.05				
2 bedroom/1 bath	\$730	\$810	880	880	\$0.88				
2 bedroom/2 bath	\$790	\$870	915	915	\$0.91				
3 bedroom/3 bath	\$1,145	\$1,215	1,150	1,150	\$1.03				
Overlook at Causey Ln.	276 Units					11408 SE 90th Ave.	100%	2000	Amenities include clubhouse, pool and basketball courts
1 bedroom/1 bath	\$605	\$765	550	820	\$1.00				
2 bedroom/1 & 2 bath	\$795	\$875	880	990	\$0.89				
3 bedroom/2 bath	\$975	\$975	1,200	1,200	\$0.81				

NA: Not Available

Source: Marketek, Inc.

EXHIBIT 3.5 (continued)

Summary of Selected Market Rate Apartment Communities  
Lents Competitive Market Area  
Winter 2008

Project/ Unit Size	Rent		Square Feet		Rent/ Sq. Ft.	Location	Occ Rate	Year Built	Amenities/ Comments
	Low	High	Low	High					
Outside Lents URA									
Parkland Apartments	103 Units					3203 SE 92nd Ave.	100%	~1998	W/D hookups, close to MAX
Studio	\$600	\$600	520	520	\$1.15				
1 bedroom/1 bath	\$625	\$675	550	740	\$1.01				
2 bedroom/1 bath	\$820	\$850	910	910	\$0.92				
3 bedroom/2 bath	\$975	\$1,050	1,100	1,200	\$0.88				
Scott Mt. by the Brook	262 Units					7828 SE Aspen Summit Dr.	97%	2000	Greenspace, playground, restaurant, salon & day spa; Near Clackamas Mall
1 bedroom/1 bath	\$655	\$675	636	656	\$1.03				
2 bedroom/2 bath	\$810	\$830	930	931	\$0.88				
3 bedroom/2 bath	\$960	\$980	1,072	1,095	\$0.90				
Stonehenge	90 Units					7757 SE 92nd Ave.	60%	~1970	
1 bedroom	\$615	\$615	550	550	\$1.12				
2 bedroom	\$700	\$725	850	850	\$0.84				
Sunshine Meadows Apts.	NA					13605 SE Division St.	100%	NA	Storage space
1 bedroom/1 bath	\$642	\$642	750	750	\$0.86				
2 bedroom/2 bath	\$775	\$775	1,100	1,100	\$0.70				
Wetherburne Apts.	44 Units					13210 SE Division St.	NA	1972	
1 bedroom/1 bath	\$550	\$550	620	620	\$0.89				
2 bedroom/1 bath	\$635	\$700	620	835	\$0.92				
3 bedroom/1 bath	\$895	\$895	1,245	1,245	\$0.72				

NA: Not Available

Source: Marketek, Inc.

EXHIBIT 3.6										
Summary of Selected Affordable Apartment Communities Lents Competitive Market Area Winter 2008										
Project/ Unit Size	Rent		Square Feet		Rent/ Sq. Ft.	Location	Occ Rate	Year Built	Target FMI	Amenities/ Comments
	Low	High	Low	High						
<b>Inside Lents URA</b>										
Beyer Court 2 bedroom/1 bath	14 Units					9305 SE Harold St.	98%	NA	30/50/60	Large front yard
	\$369	\$639	750	750	\$0.67					
93rd Avenue Commons 2 bedroom/1 bath 3 bedroom/1 bath	3 Townhomes					6119 SE 93rd Ave.	100%	2003	50	Convenient location
	\$640	\$650	1,009	1,009	\$0.64					
	\$745	\$745	1,254	1,254	\$0.59					
Reedway Place 1 bedroom/1 bath 2 bedroom/1 bath 3 bedroom/2 bath	24 Units					8940 SE Reedway St.	97%	2003	30/40/50	Large community room
	\$435	\$520	637	637	\$0.75					
	\$369	\$685	866	866	\$0.61					
	\$422	\$725	1,115	1,115	\$0.51					
<b>Outside Lents URA</b>										
Country Squire Apts. 1 bedroom/1 bath 2 bedroom/1 bath 3 bedroom/2 bath	32 Units					6724 SE 72nd Ave.	98%	NA	50/60	Convenient location
	\$465	\$545	650	650	\$0.78					
	\$575	\$640	800	800	\$0.76					
	\$710	\$725	940	940	\$0.76					
Fir Grove 1 bedroom/1 bath 2 bedroom/1 bath	32 Units					4820 SE 122nd Ave.	100%	2006	30	On-site park
	\$75	\$425	539	539	\$0.46					
	\$425	\$425	650	650	\$0.65					
Johnson Creek Commons 1 bedroom/1 bath 2 bedroom/1 bath	15 Units					7940 SE 72nd Ave.	98%	NA	30/50	Quiet setting
	\$307	\$307	650	650	\$0.47					
	\$369	\$590	750	750	\$0.64					
Leander Court 2 bedroom/1 bath 3 bedroom/2 bath 4 bedroom/2 bath	37 Units					4620 SE 122nd Ave.	100%	2007	30/40/50	Courtyard, playground, community room, computer lab
	\$369	\$522	830	830	\$0.54					
	\$422	\$775	1,106	1,106	\$0.54					
	\$464	\$858	1,300	1,300	\$0.51					
Marla Manor 1 bedroom/1 bath 2 bedroom/1 bath	25 Units					644 SE 148th Ave.	97%	NA	30	Convenient location
	\$0	\$443	650	650	\$0.34					
	\$107	\$538	750	750	\$0.43					
Marysville Commons 2 bedroom/1 bath 3 bedroom/2 bath 3 bedroom/2 bath	5 Townhomes					7704 SE Raymond St.	100%	2003	30/50	Larger 3 bedroom unit - Daycare unit
	\$595	\$610	1,004	1,004	\$0.60					
	\$745	\$745	1,165	1,165	\$0.64					
	\$415	\$415	1,340	1,340	\$0.31					
Woodmere Commons 2 bedroom/1 bath 3 bedroom/2 bath	4 Townhomes					8002 SE Duke St.	NA	2003	30/50	3 bedroom - Daycare unit
	\$410	\$725	866	866	\$0.66					
	\$640	\$640	1,254	1,312	\$0.50					

FMI = Family Median Income; NA = Not Available.

Source: Marketek, Inc.; Cascade Management.

## Portland Town Centers and Transit Oriented Development

Residential development in the Lents Town Center will also be shaped and influenced by mixed-use project success within other town centers in the Portland area. The resurgent interest in higher density, mixed-use environments that has attracted many people to urban settings, coupled with rising transportation costs, provides an ideal platform for development around transit hubs. The Center for Transit Oriented Development defines this type of development (transit oriented development, or TOD) as a pattern of land development designed to support public transit services aimed at reducing the use of single occupant vehicles in favor of pedestrianism, bicycles, car/van pools, busses, street cars, ferries or rail. TOD centers include development within a half mile of a transit stop and ideally offer a rich mix of housing, shopping and employment opportunities. Along with the environmental benefits of reduced car trips, proximity to transit also tends to increase home values while providing housing options for those without cars, which may include elderly residents unable to drive or moderate/low income families unable to afford cars.

The Center for TOD emphasizes the importance of creating a high density, mixed-use *district* surrounding transit stops rather than focusing on single site developments. This more inclusive approach tends to create greater critical mass and allows sites to provide different functions in order to respond efficiently to market demands.

Downtown Gresham serves as an example of the creation of a TOD district in metro Portland – it currently includes three rental complexes, five condominium/townhome developments and retail and restaurant space surrounding the Central Station MAX stop, with additional residential development underway. The most prominent new rental development was Central Point Apartments, with 55 residences above 8,500 square feet of retail space, with monthly rents ranging from \$575 to \$1,283 for studios to three bedroom units. However, new owners are converting the entire property to market-rate condominiums. In terms of owner-occupied housing, the 24-unit Beranger Condominiums opened recently and currently has six sales pending. Asking prices for the remaining 18 available units range from \$182,000 to \$330,000, or \$237/SF to \$284/SF. Financing incentives designed to spur development near the MAX station included ten year tax abatements and reduced land costs.

In Milwaukie, North Main Village opened in winter 2007 and offers 33 owner-occupied units, 64 apartments, all of which are income restricted and 9,000 square feet of retail and restaurant space. Since sales began about two years ago, all 20 available condominium units sold, with sales prices from \$215,000 to \$250,000, or \$222/SF to \$239/SF. Ten of the 13 available townhouse units sold, with prices of \$268,900 to \$345,000, or \$168/SF to \$182/SF. Townhouses are live/work units with office or retail space on the main floor which owners can rent if they choose not to use it themselves. Forty percent (40%) tax abatements were available for ten years for townhouse units.

In addition to these specific examples of successful high density housing in metro Portland downtowns, a 2001 summary of research on proximity to rail and property values supports the case for transit developments in Portland. Parsons Brinkerhoff's *The Effect of Rail Transit on Property Values* reviewed four studies of homes near MAX stations on Portland's east side conducted from 1993 to 1999. All found a positive correlation between home prices/values and proximity to rail stations. The most recent study found that the largest difference was a \$2,300 change in home values occurring between the housing at the station and housing 200 feet away.

# RESIDENTIAL DEMAND POTENTIAL

Statistical demand analyses were performed for the Lents Residential Market Area to estimate the potential market depth for market rate and affordable for-sale and rental product. The two main sources of demand for housing are new household growth and existing households in turnover. New households and households turning over are qualified by income and propensity to rent or own. Households in turnover are also qualified by 'lifestyle' characteristics to account for the share of Market Area households who would be most interested in the Lents Town Center Area's higher density, transit-oriented setting. The analyses use the average annual increase in population beginning with the 2008 estimated household base and the projected 2008-2013 average annual increase in new households.

In estimating demand for for-sale product, affordable units are defined as households with incomes between 50% and 100% of Portland's Family Median Income (FMI) established by the US Department of Housing and Urban Development (HUD) and the Portland Development Commission.<sup>1</sup> Households with incomes below 50% of FMI are unlikely to have sufficient income to qualify for home ownership without significant subsidies. Potential owners of market rate for-sale product include households with incomes of \$45,000 and higher.

**Exhibit 4.1**  
**2007 MAXIMUM INCOME LIMITS BY HOUSEHOLD SIZE**  
**Portland-Vancouver-Beaverton MSA**  
**Family Median Income = \$63,800**

Annual Income	Efficiency:					
	1 Person					
	1 Bedroom: 1.5 Persons		2 Bedrooms: 3 Persons		3 Bedrooms: 4.5 Persons	
4 Bedrooms: 6 Persons						
Household Size						
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
30% of FMI	\$14,250	\$16,300	\$18,350	\$20,350	\$22,000	\$23,650
50% of FMI	\$23,750	\$27,150	\$30,550	\$33,950	\$36,650	\$39,400
60% FMI	\$28,500	\$32,600	\$36,650	\$40,750	\$44,000	\$47,250
100% of FMI*	\$46,850	\$53,500	\$60,200	\$66,900	\$72,250	\$77,600

\* Based on the 2006 Median Family Income (MFI) of \$66,900, which is used to determine eligibility for City of Portland projects that do not receive federal funds.

Sources: Department of Housing and Urban Development and Portland Development Commission

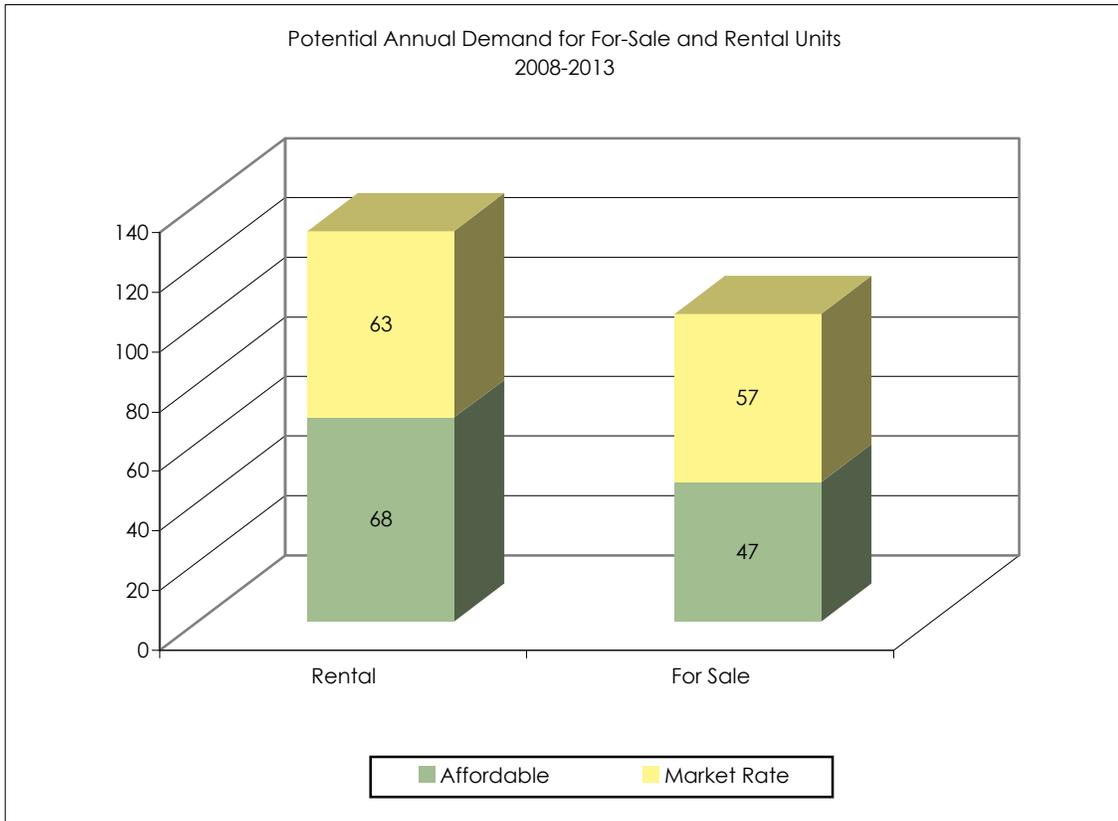
Potential demand estimates for affordable rental product include households with incomes at or below 60% of the FMI. A large share of public subsidies to support affordable rental housing such as the Section 8 program and Low Income Housing

<sup>1</sup> The City of Portland relies on the 2006 Family Median Income (FMI) for some of its programs that do not receive federal funds, including tax abatement programs. Therefore, some city-funded projects use a FMI of \$66,900 (2006) for a four-person household rather than \$63,800 (HUD's 2007 MFI). Accordingly, demand estimates provided in this research are based on a FMI of \$66,900 for a four-person household.

Tax Credit (LIHTC) program target households with incomes below 60% of FMI. Potential renters of market rate units are defined as households with incomes above 60% of FMI, up to \$70,000. Adjustments for income overlap are accounted for in both the for-sale and rental demand analyses. Even though these analyses use finite numbers, their end result (i.e., potential market capture) should be interpreted as an approximation of market depth that is balanced with the results of an analysis of the competitive supply. Exhibits 4.2 and 4.3 depict the methodology.

Based on an evaluation of the surrounding housing market, planned and proposed physical improvements in the Lents Town Center Area, the potential to integrate a variety of uses within and adjacent to new housing development, we estimate that over the next five years, approximately 516 affordable and market rate for-sale units and 655 affordable and market rate rental units could be absorbed in the Lents Town Center Area. This level of demand reflects a potential capture of 3% of total Market Area demand for affordable and market rate for-sale housing and 2% of demand for affordable and market rate rental housing within the 2008-2013 period.

Combined, there is potential demand for 1,171 for-sale and rental housing units in the Lents Town Center Area between 2008 and 2013 (234 on an average annual basis), 44% ownership and 56% rental. Actual demand will depend on the amount of land available for development, the quality of mixed-use/residential development and the overall built environment, services and amenities and related factors.



<b>Exhibit 4.2</b> <b>POTENTIAL ANNUAL DEMAND ANALYSIS FOR OWNER UNITS</b> <b>Residential Market Area and Lents Town Center Area</b> <b>2008-2013</b>		
New Household Demand		
	50% to 100% FMI	Market Rate
Annual New Households (1)	1,066	1,066
Owner Propensity (2)	66%	66%
Number	704	704
Income Qualified (3)	34%	51%
Number	239	359
Lents Town Center Area Capture	3.0%	3.0%
Subtotal	7	11
Annual New Household Demand	18	
Demand from Turnover		
	50% to 100% FMI	Market Rate
Total Households (1)	189,579	189,579
Owner Propensity (4)	61%	61%
Number	115,643	115,643
Income Qualified (5)	38%	44%
Number	43,944	50,883
Turnover Rate (6)	10%	10%
Number	4,394	5,088
Target Market Adjustment (7)	30%	30%
Number	1,318	1,526
Lents Town Center Area Capture	3.0%	3.0%
Subtotal	40	46
Annual Demand from Turnover	85	
<b>TOTAL ANNUAL DEMAND</b>	<b>103</b>	

1. ESRI BIS
2. Estimated proportion of housing units that are owner occupied in the Portland/Vancouver MSA.
3. Estimated proportion of MSA households with annual incomes between \$23,750 and \$77,600 for "50% to 100% FMI" units and above \$45,000 for "Market Rate" units. Adjusted for overlap.
4. Estimated proportion of Market Area housing units that are owner occupied.
5. Estimated proportion of Market Area households with annual incomes between \$23,750 and \$77,600 for "50% to 100% FMI" units and above \$45,000 for "Market Rate" units. Adjusted for overlap.
6. Estimate of the proportion of owner households that turnover within a 12 month period.
7. Based on Tapestry data, estimated proportion of existing Market Area households who would prefer to live in a more urban than suburban setting.

Sources: Marketek, Inc.; Census 2000; ESRI BIS;

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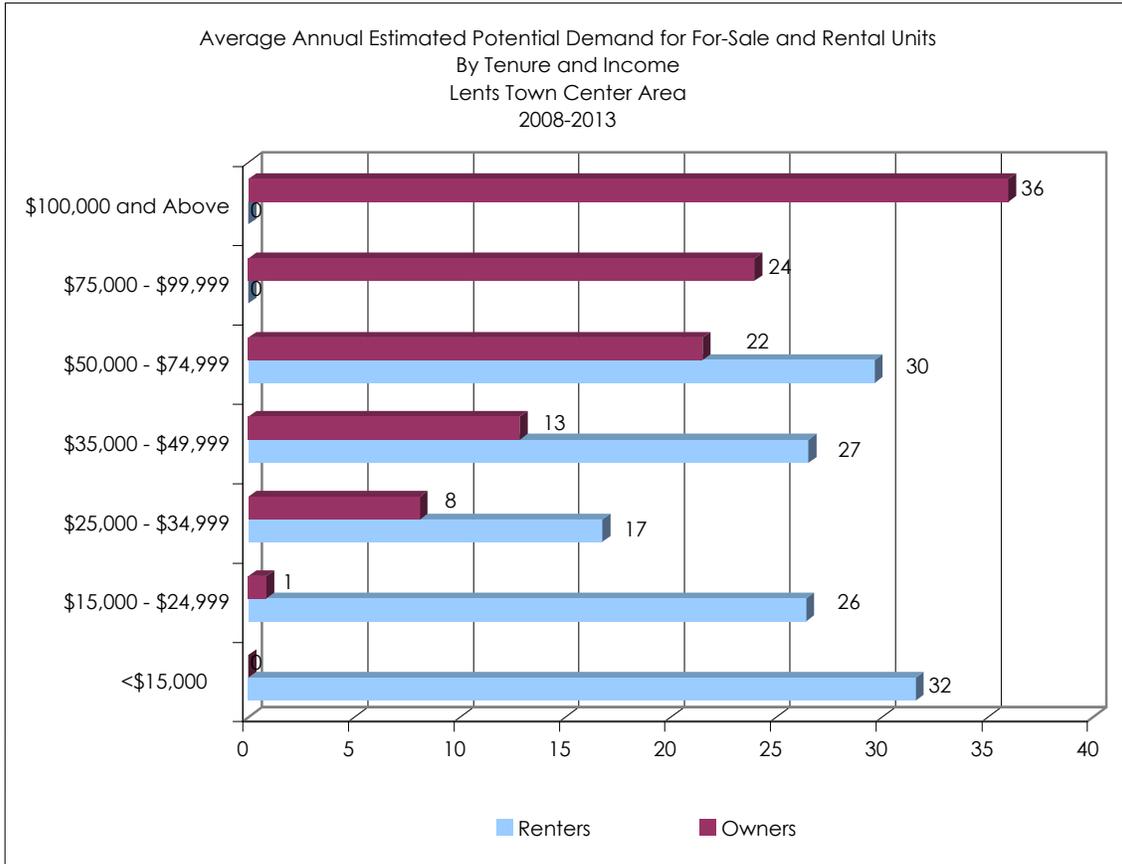
<b>Exhibit 4.3</b> <b>POTENTIAL ANNUAL DEMAND ANALYSIS FOR RENTER UNITS</b> <b>Residential Market Area and Lents Town Center Area</b> <b>2008-2013</b>		
New Household Demand		
	Up to 60% FMI	Market Rate
Annual New Households (1)	1,066	1,066
Renter Propensity (2)	34%	34%
Number	362	362
Income Qualified (3)	28%	29%
Number	101	105
Lents Town Center Area Capture	2.0%	2.0%
Subtotal	2	2
Annual New Household Demand	4	
Demand from Turnover		
	Up to 60% FMI	Market Rate
Total Households (1)	189,579	189,579
Renter Propensity (4)	39%	39%
Number	73,936	73,936
Income Qualified (5)	34%	31%
Number	25,138	22,920
Turnover Rate (6)	44%	44%
Number	11,061	10,085
Target Market Adjustment (7)	30%	30%
Number	3,318	3,025
Lents Town Center Area Capture	2.0%	2.0%
Subtotal	66	61
Annual Demand from Turnover	127	
<b>TOTAL ANNUAL DEMAND</b>	<b>131</b>	

1. ESRI BIS
2. Estimated proportion of housing units that are renter occupied in the Portland/Vancouver MSA.
3. Estimated proportion of MSA households with annual incomes less than \$47,250 for "Up to 60% FMI" units; between \$28,500 and \$70,000 for "Market Rate" units. Adjusted for overlap.
4. Estimated proportion of Market Area housing units that are renter occupied.
5. Estimated proportion of Market Area households with annual incomes less than \$47,300 for "Up to 60% FMI" units; between \$28,500 and \$70,000 for "Market Rate" units. Adjusted for overlap.
6. Estimate of the proportion of renter households that turnover within a 12 month period.
7. Based on Tapestry data, estimated proportion of existing Market Area households who would prefer

Sources: Marketek, Inc.; Census 2000; ESRI BIS;

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The following chart distributes potential estimated demand for for-sale and rental units by household income. As mentioned earlier, demand estimates are an approximation of market depth. While there will be some households that fall outside of the model (e.g., renters with household incomes above \$70,000), for the most part, the chart below shows how potential demand is distributed among various income groups.



## CONCLUSIONS AND RECOMMENDATIONS

Lents has the potential to offer many of the attractive qualities found in Portland's established neighborhoods and become the next 'up and coming' location for Portlanders seeking an alternative, affordable place to settle. The small scale is conducive to walking, biking, and neighbor to neighbor interactions. The small established commercial center, the introduction of the MAX green line and the central eastside location are integral to the urban, but authentic character Lents Town Center has to offer. Lents' ability to maintain the small, neighborhood feel while being a part of the city already is and will continue to be appealing to many demographics. The proximity to a number of schools and parks is also highly appealing to families. The proximity to public transportation and services benefits those who cannot or choose not to drive a car and will help working residents access employment opportunities throughout Portland. The introduction of new housing facing the street, creating a consistent pedestrian infrastructure, and maintaining the scale and character of the existing neighborhood are all elements that can make Lents a model for neighborhood revitalization.

Affordably priced for-sale and rental workforce housing will help to create an authentic, vibrant and sustainable Town Center Area. Workforce housing generally refers to housing that is affordable to moderate-income households whose income is too high to qualify for most forms of government assistance, yet too low to afford adequate housing close to employment centers.

Thriving mixed-income communities are those where lower and higher priced homes blend seamlessly. An overarching key to the success of future housing in the Lents Town Center will be developing unique, high quality product that currently does not exist in the area. Excellent design with desirable urban amenities (e.g., high ceilings, large windows, unique, small spaces), will enable some higher price points, encourage better competitive developments and improve the perception of Lents throughout Portland area.

### Competitive Assessment

A synopsis of key residential development opportunities and challenges for Lents is provided in the table below.

Residential Development	
Assets/Opportunities	Issues
Regional accessibility—interstate, surface streets and future transit offers great residential appeal	Despite improved sense of security and lower crime, lingering negative perceptions of the neighborhood impact appeal and drawing power
Mixed-income housing can be supported and is highly desired. Town Center has potential to attract diverse markets—young professionals, couples, seniors, area employees, ethnic households	Lents Town Center is an 'unproven' market for the quality product and mix of units/prices anticipated for future development

## Residential Development (continued)

Assets/Opportunities	Issues
Potential Town Center housing projects (at New Copper Penny & Little League sites) can be catalytic for other quality high density projects	Service, shopping, open space and other amenities/infrastructure need to accompany residential expansion
Good housing values w/in metro area—single family homes are going from \$190s to \$220s or \$230s at top; 1 <sup>st</sup> time homebuyers are a fast-growing market; Lents seen as 'up and coming'; real estate appreciation among top in metro Portland; more realtors promoting Lents	Quality of many recent multi-family projects—particularly east of I-205— is inferior in part leading to low sales/rent prices
Ethnic groups are distributed throughout the neighborhood and not clustered together; diversity of home buyers is increasing; unique Lents attribute	Hispanic/E. European households put yard/garden space as priority in housing choice; less interested in high density development
Multiple housing boosters/partners--PDC, HOST, ROSE, REACH and even some private investors are actively promoting home ownership, home improvement and affordable housing. Homebuying Fair in April reaches hundreds of prospects	Affordable housing remains a critical need based upon rental occupancies, market area incomes and housing prices. Yet market rate units needed to help demonstrate Lents' economic viability and balance the housing mix
Numerous recent mid-rise and/or townhome projects set the stage for similar development in Town Center	Lack of distinctive neighborhood/community identity will challenge Lents' marketing efforts
Neighborhood actively engaged; supports amenities such as park; working on ongoing clean-up, community events	Neighborhood character, housing quality and potential outside I-205 viewed as 'uncertain' by many buyers/realtors; flood plain issues are concern; street paving projects are improving perceptions
Land constraints have the potential to foster compact, small town atmosphere; higher density projects are being seamlessly assimilated	Land availability will limit absorption of demand; Rezoning may be needed for future high density development
Diversity of existing housing types (bungalow, craftsman, ranch, single family, townhome) expand opportunities for variety of new development	Condition of streets, sidewalks and curbs (or lack thereof) provide very uneven neighborhood feel. Lack of consistent pedestrian infrastructure discourages mobility to elderly and disabled and opportunities for children to play

## Residential Program

As earlier noted, the key to implementing a successful housing program in the Lents Town Center Area will be to ensure that new housing developed is offered at a full range of price points. In doing so, existing residents will have the opportunity to secure new housing without having to leave the community and new residents with varying incomes will be attracted to the Town Center Area.

Based on recent home sales in and close to Lents Town Center, opening price points of market rate condominium/upper story loft units should range from \$130,000-\$190,000 with townhouses priced from \$170,000-\$210,000. Opening price points for single family detached infill housing in or near the Town Center should range from \$230,000-\$270,000. Smaller, more affordable units will appeal to first time homebuyers while larger, more expensive units will appeal to move-up or move-over buyers. Homebuyers with incomes between 50% and 100% of FMI will be able to qualify for programs (e.g., down payment assistance) to fill the gap between what they can afford and market prices. Although there is likely demand for units priced above \$240,000, it is our opinion that in this market when unit prices rise above this level – particularly in the early phase of redevelopment – demand will begin to thin out.

While there is limited existing comparable rental product in the area (newly developed, higher density, transit-oriented, amenity rich projects), rents at nearby market rate projects suggest that market rents in the range of \$750 to \$850 for a two-bedroom unit would be achievable in the Lents Town Center Area. These rents assume the apartment communities would offer a unique architectural style, developed in a mixed-use setting and have amenities far beyond those at most projects in the area. Larger units (three- and four-bedroom) should be included in new rental communities to accommodate demand from large families in the area. Rents for affordable units will be set at fair market rents established for the area.

Live/work units should be included in the Lents housing program to accommodate growing numbers of people who are seeking larger than average space that is adaptable to living and working. The concept of live/work housing is gaining momentum as more people are choosing to work from home. Live/work units range from smaller (1,000 square feet) open floor plans with exposed structural features and curtains/low walls to separate living/working space to higher end commercial first floor space (retail, office, service, technology-based) with upper level (one or two floors) living areas accessed by a separate entrance.

The table on the following page provides a generalized summary of primary target markets for market rate residential development. Early residents of newly developed market rate housing in the Lents Town Center Area are likely to be relatively mobile, well educated, active and somewhat adventuresome. Prospective residents will primarily include singles and couples with few or no children, intergenerational families already living nearby and employees who work nearby or commute on MAX. Unit/project design should vary depending on target market lifestyles. For instance, young singles who spend little time at home will be happy with smaller units but large bedrooms while families with grandparents also living with them will require additional, but perhaps smaller, bedrooms.

<b>Exhibit 4.4</b> <b>PRIMARY TARGET MARKET CHARACTERISTICS FOR NEWLY DEVELOPED HOUSING</b> <b>Lents Town Center Area</b>			
	For-Sale Product	Rental Product	Live/Work Units For-Sale and Rental
<b>Target Market</b> <b>Age</b> <b>Household Size</b> <b>Income</b> <b>Approximate Price Point</b> <b>Motivations/Preferences</b>	<b>Entry-Level Professionals</b> 25 to 35 Singles/couples, few with children \$40,000-\$70,000 \$130,000-\$200,000 Access to work/MAX/downtown Value unique/international identity Tired of rentals/first time buyer Investment and resale key Urban lifestyle without high price tag Seek vibrant, mixed-use setting Relatively mobile	<b>Low-Moderate Income Workers</b> 20 to 60 Varies Below \$40,000 Established Fair Market Rent Access to work/MAX/friends/family Not ready for home ownership May require larger units for kids Highly Mobile	<b>Creatives/Professionals</b> 25+ Singles/couples, few with children \$30,000+ \$140,000+ Buy/\$750+ Rent Seek urban/international lifestyle Require large adaptable spaces Access to suppliers, customers Creative community Lofts and one- and two-bedroom Relatively mobile
<b>Target Market</b> <b>Age</b> <b>Household Size</b> <b>Income</b> <b>Approximate Price Point</b> <b>Motivations/Preferences</b>	<b>Mid-Level Professionals</b> 30 to 50 Singles/couples, few with children \$70,000+ \$200,000-\$300,000 Access to work/downtown/MAX Move-up or move-over buyer Seek vibrant, mixed-use setting Value authenticity/community Investment and resale important Relatively mobile	<b>Entry- to Mid-Level Professionals</b> 25 to 50 Singles/couples, few with children \$38,000+ \$700-\$800 Alone/\$800-\$900 Roommate Access to work/downtown/MAX Seek vibrant, mixed-use setting Location with unique identity Enjoy flexibility of renting Demand expanded amenities Relatively mobile	<b>Professionals</b> More traditional fields of accounting/finance, IT, education, law, logistics, import/export, various types of consulting  <b>Creative</b> Advertising, marketing, film & music, software developers, inventors, photographers, designers, clothing design, furniture design
<b>Target Market</b> <b>Age</b> <b>Household Size</b> <b>Income</b> <b>Approximate Price Point</b> <b>Motivations/Preferences</b>	<b>Ethnic Families</b> Varies Families/extended families \$45,000+ \$130,000-\$220,000 (some with assistance) Space for larger families/large kitchen Tired of rentals/first time buyer Proximity to similar ethnic groups Investment and resale key Value access to work/activities/transit Relatively settled	<b>Ethnic Families</b> Varies Families/extended families \$25,000-\$45,000 or available equity \$550-\$850 (some units subsidized) Space for larger families/relatives Walk to businesses/services Close to transit Security key Proximity to similar ethnic groups May have intergenerational mix Relatively mobile	

### Critical Success Factors

While the immediate potential for housing development in the Lents Town Center Area appears favorable, several key factors should be considered for the long-term success of new housing development.

<b>Identity/ Market Position</b>	An important part of creating an exciting community where people will want to live is developing an identity specific to the Lents Town Center Area to which <u>all</u> development conforms (type, design, density, location, etc.) and continuously monitoring the identity so the vision remains intact. New residents will essentially be 'signing on' to a specific lifestyle/image. For instance, the area's ethnic niche, its relation to transit and the diversity of residents (age, income, ethnicity) are all qualities that should be preserved and promoted throughout the redevelopment process. A key marketing message for all future Town Center development is: " <i>Transit-oriented shopping and entertainment district influenced by and appealing to multiple cultures.</i> " This concept is explored further in the retail market analysis as well as the Lents Landmark Study for the property under I-205.
<b>Parking</b>	Experience in other communities has shown that many prospective residents see a possible lack of parking as a disadvantage of high density, mixed-use living. While secured, convenient parking will be a requirement for new housing, it is important that it is well designed and integrated into the community (e.g., underground parking, landscaped surface parking hidden from the street, etc.). Access to transit and living within walking distance to a variety of services and amenities will, to some extent, reduce resident parking demand. In fact, higher density development decreases resident vehicle miles traveled by 38% (National Personal Transportation Survey). But a multifaceted parking strategy that includes approaches such as shared parking is needed to satisfy resident demand.
<b>Expanded Options</b>	More and more, consumers are demanding authenticity in their purchases, in their activities and in the communities in which they choose to live. New housing development in the Town Center Area should appeal to a variety of income and age groups, helping to create a "real" community. Successful large-scale urban redevelopment projects typically incorporate different housing options in terms of tenure, price, design, etc. In doing so, the marketability of new housing will be vastly expanded, drawing families, young professionals, retirees, among others. It is this mix of residents that separates vibrant urban areas from homogenous suburban communities. While there has recently been new housing developed in the Lents area that targets low- to moderate-income households, new housing can be thoughtfully designed and marketed to minimize distinctions between market rate and affordable product. Furthermore, access to transit is ideally suited for low- to moderate-income residents – many of whom may not have a car.
<b>Safety</b>	The perception of crime in the Lents Town Center Area may be an issue in attracting initial residents from out of the neighborhood. New housing should include security features such as alarm systems, controlled access to parking and interior areas, exterior lighting, intercoms, illumination of all areas where residents circulate and design features that discourage crime. Housing units that are elevated above retail and parking offer 24/7 activity, fostering a sense of security. While ample security features are a prime marketing asset, it is vitally important that they are not so overwhelming that they create a feeling of fortification between the development and the surrounding community.
<b>Density</b>	A large share of new residential development in the Lents Town Center Area will be higher density. High density housing will not only contribute to MAX ridership, but is less land intensive, encourages community interaction and will support new retail development by proving a built-in market. There is often concern of the impact of high-density residential development on surrounding lower density areas. Research by the National Association of Homebuilders has shown that well-designed and well-placed higher density housing can actually boost homes values of nearby lower density areas. One possible explanation is that new apartment development can be an indication that an area is economically viable, particularly when developed within a mixed-use setting.
<b>Livability</b>	Significant challenges to ensuring a high quality of life are not only economic but also environmental. Environmental issues relate to public image, safety, parking, traffic flow, design and architecture, street life and creating a sense of community. The public realm – public spaces, concerts, outdoor markets, art exhibits, community events – should continue to be carefully planned as an integral part of attracting high quality development to the Lents Town Center.

## APPENDIX A

### Persons Interviewed

Don Hanna, Jr. Hanna Realty  
Debbie Banzerholland, Windermere Real Estate  
Nick Sauvie, Rose Community Development  
Sue Wiswell, Rose Community Development  
Amie Diffenauer, Rose Community Development  
Kristina Lake, Meadows Group Realtors  
Troy Wilkerson, Exit Realty Advantage  
Doug Foley, Keller Williams Property  
Ted Gilbert, Gilbert Brothers  
Gradine Storms, Remax  
Debra Johnson, HOST  
Kari Fuge, Cascade Management, Inc.  
Bill Mitchell Mitchell Realty  
Jason Gill, Hasson Realty  
Judy Carnahan, The Wyckoff Group, Ltd.  
Micah Nowack, Haskins Realty  
Drew McCulloch, Realty Trust Group