

# HISTORIC ALBINA ADVISORY BOARD

**MEETING 34**

*October 8, 2024*



# WELCOME!

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This meeting includes live captioning.



Please mute when you are not speaking.



When calling in by phone, mute your computer speakers to prevent feedback.



Board chat is part of the meeting summary.



Experiencing technical difficulties? Call 503-479-8674.

# AGENDA

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- ▶ Welcome/Introductions/Meeting Overview
- ▶ Public Comment
- ▶ Project Updates
- ▶ Introduction to ECO Work
- ▶ Preliminary Economic Analysis for Cover Development: The Findings
- ▶ City Updates
- ▶ Next Steps and Adjourn

# 7 PRINCIPLES OF AGREEMENT

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1. Your voice matters
2. Be authentic and genuine
3. Listen for understanding
4. Deal with issues, not with people
5. Experience discomfort
6. Remain respectfully engaged
7. Expect & accept non-closure

# PUBLIC COMMENT

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- ▶ Focus comments on today's meeting topics
- ▶ Speakers have up to 2 minutes to comment
- ▶ To provide more extensive comments reference page 1 of your agenda

To provide comments

**Call:** 971-247-1195

**Meeting ID:** 821 9556 3505

**Passcode:** 750017

1. Dial \*9 to raise your hand
2. After you are invited to speak, dial \*6 to unmute

# PROJECT UPDATES



# INTRODUCTION TO ECO WORK



# ECONOMIC FEASIBILITY FOR COVER DEVELOPMENT





# ECO'S SCOPE OF WORK

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## ▶ Develop Inputs for Cost Analysis

- » Use HAAB feedback to explore **five uses** for cover development
- » At least one use will be open space

## ▶ Conduct Cost Analysis

- » Create **proforma** and test how uses perform
- » **Estimate costs** for construction and operations

# ENGAGEMENT RECAP

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- ▶ HAAB engagement
- ▶ Interviews
- ▶ Some discussions with ODOT, City and AVT

# SUMMARY - KEY TAKEAWAYS

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- ▶ Range of uncertainty about assumptions, particularly governance structure, that will impact the results
- ▶ Construction post-completion of the cover adds complication, but may not increase the cost
- ▶ Ground lease structure reduces the need for up front capital, impacts ongoing operating cost
- ▶ Below market rents for community serving benefit and wealth building requires additional equity and/or philanthropy up front, and/or ongoing annual support

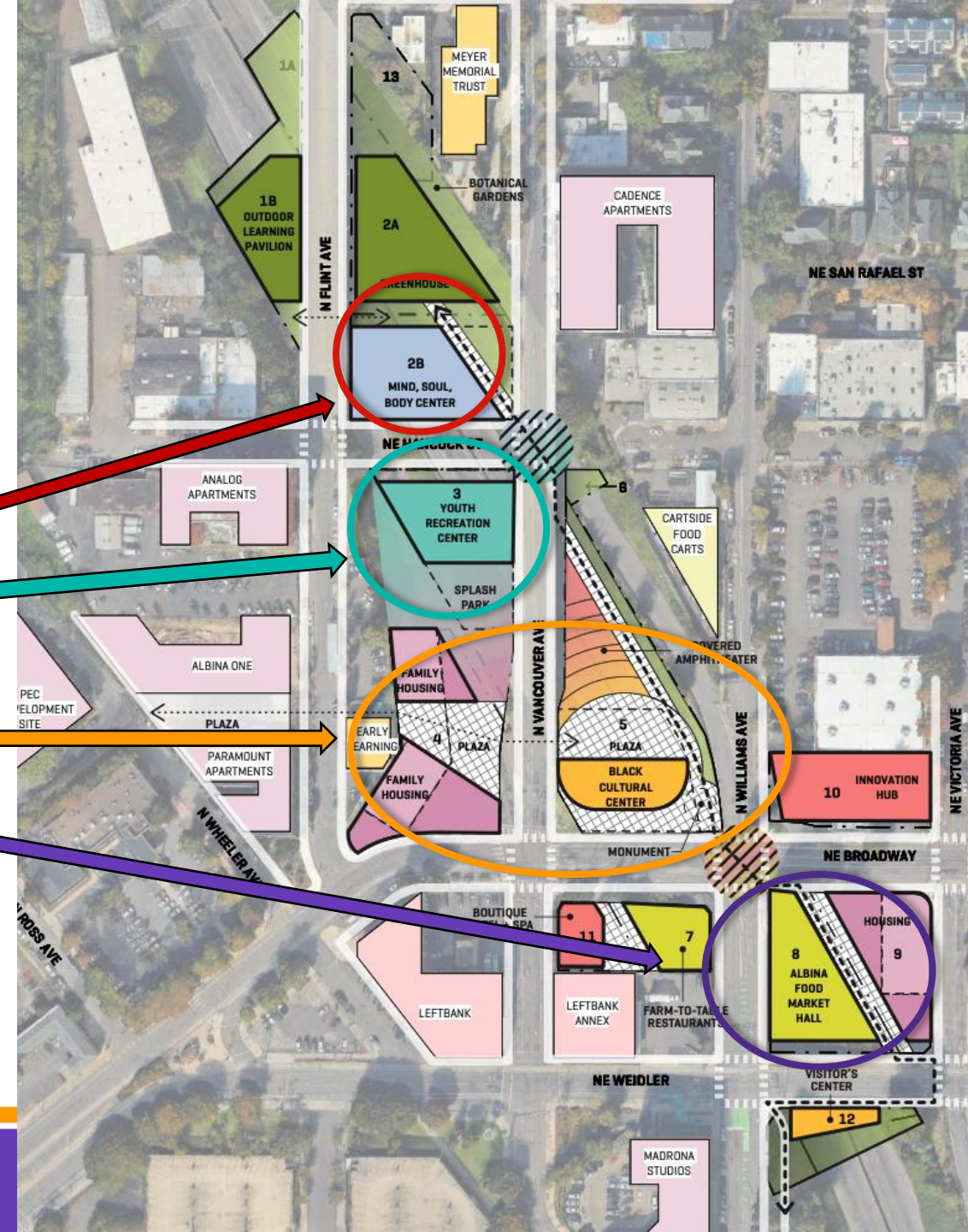
# SUMMARY - NEXT STEPS

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- ▶ Important to explore partnership opportunities among private sector, community, public sector, and philanthropy
- ▶ Need to determine short- and long-term open space design and programming
- ▶ Refine program, governance, relationships, and design for cover development

# USE CASES

- ▶ Chose five uses / sites from concept planning
  - » Mind, Soul, Body Center (Parcel 2B)
  - » Youth Recreation Center (Parcel 3)
  - » Plaza / Amphitheater (Parcels 4/5)
    - Programmed and basic open space
  - » Albina Food Market Hall (Parcel 8)



# USE CASES

## ► Range of financial feasibility frameworks by programmed use

### Construction and Operating

- Albina Food Market Hall
- Mind, Soul, Body Center

### Partial Operating Recovery

- Youth Recreation Center
- Programmed open space

### No Cost Recovery

- Basic open space

# FINANCIAL FEASIBILITY

- ▶ Compares development feasibility across scenarios using a pro forma analysis
- ▶ Provides an estimate of project cost and how much equity/philanthropy is needed given the debt that rents can support

## Building Program Information

- Site, building area, use

## Development Costs

- Hard costs (labor & materials)
- Soft costs (permit fees & interest)

## Valuation Metrics

- Market debt (interest rate, debt service coverage ratio)

## Revenues

- Operating costs
- Rent

# FINANCIAL FEASIBILITY

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- ▶ Many TBDs - "known knowns, known unknowns, unknown unknowns"
  - » Programmed uses
  - » Ground lease cost
  - » Governance structure for open space
  - » Below market rent for community serving and wealth generating programming



# GROUND LEASE

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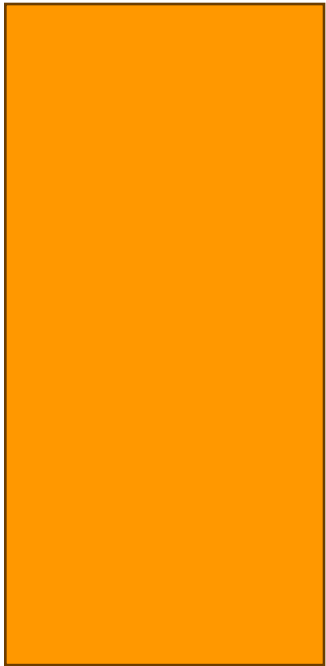
- ▶ “Fair market value” assumed as part of the modeling
- ▶ Valuing the land is challenging
- ▶ Duration of the lease impacts ability to secure capital
- ▶ Structure of the lease
  - » Percent of value per year with escalations
  - » Pre-payment

# OPERATING AND MAINTAINING OPEN SPACE

- ▶ Interviews and research
  - » Discussions with Portland Parks and Recreation
  - » Review Pioneer Courthouse Square data
- ▶ Governance structure unknown
  - » Public vs. private spaces
  - » Enhanced Services District, Business Improvement District, Local Improvement District
  - » Common Area Maintenance charges
  - » Other revenue sources

# CAPITAL COST AND OPERATING INCOME

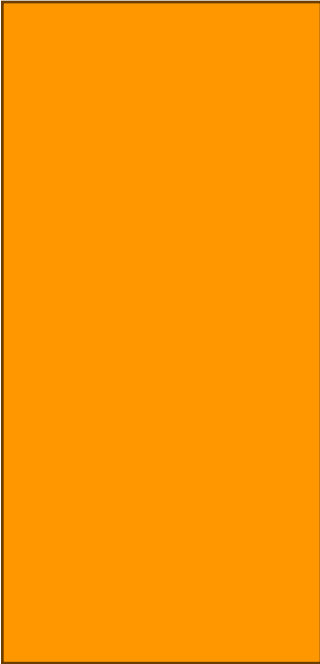
Rent required to  
support market  
rate debt



# CAPITAL COST AND OPERATING INCOME

Rent required to support market rate debt

Achievable Market rent

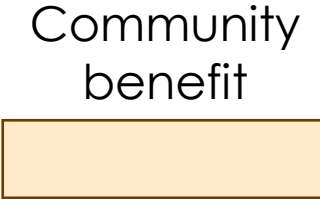
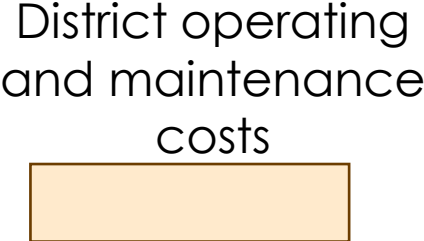
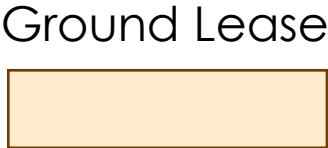
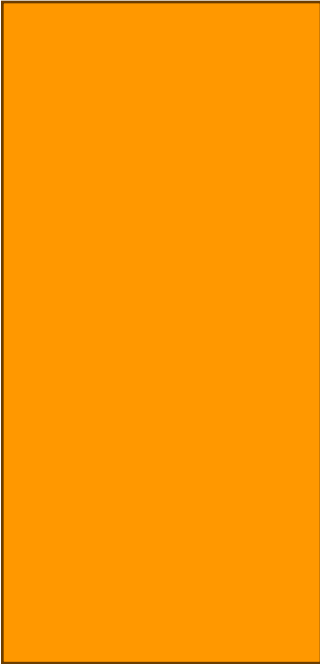


Reduced Revenue

# CAPITAL COST AND OPERATING INCOME

Rent required to support market rate debt

Achievable Market rent



Feasibility Gap

# CAPITAL STACK

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- ▶ Debt Scenarios
  - » Current debt market (Challenging market conditions)
  - » Improved market conditions (Where the market is heading)
  
- ▶ Equity and Philanthropy
  - » How much equity and/or philanthropy is needed to contribute to the project
  - » Equity is assumed to get a return and philanthropy is assumed to be a grant, not a social equity partner with return expectations

# ADDITIONAL ASSUMPTIONS ACROSS USES

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- ▶ Program maximize development potential on cover
- ▶ No on-site parking
- ▶ No profit requirement modeled for building owner
  - » Included a fee for development
- ▶ Market rate debt

# ASSUMPTIONS – ALBINA FOOD MARKET HALL

- ▶ Building program
  - » (3) stories
  - » 49,100 square feet – assumed 2/3 of area was leasable
- ▶ Development costs
  - » \$350 per sf plus \$100 per sf Tenant Improvements
  - » 25% soft costs, 5% contingency, 5% developer fee
  - » \$28 million total development costs
- ▶ Operating costs
  - » Triple net rent = costs to maintain the building paid by tenants



# RESULTS – ALBINA FOOD MARKET HALL

|   | Rent (psf)  | Debt                          | Equity/<br>Philanthropy      | Operating<br>subsidy<br>(per year) |
|---|-------------|-------------------------------|------------------------------|------------------------------------|
| Rent required to support debt (current market)                      | \$62        | \$20 million<br>(70%)         | \$8 million<br>(30%)         | N/A                                |
| Rent required to support debt (improved market)                     | \$51        | \$20 million<br>(70%)         | \$8 million<br>(30%)         | N/A                                |
| <b>Achievable market rent<br/>(what businesses can pay)</b>         | <b>\$50</b> | <b>\$19 million<br/>(69%)</b> | <b>\$9 million<br/>(31%)</b> | <b>N/A</b>                         |
| Community benefit<br>(blended lease rate to support new businesses) | \$33        | \$12 million<br>(44%)         | \$16 million<br>(56%)        | N/A                                |

# ASSUMPTIONS – MIND, SOUL, BODY CENTER

- ▶ Building program
  - » (3) stories
  - » 62,700 square feet
- ▶ Development costs
  - » \$350 per sf plus \$200 per sf Tenant Improvements
  - » 25% soft costs, 5% contingency, 5% developer fee
  - » \$43 million total development costs
- ▶ Operating costs
  - » Triple net rent = costs to maintain the building paid by tenants

# RESULTS – MIND, SOUL, BODY CENTER

|   | Rent (psf)  | Debt                          | Equity/<br>Philanthropy       | Operating<br>subsidy<br>(per year) |
|---|-------------|-------------------------------|-------------------------------|------------------------------------|
| Rent required to support debt (current market)                      | \$49        | \$30 million<br>(70%)         | \$13 million<br>(30%)         | N/A                                |
| Rent required to support debt (improved market)                     | \$39        | \$30 million<br>(70%)         | \$13 million<br>(30%)         | N/A                                |
| <b>Achievable market rent<br/>(what businesses can pay)</b>         | <b>\$35</b> | <b>\$27 million<br/>(62%)</b> | <b>\$16 million<br/>(28%)</b> | <b>N/A</b>                         |
| Community benefit<br>(blended lease rate to support new businesses) | \$25        | \$19 million<br>(44%)         | \$24 million<br>(56%)         | N/A                                |

# ASSUMPTIONS – YOUTH RECREATION CENTER

- ▶ Building program
  - » (3) stories
  - » 46,800 square feet
- ▶ Development costs
  - » \$410 per sf plus \$75 per sf Tenant Improvements
  - » 25% soft costs, 5% contingency, 5% developer fee
  - » \$30 million total development costs
- ▶ Operating costs
  - » \$20 per sf (including personnel, materials, and supplies)

# RESULTS – YOUTH RECREATION CENTER

|   | Rent (psf)  | Debt                        | Equity/<br>Philanthropy        | Operating<br>subsidy<br>(per year) |
|---|-------------|-----------------------------|--------------------------------|------------------------------------|
| Rent required to support debt (current market)          | \$66        | \$21 million<br>(70%)       | \$9 million<br>(30%)           | N/A                                |
| Rent required to support debt (improved market)         | \$57        | \$21 million<br>(70%)       | \$9 million<br>(30%)           | N/A                                |
| <b>Achievable market rent<br/>(what can be charged)</b> | <b>\$10</b> | <b>\$0 million<br/>(0%)</b> | <b>\$30 million<br/>(100%)</b> | <b>\$600,000</b>                   |

# ASSUMPTIONS – PROGRAMMED OPEN SPACE

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- ▶ Building program
  - » 40,000 square feet
- ▶ Development costs
  - » \$200 per sf
  - » 25% soft costs, 5% contingency, 5% developer fee
  - » \$11 million total development costs
- ▶ Operating costs
  - » \$60 per sf (including janitorial, security, events administration)

# RESULTS – PROGRAMMED OPEN SPACE

|   | Rent (psf)  | Debt                        | Equity/<br>Philanthropy        | Operating<br>subsidy<br>(per year) |
|---|-------------|-----------------------------|--------------------------------|------------------------------------|
| Rent required to support debt (current market)          | \$84        | \$8 million<br>(70%)        | \$3 million<br>(30%)           | N/A                                |
| Rent required to support debt (improved market)         | \$80        | \$8 million<br>(70%)        | \$3 million<br>(30%)           | N/A                                |
| <b>Achievable market rent<br/>(what can be charged)</b> | <b>\$20</b> | <b>\$0 million<br/>(0%)</b> | <b>\$11 million<br/>(100%)</b> | <b>\$1.8 million</b>               |

# ASSUMPTIONS – BASIC OPEN SPACE

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- ▶ Building program
  - » 40,000 square feet
- ▶ Development costs
  - » \$175 per sf
  - » 25% soft costs, 5% contingency, 5% developer fee
  - » \$9 million total development costs
- ▶ Operating costs
  - » \$7.50 per sf (including janitorial, security)



# RESULTS – BASIC OPEN SPACE

|   | Rent (psf) | Debt                        | Equity/<br>Philanthropy       | Operating<br>subsidy<br>(per year) |
|---|------------|-----------------------------|-------------------------------|------------------------------------|
| Rent required to support debt (current market)  | \$35       | \$7 million<br>(70%)        | \$2 million<br>(30%)          | N/A                                |
| Rent required to support debt (improved market) | \$32       | \$7 million<br>(70%)        | \$2 million<br>(30%)          | N/A                                |
| <b>Achievable market rent</b>                   | <b>\$0</b> | <b>\$0 million<br/>(0%)</b> | <b>\$9 million<br/>(100%)</b> | <b>\$300,000</b>                   |

# SUMMARY FINDINGS

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- ▶ Market revenue generating uses fall in a range of financial feasibility with improved macro market conditions
- ▶ The structure of the ground lease and the governance framework will impact the amount of equity and philanthropy required to achieve feasibility
- ▶ Community serving programming and wealth generating benefits could nearly double the upfront need for equity and/or philanthropic support on some projects

# NEXT STEPS

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- ▶ Connect highway cover proposed uses and redevelopment opportunities in broader district through RAPP
- ▶ Continue work on local street design with Broadway as future main street
- ▶ Continue to explore partnership opportunities
- ▶ Reconcile proposed land use scenario with technical considerations
- ▶ Align scenario with supportive interim use strategy

# RECONNECTING ALBINA PLANNING PROJECT UPDATES



# RAPP TIMELINE: FALL 2024 – FALL 2025

## Fall 2024

Planning Community Engagement

Existing Conditions Analysis & Policy Review

- » **Pin-It Tool Remains Open for Community Input**

## Winter 2025

Draft Urban Design/Land Use Framework & Scenarios

Draft Local Street Network

Governance & Community Financing

- » **Dec/Jan: RAPP Orientation & Kick-off Event. HAAB members invited**
- » **Potential HAAB check-in**

## Spring 2025

Draft Urban Design/ Land Use, Street & Governance/Finance Concepts

- » **March: Broader Community Event**
- » **April: HAAB - Refine Urban Design & Public Realm Details of Cover Scenario**

## Summer/Fall 2025

Refine Urban Design/ Land Use, Street & Governance/Finance Concepts

- » **Districtwide Engagement Events: e.g., waterfront, local streets, economics**
- » **HAAB Members invited to all events**

# NEXT STEPS



# THANK YOU!

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