

HIGHWAY 99/BEAR CREEK GREENWAY CORRIDOR

Re-Visioning Project



Development Feasibility Memorandum

August 2023

This project is partially funded by a grant from the Transportation and Growth Management (TGM) Program, a joint program of the Oregon Department of Transportation and the Oregon Department of Land Conservation and Development. This TGM grant is financed, in part, by federal Fixing America's Surface Transportation Act (FAST-Act), local government, and State of Oregon funds. The contents of this document do not necessarily reflect views or policies of the State of Oregon.



Prepared by Johnson Economics, Portland, Oregon, in cooperation with Otak.

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	KEY DEVELOPMENT SUBAREAS.....	2
	Subarea 1: Valley View Corner.....	3
	Subarea 2: Highway Transition Area.....	4
	Subarea 3: Urban Expansion Area	5
III.	FUTURE DEVELOPMENT POTENTIAL	6
	Feasible Development Types.....	6
	Planning-Level Feasibility by Land Use	16
IV.	OPPORTUNITIES AND BARRIERS.....	17
	Barriers.....	17
	Opportunities.....	19
	Zoning Permissions	20
V.	DEVELOPMENT FUNDING AND TOOLS.....	22
	Potential Funding Mechanisms.....	22
	Tax Increment Financing.....	22
	Local Improvement District.....	23
	Bond or Levy	24
	Construction Excise Tax (for Affordable Housing)	25
	State Highway Trust Fund	26
	Trails and Greenway Funding	26
	Development Incentives & Tools.....	27
	SDC or Fee Reductions or Deferrals	27
	Tax Exemptions and Abatements.....	29
	Streamline Permit and Review Processes	29
	Pre-Approved Building Plans.....	30
	Public-Private Partnerships (PPP).....	30
	APPENDIX A: REAL ESTATE MARKET CONDITIONS.....	32
	APPENDIX B: PRO FORMA FEASIBILITY ANALYSIS	50



I. INTRODUCTION

The Highway 99/Bear Creek Greenway Corridor Re-visioning Project (Hwy99/BCGC) will develop a cohesive vision for future growth and development in the area that was impacted by the Almeda fire in 2020. The fire destroyed a significant number of structures in its path, including homes and businesses, many of which have yet to be replaced. As the impacted communities continue their rebuilding efforts, this project will provide a guide for where and how to focus their energies in support of community needs and aspirations.

This project, which is funded by Oregon’s Transportation and Growth Management Program (TGM), is a collaboration among TGM and the three jurisdictions most impacted by the fire – the Cities of Talent and Phoenix, and Jackson County. This project is also intended to recognize and complement much of the recovery work already being done in this area.

At the beginning of this effort, a set of objectives was developed to inform the project. Those objectives are:

- Further the TGM mission and five principles of smart development: efficient use of land resources, full utilization of urban services, mixed use, transportation options, and human-scaled design.
- Create a vision for redevelopment of land within the project area.
- Enhance multi-modal transportation connections with an emphasis on walking, biking, and transit options.
- Identify key areas for development that can serve as community activity hubs.
- Provide opportunity for a greater variety of housing types for existing, displaced, and future residents.
- Explore ways to integrate fire resiliency and multi-modal access into redevelopment plans.
- Develop design and placemaking strategies to strengthen cohesiveness along the corridor and support economic growth.¹

This Market Analysis Report is intended to help this effort by providing insight on the feasible types of development and mixes of development in three identified opportunity subareas within the study area. The Market Analysis discusses opportunities and obstacles to development to provide context for broader land use and site planning in the study area.

¹ The preceding introductory text, and some text in Section II: Key Development Subareas are reproduced from the Existing Conditions and Opportunities Report. Credit: Otak



II. KEY DEVELOPMENT SUBAREAS

The existing conditions analysis and stakeholder discussions completed in preceding steps of this project identified three potential key subareas within the study area. There is one subarea each in Talent and Phoenix city limits, and one located north of Phoenix in an area recently added to the city's Urban Growth Boundary, designated for future expansion. The subareas feature a mixture of key locations, vacant and redevelopable parcels, and property ownership that present opportunities to make new places. The subareas also differ in their urban context, presenting the chance to create three differing prototypical plans that can be applied elsewhere in the study corridor as well.



SUBAREA 1: VALLEY VIEW CORNER (DOWNTOWN TALENT)

This subarea is located at the intersection of Valley View Road and Highway 99 and is composed of land on both sides of the highway (including the current location of the Gateway Village temporary mobile home park). This area has direct access to I-5 and is adjacent to downtown Talent.

Subarea 1 is over 13 acres in size, with 25 parcels under a mixture of ownership. The subarea features a mixture of Central Business District (CBD) and Highway Central Business District (CBH) zoning. These zones are intended to allow a mix of commercial and residential uses to "strengthen and enliven the community core," and encourage all travel modes.²



Subarea 1 - Valley View Corner

The Gateway Village site (center) is owned by the City of Talent and is planned for mixed-use development. The parcels on the north side of Highway 99 are under private ownership and are vacant. Across Valley View Road there has been recent commercial development, including a mixed-use building with commercial on the ground floor and apartments above.

The segments of Highway 99 and Valley View Road passing through the subarea are improved with sidewalks and bike lanes on both sides, and the intersection of the two roadways is signalized with striped pedestrian crossings. These facilities provide a key crossing of Highway 99 and provide walking and cycling access between the area and other residential neighborhoods in Talent.

² Talent Municipal Code, Chapters 18.50 - 18.55



SUBAREA 2: HIGHWAY TRANSITION AREA (PHOENIX)

This subarea is located just south of the Phoenix couplet along the northeast side of Highway 99 and is composed of multiple deep parcels, some of which are vacant or mostly vacant.

Subarea 2 is over 24 acres in size with over 20 parcels under a mixture of ownership. It has mostly Commercial Highway (C-H) zoning, with limited Central City (C-C) and Greenway zoning near Blue Heron Park. The C-H zone is intended for commercial uses and some light industrial uses with conditional approval. The zone also allows residential development to the standards of the R-3 zone.³

Because of its proximity to downtown Phoenix, this area presents an opportunity for transitional development types that help move from highway-oriented uses to uses suitable for a walkable downtown area. This location also has potential for “gateway” type development to emphasize downtown Phoenix as a stopping point for dining, recreation, shopping, and more. This might be done with signage, traffic calming measures, or visual indicators such as paving or landscaping.

Blue Heron Park is located directly to the north of this area. Phoenix Industrial Studios is near the center of the subarea. The development provides small-scale flex spaces with direct access to the Bear Creek Greenway. Using this connection, greenway visitors are able to access a few commercial services within the studio spaces (Clyde’s Corner restaurant, for example). Additional mixed-use development in this area could strengthen



Subarea 2 - Highway Transition Area

³ Phoenix Land Development Code, Chapter 2.4



connections to the greenway and provide more visibility between the greenway and adjacent properties.

SUBAREA 3: URBAN EXPANSION AREA (JACKSON COUNTY, N. OF PHOENIX)

Subarea 3 is part of a Jackson County urban reserve area (known as PH3) that was recently brought into the Phoenix urban growth boundary. The City of Phoenix has begun the annexation process for a portion of this area. PH3 is approximately 267 acres and will soon be zoned and available for development at urban levels per the Phoenix development code.

Subarea 3 comprises a portion of the overall PH3 area along Highway 99 just north of the current city limits. Subarea 3 has good access to Highway 99, Bear Creek Greenway, and the I-5 interchange. The subarea has a significant number of vacant and/or underutilized parcels that have potential for mixed-use development and stand-alone residential development.



Subarea 3 -Urban Expansion Area

Transitional, gateway type development would also be appropriate here to signal for travelers (especially north to south travelers) that they are entering a unique corridor with amenities. Because this subarea is within the city's urban growth boundary, it will be assigned zoning designations similar to its current County zoning upon annexation. Future zoning should permit a mix of uses appropriate to this confluence of highway and greenway access.



III. FUTURE DEVELOPMENT POTENTIAL

A. FEASIBLE DEVELOPMENT TYPES

The basic determinants of development feasibility are achievable rent/price levels, the cost of development, the land uses permitted in the zoning code, and standards for building them. As rent levels (or sale pricing) increase, to the achievable rents will support more costly forms of construction, and more intensive development becomes possible. For instance, the high achievable rents in a large urban core can support the cost of building a high-rise building and structured parking. In a smaller city environment, pricing may support only low or mid-rise buildings.

Generally, the higher density development forms have a higher cost per square foot to construct. Major factors that increase the cost of denser development forms can include materials (e.g., steel), structured parking, specialized labor and equipment, and building elements such as elevators and firewalls. Because of this dynamic, most locations outside of an urban center face difficulty in achieving a built form over three to four stories in height without subsidy.

The achievable rent/price levels for housing and commercial space in the study area will limit some of the development types that the market is likely to bring to the area at the current time. However, in an environment where most existing uses are single-story with ample surface parking, significant changes in density and design can be achieved while still relying on “low-rise” wood construction to control costs. Three- to four-story buildings, perhaps with reduced parking and other design considerations, can greatly increase the intensity of land use, without necessitating the higher construction costs of concrete and steel mid-rise buildings. In addition, achievable pricing in the study area is likely to increase over the planning period, improving the feasibility of new development types.

The development forms discussed here do not reflect the potential impact of public policies, funding tools, and design initiatives which might result from this planning process and might influence the density and design of what is ultimately feasible in the study area.



Feasible Residential Development

Recently, the prevalent multi-family new rental development type in the market area has been two-to-three story walk-up **garden apartments**, with surface parking. Typical properties are wood construction, with apartment flats and occasionally two-story units. Such properties generally feature a floor area ratio (FAR) of .75 or less, and commonly no more than 0.5 FAR. The achieved density may be anywhere from 14 to 30 dwelling units per acre. The Anjou Club Apartments in Talent, or Charles Pointe Apartments in South Medford are two examples of this type of development. While less land-efficient than some other residential types, the achieved density of garden apartments can still add considerable residential density that helps support additional commercial uses and services in the area.

In coming decades, the study corridor is likely to support some multi-family buildings of greater density, including those with active ground floor uses (**mixed use**) and semi-structured parking such as tuck-under or partial podium, in which a portion of the building overhangs surface parking spaces. In the short-term, much of the study area will remain a less likely location for these buildings than central Medford. Location is important for supporting greater density and ground floor businesses. However, locations on the highway, including the subareas, have the potential to support some mixed uses.

The densest housing forms are more likely to be built as rental apartments than condo units in this submarket. For ownership housing, JOHNSON ECONOMICS believes it is unlikely that the market will deliver condos to suburban communities in any great number for the foreseeable future. This is because houses in these areas remain relatively price competitive in comparison to the price level of a new-construction condo unit.



Ownership **townhomes** are a more viable development form in outer locations than condo flats. As recent trends show, attached single-family units (i.e., attached townhomes on separate tax lots) are an increasingly common form of ownership housing in suburban markets. This is likely to continue, with townhome construction becoming more common as demand remains high, and buildable land for lower density homes becomes scarce. Townhomes can achieve a density of 16 to 22 units per net acre.

Manufactured home parks were and remain a critical part of the housing inventory in the study area. Many of these properties suffered significant losses in the Almeda Fire, contributing to the loss of thousands of local residences. This form of housing can still provide one of the most affordable types of ownership and rental housing in the market area. There is also potential to increase the density of redeveloped home parks, substitute new forms of manufactured homes, such as tiny homes, or explore new forms of ownerships such as condoized cottages or land trust ownership.



Middle Housing: Many of the “missing middle” housing types required of larger cities through recent state statute (but voluntary in the study area) are likely to be currently feasible. **Duplexes, triplexes**, and accessory dwelling units (**ADU’s**) carry similar cost-per-square foot as single-family homes. While there are additional costs such as kitchen and laundry appliances, fixtures, and extra development fees, these can be capitalized through the rent for these units in a healthy rental market.

These housing types can meet multiple housing needs: for smaller, more affordable rental options; for multi-generational housing; to provide additional income to first-time homebuyers who occupy one of the units and rent the others. The addition of residential density from middle housing units can help support the commercial and mixed-use goals of the plan area with new customers and employees for local businesses.



The following table presents examples of residential development forms likely feasible in the study area over the planning period.

TABLE 1 - FEASIBLE RESIDENTIAL DEVELOPMENT FORMS

<p>Garden Apartment or Condominiums with Surface Parking</p> <p>Type: MFR</p> <p>Appropriate for Subareas:</p> <ul style="list-style-type: none"> • Valley View Corner • Highway Transition Area • Urban Expansion Area 	<p>Typically wood-frame construction with surface parking, carports, or stand-alone garages. Construction is usually two to three stories high, with a density approaching 30 units per acre. This is a predominant form in suburban and mid-sized cities.</p>	
<p>Attached Duplex/ Townhomes</p> <p>Type: Attached SFR</p> <p>Appropriate for Subareas:</p> <ul style="list-style-type: none"> • Valley View Corner • Highway Transition Area • Urban Expansion Area 	<p>Also typically wood frame, these units often have parking under the unit from street or back alley. Projects can be fee simple or with condominium ownership of the ground. 16 to 22 units per acre.</p> <p>Because of smaller scale and more direct vehicle access, this unit type may not be appropriate along highway or arterial frontages.</p>	



Middle Housing

Type: Middle Density

Appropriate for Subareas:

- Urban Expansion Area

Duplexes, Triplexes, and Accessory Dwelling Units that increase housing options in lower-density residential areas.

Cottage clusters can create a living community of small homes and can be condoized to provide affordable ownership opportunities.

Because of smaller scale and more direct vehicle access, this unit type may not be appropriate along highway or arterial frontages.



Mid-Rise Urban Apartments

Vertical Mixed Use

Type: Middle Density

Appropriate for Subareas:

- Valley View Corner
- Highway Transition Area

(Will be increasingly feasible later in planning period)

Wood framed construction of four stories. Semi-structured parking such as tuck-under. In the longer term, a concrete podium over parking and ground-floor uses may be feasible, greatly increasing potential density.

These developments may require public incentives in the short to mid-term.



Source: Johnson Economics LLC



Feasible Commercial Development

Low-rise commercial buildings are currently the most likely development type in the study area. Standalone retail is almost always single-story outside of an enclosed mall environment. Typical FAR for suburban retail is 0.2 to 0.3 to allow for ample surface parking, but development types that emphasize alternative transportation modes can achieve greater density through reduced parking.

Standalone office development in the area (outside of a business park) will likely be one to three stories, served by surface parking with an FAR of 0.3 to 0.4. These commercial uses may also be part of either vertical or horizontal mixed-use development (discussed more below).

It should also be noted that available parking is important to retail success outside of an urban core. Parking needs to be convenient but can be formatted in different ways - for instance, a nearby public parking lot or shared parking for a district. Storefront businesses with ample on-street parking or perhaps a lot within convenient walking distance may not require surface parking of their own.

New multi-tenant shopping centers will seek one medium to large business to anchor the project, such as a grocery store, department store, or "mid box" retailer. Shopping centers without a strong anchor are less likely to be built speculatively. Smaller, neighborhood-serving centers are possible with smaller attractors such as café, convenience store, or dining.

The highway-oriented commercial zones that currently cover much of the subareas allow for for auto-oriented strip-retail, which will outcompete other land uses economically under the current zoning designations. If the plans for the project study corridor seek a greater mix of uses, and more creative retail design, public tools and incentives may be necessary to encourage this development.



Commercial Development Forms



Mixed Use Development

There is potential to achieve a limited amount of vertical mixed-use in a well-planned small-town environment, particularly near the town center. This usually entails two-to-three stories of residential or office space above a retail ground floor.



Suburban Mixed-use Development Forms



With parking lots typically located to the side or rear of buildings, and the possibility of a lower parking ratio, mixed use development can also be served by more flexible arrangements such as public parking lots or other shared parking solutions. Horizontal mixed use, in which multiple land uses are located adjacent to each other in the same building or development may save some costs relative to vertical mixed uses and improve project feasibility by reducing construction costs and other building design complexities.

Policies to focus mixed-use development into a limited geography (e.g., near other commercial, higher-density housing, or on higher-traffic streets) can help build a self-reinforcing sense of place, allows the greater density of uses to support each other, and shortens distances for people walking or biking. Isolated mixed-use development spread across areas the size of the three subareas in a disjointed way is less likely to be successful. In city or town centers, the commercial uses within mixed-use development are supported by the surrounding household numbers and density. A location in the midst of, or adjacent to, high-density residential zoning may be an advantage.

Achieving vertical mixed-uses in the study area corridor may currently be challenging from a development feasibility standpoint. One barrier is often higher development costs than low-rise single-use buildings, which requires higher achievable rents to justify. Some additional costs associated with mixed uses include the logistics of separating the uses and increased design, construction, and entitlement costs associated with developing a more complex and unfamiliar building type. However, mixed use is possible in neighborhoods with a high enough concentration of residents in need of shopping, services, amenities, and support for livable, walkable environments. As the subareas build out, the growing population will generate increasing support for one or more mixed-use centers in the study area.



Feasible Industrial Development

Industrial development is typically utilitarian in nature, often featuring purpose-built structures for a specific manufacturing, warehousing, or related need. Industrial structures are usually single-story, often with high ceilings of 20 to 40 feet with high bay entries. Industrial development often requires ample outdoor space for equipment and vehicle yards, truck circulation, and parking and therefore tends to have a lower average (FAR) than commercial or medium to high density residential uses.

Light industrial development or “flex” office/industrial space is feasible in the study area, but it is likely to be employer-driven in this market. Some speculative multi-tenant industrial space is possible. This typology often takes the format of one or more large buildings, internally subdivided into multiple spaces each with its own bay access. It may require somewhat less outdoor space and therefore may feature higher FAR. Multi-tenant spaces are often meant for small industrial users and may only require a site of one to five acres.



Industrial Development Forms



B. PLANNING-LEVEL FEASIBILITY BY LAND USE

The following table presents the assessment by Johnson Economics of the market strength for the land use types discussed above for each of the three subareas. These findings are based on the market trends and technical analysis presented in the appendices, and the character, size, and locations of the three areas.

The general findings outlined below can be used for site planning and land use programing in the subareas.

TABLE 2 - GENERAL ASSESSMENT OF MARKET SUPPORT, BY LAND USE TYPE

SUBAREA	Estimated Acreage	RESIDENTIAL USE				COMMERCIAL USE				MIXED USE			INDUSTRIAL USE	
		Low Density Detached Housing, ADUs	Med. Density Townhomes, Plexes	High Density Apartments	Home Parks Manuf. Homes, Cottage Clusters	Retail Auto-oriented	Retail Small, Storefront, Pedestrian	Office Low-rise, standalone	Office Bus. Park	Vertical Res. Over Retail	Vertical Off. Over Retail	Horizontal Commercial / Residential	Industrial Light Ind. Park	Flex Light Ind. / Off. Park
Subarea 1 Valley View Corner	13	Not Rec.	Strong	Strong	Strong	Strong	Medium	Medium	Medium	Medium	Medium	Strong	Weak	Weak
Subarea 2 Highway Transition Area	24	Not Rec.	Medium	Strong	Strong	Medium	Med. (north portion)	Medium	Strong	Weak	Weak	Medium	Strong	Strong
Subarea 3 Urban Expansion Area	267 Total (~60 in S. Vacant Parcels)	Strong	Strong	Strong	Strong	Strong	Weak	Weak	Strong	Weak	Weak	Medium	Strong	Strong

Source: Johnson Economics LLC

- In general, the three subareas can support a range of housing types from medium density to multi-family. Subarea 3, being larger, can support some lower-density residential areas. However, the goals of this project emphasize greater density in support of more land efficient development forms and multi-modal transportation.
- Subarea 1 is likely to provide greater support for potential vertical mixed uses given its location in the Talent Central Business District (CBD) and more walkable scale of surrounding streets and development. Subarea 3 may be too dispersed for pedestrian-orientation unless a new neighborhood center is programmed in the area.



Subarea 2 is assumed to provide greater support for employment uses such as office, light industrial, and business parks. The northern portion, near downtown Phoenix, may potentially support more downtown-associated uses, such as storefront commercial or mixed-use buildings, over the planning period.

IV. OPPORTUNITIES AND BARRIERS

The project objective is to create a strategic vision and implement regulations to redevelop the land uses in the Project Area in a manner that supports multi-modal transportation (with an emphasis on walking, biking, and transit) and multi-use hubs that improve destination accessibility and reduce the need for transportation. Based on the market and feasibility analysis presented in this memo and appendices, there will be some challenges but also opportunities, to achieving the multi-modal, multi-use hubs envisioned for the study area.

A. BARRIERS

As discussed in the previous section, there are some challenges to overcome the legacy of traditional auto-oriented development forms and achieve greater density and mix of uses. These include:

- **Achievable rents and/or pricing:** From the perspective of a private-market real estate developer, the rent (or price) per square foot that can be achieved in a specific market area will be the key determinant of the intensity of land use. The achievable rent is reflected in the average cost to purchase land in the area (i.e., where higher pricing and intensity are feasible this tends to be “priced in” to the land cost, making it more expensive). Currently, achievable real estate pricing in the Phoenix/Talent market area is supportive of some development types in keeping with the project goals (denser housing types, horizontal mixed uses), but less supportive of other types that require higher pricing to pencil out (vertical mixed use). Table 2 in the previous section summarizes current estimated feasibility.
- **Development cost:** The average development cost for different forms of real estate helps determine what type of development is feasible, based on the expected achievable rent of the finished product. In general, more intense development types will entail greater costs-per-square-foot of development. Some elements of dense development, including structured parking, elevators, or a transition from wood to steel and concrete construction, can greatly increase the project costs. Development costs also include the price of land, and soft costs such as architecture, engineering,



permitting, and financing. The achievable rent is weighed against the expected cost to determine if a development is feasible. If local rents are not high enough to support more expensive construction types, those development forms will not be built by the private real estate sector (see Table 2 and Appendix B.)

- **Affordable housing:** Paradoxically, the higher rents and land prices associated with higher density development mean that these forms can be less affordable for both residential and commercial tenants once built. Generally, private market owners will charge near the high end of achievable pricing, particularly for newly constructed properties. As an area redevelops into a mixed use hub, it will likely take non-profit partnerships and incentive programs to fill funding gaps that make affordable housing possible (see Section V for incentives and tools.)
- **Fragmented ownership:** When planning beyond single land parcels to larger subareas, disparate property ownership and varied sizes of tax lots can present a barrier to achieving a cohesive vision. A property owner may have separate goals, vision, and timeline for their own property. Consolidating neighboring parcels can create larger development sites and ensure that development is complimentary. Public agencies may need to seek some way to control or contribute to development of key sites to ensure they develop in a manner in keeping with the vision (see Section V for funding tools.)
- **Infrastructure:** The viability of multi-modal development will depend on a network of adequate infrastructure in the surrounding neighborhood and region to support walking, biking, transit, electric vehicles, and other alternatives. Transitioning a specific property away from auto-dependence will not work if the property is not connected to safe routes to destinations such as work, shopping, and other amenities. (Other components in this revisioning project address existing and needed transportation improvements in more detail. See the Existing Conditions and Opportunities report.)
- **Constraints on buildable land:** The study area will face some potential constraints on how much of certain sites are redevelopable. Major environmental constraints include slopes, wetlands, and floodways. These features can limit development on a given parcel. Portions of all three subareas are encumbered by FEMA’s estimated 500-year flood zone, but they are mostly unencumbered by the Bear Creek floodway or the 100-year flood zone. The highway widening project between Glenwood Road and Coleman Creek highway will have the effect of reducing developable land at the north end of the study area, and in Subarea 3, via removing street frontage. At the same time, this project will provide greater transportation connectivity.



B. OPPORTUNITIES

Despite the barriers identified, the study area can be redeveloped and revitalized in keeping with the goals of this revisioning project.

- **Currently feasible forms:** The forms identified as feasible or nearly feasible (see Table 2 prior section) allow for an increase in density and up-to-date multi-modal design. This includes forms of middle housing and high-density housing, vertical and horizontal mixed uses in some areas. Planning for the study area can achieve many of the project goals through strategic use of these forms, while more intense forms become more feasible over time.
- **Time horizon:** Over a multi-decade planning horizon, the challenges associated with current market pricing should improve as real estate continues to appreciate. The Phoenix/Talent market area has experienced a long-term trend of climbing rents and pricing for both residential and commercial properties, that will improve the feasibility of more intense development forms going forward.
- **Locational advantages:** The study area, including all three subareas, features advantages due to their location on Highway 99 and near the I-5 Freeway analysis. The major arterials, along with multi-modal connections including the greenway, increase the accessibility and visibility for commercial and residential land uses in the study area. Subareas one and two feature proximity to downtown Talent and Phoenix respectively, and ready access to the greenway and the freeway provides regional access for employment and travel to the greater Medford area and beyond.
- **Positive fiscal impacts:** The transition from low-density land uses to compact mixed-use forms will have positive long-term impacts on local tax revenues as these new forms tend to have higher assessed values. Local governments and school districts will see this long term benefit. In urban renewal districts, the greatly increased land values will accrue to the district itself, allowing the proceeds to be reinvested in projects in the neighborhood, spurring additional development (see Section V.)



C. ZONING PERMISSIONS

The following table summarizes the land uses currently allowed or restricted in the zones which cover the three subareas studied. To fully plan these areas as multi-modal, mixed use hubs the zoning must be reviewed to ensure that the uses and development forms envisioned are permissible in these areas.

TABLE 3 - LAND USE PERMISSIONS AND LIMITATIONS, BY ZONE AND SUBAREA

		RESIDENTIAL USE				COMMERCIAL USE				MIXED USE			INDUSTRIAL USE		
		Low Density	Med. Density	High Density	Home Parks	Retail	Retail	Office	Office	Vertical	Vertical	Horizontal	Industrial	Flex	
ZONE	SUBAREA	Detached Housing, ADUs	Townhomes, Plexes	Apartments	Manuf. Homes, Cottage Clusters	Auto-oriented	Small, Storefront, Pedestrian	Low-rise, standalone	Bus. Park	Res. Over Retail	Off. Over Retail	Commercial / Residential	Light Ind. Park	Light Ind. / Off. Park	
Central Business District (CBD)	Talent	1) Valley View Corner	Dwellings permitted in MU only				Type II	Type II	Type II	Type II	Type I	Type II	Prohibited	Craft manuf. with retail	Craft manuf. with retail
Highway Central Business District (CBH)	Talent	1) Valley View Corner	Prohibited	With MU / Type III	With MU / Type III	Prohibited	Type II	Type II	Type II	Type II	Type III	Type II	Type III	Craft manuf. with retail	Craft manuf. with retail
Commercial Highway (C-H)	Phoenix	2) Highway Transition Area	R-3 standard, 12 units/ac., MU on frontage	R-3 standard, 12 units/ac., MU on frontage	R-3 standard, 12 units/ac., MU on frontage	R-3 standard, 12 units/ac., MU on frontage	<30k sf = P >30k sf = C	<30k sf = P >30k sf = C	Permitted	Permitted	Permitted	Permitted	Permitted	<5k sf = P Other = C	<5k sf = P Other = C
City Center District (C-C)	Phoenix	2) Highway Transition Area	Prohibited	Permitted w/ MU	Permitted w/ MU	Prohibited	Prohibited	Permitted	Permitted	Conditional	Permitted	Permitted	Prohibited	Craft manuf. with retail	Craft manuf. with retail
General Commercial (GC)	Jackson Co. (PH3)	3) Urban Expansion Area	Up to 10 units/ac	Prohibited	Prohibited	Prohibited	Permitted	Permitted	Permitted	Permitted	Prohibited	Prohibited	Prohibited	Storage & Warehouse	Storage & Warehouse
Urban Residential - 10 (UR-10)	Jackson Co. (PH3)	3) Urban Expansion Area	Up to 10 units/ac	Up to 10 units/ac	Prohibited	Up to 10 units/ac	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited	Prohibited

Source: City of Phoenix, City of Talent, Jackson County, Johnson Economics LLC



- The land use regulations for Subarea 1 Valley View Corner in Talent are generally appropriate for a mixed use vision. One potential consideration is that some portions of this area may be appropriate for allowing high density residential without a commercial component (currently required). It may be that some areas not located on Highway 99 might be appropriate for adding residential density without the mixed use requirement. This would help meet the housing needs, increase local foot traffic and customer base, and likely improve feasibility somewhat over mixed use development.
- Subarea 2 Highway Transition Area is mostly zoned C-H, with the northwest corner zoned C-C. The C-H zone provides good flexibility of residential, commercial, and industrial uses and allows mixed uses. The C-C zone allows all uses in some form, and generally seeks to avoid an auto-oriented forms. Residential development is required to have a vertical mixed use component which may limit financial feasibility somewhat relative to standalone high density housing.
- Of the three subareas, the land use regulations that apply to Subarea 3 the Urban Expansion Area are most likely to conflict with a new vision for redevelopment. This is because this area, only partially annexed to the city, features low density county zoning, that generally segregates uses and doesn't allow high-density residential uses. The zone or zones applied to this area as it is annexed should be carefully considered to allow the new vision arising from this planning project.



V. DEVELOPMENT FUNDING AND TOOLS

A. POTENTIAL FUNDING MECHANISMS

Development projects in the study area may require some funding or incentives from public sources to encourage the types of land uses that are consistent with this project’s smart development objectives. Funding sources may be particularly important on parcels currently owned by a public agency, or where a financing gap exists between what is currently feasible for a private developer and what the plan envisions. These improvements are likely to be completed in phases over the planning period, allowing for phased funding as well.

This section identifies potential funding sources for public improvements.

1. TAX INCREMENT FINANCING

The Tax Increment Financing (TIF) mechanism can be a powerful tool for generating dedicated funding for making public improvements within an identified district.

TIF works by “freezing” the current property tax base in the TIF district and assigning the future tax growth to the district itself to pursue projects identified in an adopted Plan.

The current local taxing jurisdictions (city, county, schools, fire districts, etc.) continue to receive tax revenue on the “frozen” tax base throughout the life of the district. However, as the property tax base within the district grows over time, the tax revenue on the new assessed value (above the frozen base) accrues to the TIF district to fund its activities.

In a successful district, the public improvements can indirectly incentivize new private development that greatly increases the tax base over time. At the end of the TIF district’s duration, all taxing jurisdictions enjoy a tax base that is higher than might have occurred without the facilitation of the TIF projects.

Urban Renewal funds must generally be used for physical improvements to infrastructure and property, which may be public or private. Examples include new street, sidewalk, or utility improvements including new construction, repair, marking, signage and signaling. Beautification of public space or buildings, or grant programs for improvements to private buildings. New In support of



these goals, the TIF agency can also contribute directly to actions related to development, such as direct acquisition of property or financial support of pre-development phases (feasibility and design).

These projects can include participating in public/private partnerships with developers for constructing projects, completing off-site public improvements that benefit and encourage new development in the area, or to acquire key sites. The funds can also be used for staff to administer these programs or leveraged to pay for SDC credits used to incentivize development through a development agreement.

TIF Districts must undergo a feasibility and planning process to determine the boundaries, projects, and revenue potential of the district, and it must be adopted in an TIF plan.

The City of Phoenix has a long established Urban Renewal Agency which is currently active in the study area and owns some key redevelopment parcels. The City of Talent has an established Urban Renewal district that covers portions of Subarea 1 and offers grant assistance for private revitalization and beautification projects. (Talent voters recently voted against a new Urban Renewal Plan intended to aid in rebuilding in the wake of the Almeda Fire. The City is prioritizing the proposed projects to fund by other means.)

TIF provides a tool for generating considerable funding and controlling key sites in order to attract development partners and direct the type of development that takes place there.

2. LOCAL IMPROVEMENT DISTRICT

Improvement districts assign all or a portion of the cost of infrastructure improvements on the properties that will directly benefit from them. These costs to property owners are in addition to the standard assessed property taxes, but typically substitute for SDCs. A local improvement district (LID) is a method for a group of property owners to pay for improvements that will provide collective benefits to them all. Oregon law authorizes local governments to establish LID's, and they are common in Oregon.

LID's are often used on main streets or town centers for commercial property owners to fund improvements in the collective area. The South Hillsboro neighborhood of Hillsboro is an example of a large expansion area in Oregon that used an LID to help finance improvements to open the area for development. Property owners, including large land developers, were given the option to join



the LID, paying an assessment at once, or over a set number of years. Property owners who opted not to join the LID would pay transportation SDCs at the eventual time of development of their property. The result has been efficient build-out of the neighborhood, starting with the most willing property owners. Others have the opportunity to join as development eventually reaches their land.

One challenge in utilizing a LID is that the cost of system development is ultimately borne by the property owners, in addition to standard assessed property taxes. While it may be logical for the property owners to pay for improvements that will directly benefit them, it can nonetheless hamper future development in an area by adding an additional cost burden prior to undertaking development.

The cost of the LID is typically assessed immediately, and a lien is placed on the impacted properties, though payments may be city-financed and paid off over time. This mechanism is likely to be burdensome to current landowners if they do not have an immediate buyer/future developer identified.

3. BOND OR LEVY

General Obligation Bond: General Obligation (GO) bonds are secured by a taxing jurisdiction's ability to levy an increased property tax sufficient to pay the bond. The additional property tax is dedicated solely to repaying the bonds and cannot be used for other purposes. The amount and rate of the tax are "unlimited" so a jurisdiction may levy whatever amount is necessary to collect enough taxes to pay the bonds. They are usually issued as long-term, fixed-rate bonds, but they can be issued as short-term bonds or variable rate bonds as well.

GO bonds must be approved by a majority of voters and may only be issued to finance capital costs associated with the acquisition, construction, improvement, remodeling, furnishing, equipping, maintenance, or repairing of real or personal property.

The total amount of general obligation bonds that a jurisdiction has outstanding is limited to three percent of the jurisdiction's real market value, with the exception of bonds that finance LID improvements, water supply, treatment or distribution; sanitary or storm sewage collection or treatment; hospitals or infirmaries; gas, power or lighting; or off-street motor vehicle parking facilities.



Local Option Levy: A local option levy is a time-limited property tax (five years for operations and 10 years for capital projects), that is subject to voter approval. It is levied in addition to a taxing jurisdiction’s permanent rate to pay for specified programs or investments. Local option levies are issued as a rate, rather than an amount, meaning that actual revenues may fluctuate from year to year with new development. Levies may be used for programs or operations in addition to capital projects.

Levies are subject to the limitations imposed by Measures 5 and 50, meaning new or increased levies can increase the risk of ‘compression’ for other overlapping taxing districts and for the levy itself.

Phoenix and Talent each have a combination of existing bonds and or levies, as well as some from overlapping taxing jurisdictions. The capacity and appetite for additional measures would need to be assessed before seeking to implement these tools.

4. CONSTRUCTION EXCISE TAX (FOR AFFORDABLE HOUSING)

This tool may be used to achieve new development in the study area if it includes affordable housing. The construction excise tax (CET) is a tax on construction activity of new structures or additional square footage to an existing structure to provide a source of funding used to incentivize housing affordable at 80% of Area Median Income (AMI) or less. Cities or counties may levy a CET on residential construction of up to 1% of the permit value, or on commercial and industrial construction with no limit on the rate.

The allowable uses for CET revenue are set forth in state statute as follows:

- 4% for administrative costs, and of the remainder:
 - 50% must be used for developer incentives (i.e., fee and SDC waivers, tax abatements, etc.) for affordable housing.
 - 35% for affordable housing programs, flexibly defined.
 - 15% to Oregon Housing and Community Services (OHCS) for homeownership programs (which is allocated back to the taxing jurisdiction to administer).
 - Commercial CET: At least 50% of revenue must go towards housing-related programs; remainder is unrestricted.

The CET is straightforward to administer, with 4% of funds to cover the added administration costs. This administrative set-aside can also help pay the administration costs for related policies adopted for use with this program, such as fee and SDC waivers or tax abatements.



The required use of funds ensures that the funding is used to incentivize development and housing and can't be diverted or diluted with competing uses. While this funding is most typically used to benefit households with incomes at 80% AMI or less, the funds from a commercial CET allow for more flexibility to apply to middle-income housing.

As a tax, the CET does raise costs for developers; however, it can be offset by providing other development-based incentives described in the following section. This source also requires time to accumulate substantial funds in low-development environments.

5. STATE HIGHWAY TRUST FUND

This statewide fund receives revenue from the fuel tax, registration and other fees, and trucking fees. Funds are distributed to Oregon cities on a per capita basis for use on road-related projects, including walking and biking in the public right-of-way. Like many small cities, Phoenix and Talent receive modest but steady funding from the Trust Fund. These funds will take many years of accrual to pay for major infrastructure projects. However, they are a steadier source than SDC's, which fluctuate with development activity.

6. TRAILS AND GREENWAY FUNDING

The greenway rebuilding effort will entail the restoration and improvement of off-street trails system that takes advantage of the natural creek and greenway that run through the area.

Given the extensiveness of damage to the Bear Creek Greenway, significant public funding will be necessary to restore this system. Besides the use of Parks SDC's from the rebuilding of the area, a TIF district may be another important source of funding (see discussion above).

Other sources of funding are available to pursue for trail improvements in Oregon. These include:

- **Recreational Trails Program** – This federal grant program is administered at the state level by the Oregon Parks and Recreation Department (OPRD). It has funded hundreds of projects in Oregon over the past decades. The program can be used for almost any aspect of trail development and maintenance including construction of improvements, trailheads,



acquisition of land or easements. The recommended maximum grant request is \$150,000, meaning such a grant can contribute to development of the trail system, but not provide full funding.

- **Local Government Grant Program** – This OPRD grant program provides funding for a wide range of parks projects including trails and currently awards a total of over \$5 million annually. Localities may request up to \$750k for large projects other than land acquisition, and up to \$1 million for land acquisition. A 50% matching contribution is required for cities of over 25k people.
- **Land and Water Conservation Fund** – This federal grant program is administered at the state level by the OPRD. It awards up to \$1.5 million per year for local programs. Because the trail system will include restoring some lands for trails and greenways, this program may contribute. A local match of at least 50% is required.

An extensive list of additional funding sources is available from the ORPD website. Many of these sources provide smaller grants and may be national and more competitive: www.oregon.gov/oprd/GRA/Documents/GRA-Other-Recreational-Trail-Funding-Sources.pdf

B. DEVELOPMENT INCENTIVES & TOOLS

The following are market-based strategies which can provide incentives to encourage developers to build new projects in the community or encourage them to enhance a standard development to be more in line with Plan goals. In general, these incentives help to reduce some of the costs of development that the public sector can impact. While the bulk of development costs are set by private market labor and materials costs, these steps can provide incentives on the margin to facilitate development.

All of these incentives come at some cost to the public through waived revenue from fees and taxes and/or staff costs. Therefore, these programs should be carefully calibrated to balance revenue loss vs. public benefit. Policies should reflect what development types are most important to incentivize in each location.

1. SDC OR FEE REDUCTIONS OR DEFERRALS

Reduction, exemption, or deferment of SDCs or development fees directly reduces the soft costs of development to applicants for desired development types.



Development fees are not regulated by state law, and cities have significant leeway to waive, reduce, or defer these fees. Jurisdictions can adopt policies for what types of development are desirable enough for public goals to warrant forgoing these fees. Also, fee waivers can be limited to a certain ceiling. In most cases, fees amount to a smaller cost to the developer than SDCs and therefore are a more modest incentive.

SDCs face more statutory limitations and other hurdles to implementation. Most notably, a city may only assess a portion of SDCs, which are also assessed by a range of overlapping jurisdictions such as the county, school districts, fire district, and other special districts. Cities can reduce their portion of SDCs or negotiate with partner agencies for greater reductions.

SDC Reductions. One approach to reducing SDCs for residential development is to scale the SDC methodologies to the dwelling size. In general, SDC methodologies are intended to be commensurate with the cost or impact to the system. Smaller housing types may have lower impacts to the system, as their smaller footprint and lower occupancy results in lower needs for water, sewer, and transportation facilities.

Generally, the reductions should be applied to housing and commercial types that demonstrate a similar reduction in demand for services or impacts (e.g., smaller units, multi-dwelling units, housing types, walkable storefronts that generate less traffic, etc.) However, state law does not directly address reductions that are not justified on these bases. Recently, state law has alluded to SDC reductions for affordable housing that do not directly address an accompanying reduction in services, and many cities exempt certain development from SDCs, including ADU's and affordable housing. Waiving SDCs may require a city to backfill lost revenues or to update its SDC methodology to recapture reduced or waived SDCs from remaining development. Financing of SDCs allows the developer to defer this cost until the project is near complete or complete, and a city may set a low interest rate.

SDCs and fees can add significant cost to a development project and reducing them can increase the feasibility of more expensive building types. These reductions can be a significant factor in the cost of development and financing. The reduction of SDCs will impact system development revenue for public improvements, but by spurring development may increase other types of revenue such as TIF in the long run. Other funding sources may be available to pay for SDC-fee reductions or exemptions for identified housing types.



2. TAX EXEMPTIONS AND ABATEMENTS

Tax exemptions or abatements offer another financial incentive to developers that can improve the long-term economic performance of a property and improve its viability. This can be a substantial incentive, but a city and/or county will forego taxes on the property, generally for ten years. Other taxing jurisdictions are not included unless they agree to participate.

Tax exemption programs are authorized by the state for specific purposes:

- **Vertical Housing Tax Exemption:** This program is meant to encourage vertical mixed-use buildings in areas where they might be viable, typically downtowns or town centers. The program allows for a partial tax exemption for the built space, above the ground floor. Affordable housing is not required, but inclusion of affordable units can increase the tax benefits. The city must adopt a defined Vertical Housing Development Zone in which the exemption will apply.
- **Multiple-Unit Housing Exemption:** This program is aimed at preserving, rehabilitating, or constructing multi-unit housing within transit-oriented areas. Cities must designate areas for the program to apply. This program may apply to market-rate housing with additional benefits for workforce or low-income units.
- **Low-Income Rental Housing:** This program is aimed at encouraging subsidized affordable housing development and can be applied more broadly geographically. Units must be affordable at 60% of AMI to be eligible. This program applies to both non-profit agencies and for profits that are often one of the few sources of subsidized housing in many communities.

Implementation of tax exemption programs requires adoption by local officials and establishment of program goals and policies. They can be a good incentive to focus housing development in key areas and encourage more density and mixed uses in town centers.

3. STREAMLINE PERMIT AND REVIEW PROCESSES

Cities can offer expedited review and permitting for residential or mixed-use projects that meet certain criteria and help achieve public goals (e.g., receive local, state, or federal funding for development of affordable housing, increased density, or mixed uses where appropriate). This incentive can be accomplished by reducing review times, consolidating steps in the process, and reducing or simplifying submittal requirements.



The old adage that “time is money” is especially true in the development industry. The developer is often tying up capital and/or paying interest on loans during the pre-development process. Any reduction in process time translates into reduced costs and greater certainty for the developer and their partners.

Streamlining the process can also involve an internal audit of the process to ensure it is efficient for both staff and applicants. This might involve providing clear and accessible information on requirements and allowing enough flexibility to consider innovative or new forms of development.

Streamlining the review and permitting process is usually administratively feasible, though the greatest obstacle is often staff resources to expedite some projects when staff is already busy and/or limited in size.

4. PRE-APPROVED BUILDING PLANS

Pre-approved designs allow for quick approval for the applicant, with a result that has been pre-screened to meet a city’s needs. For non-professional applicants (e.g., a homeowner building an ADU) this can also overcome some of the learning curve and hurdles of unfamiliarity that might otherwise deter the project. This approach works best for small or simpler housing types, and likely would be more difficult for larger multi-family developments due to the number of variables. ADU’s, small or tiny homes, duplexes, and cottage cluster designs might be good candidates. The City of Medford has preapproved ADU plans and programs that they share with Phoenix and Talent, and this model can be applied to the other housing types listed above. Eugene also runs a similar program and has allowed Cottage Grove to use their same plans.

5. PUBLIC-PRIVATE PARTNERSHIPS (PPP)

Public-Private Partnerships (PPP) are arrangements between public and private entities to create specific types of development that meet public goals such as affordable housing, greater density, or mixed uses. Cities are rarely in the business of directly developing most land uses (outside of public facilities) and can partner with the private sector or non-profit experts to accomplish projects that meet the goals of their plan.

Cities can engage in PPPs in a variety of ways, such as providing flexibility in development standards and helping leverage public funding or publicly owned sites. These efforts also typically involve utilization of a variety of other incentives or strategies, including those described in this report to assist the partner entity.



The most common partnership model is for a city or Urban Renewal Agency to provide financial assistance to a partner organization, but partnerships can include other activities such as providing administrative capacity, donating land, etc. Often the comprehensive funding of affordable housing development requires numerous funding sources, and a city's financial contribution can help supplement funding from the state, federal, and other sources.

If a source of city funding is available, a city can participate more directly in these projects and exercise more leverage to achieve public goods. Land banking or control over a key site is another strong tool to use to encourage desired housing types or other public goods. The value of the land becomes a bargaining chip for negotiating with private partners.

Further discussion of these strategies and applicability to specific land use scenarios will be considered as the Highway 99/Bear Creek Greenway Corridor Re-visioning project progresses.



APPENDIX A: REAL ESTATE MARKET CONDITIONS

A. RENTAL APARTMENT TRENDS

Rental & Occupancy Trends

Average rents in the greater Medford market have steadily increased over the past two decades despite some slight declines during recessionary periods after 2001 and 2008. After bottoming out in 2010, with base rents decreasing roughly 6% from the previous year, rents had grown by 48% by 2022, averaging a 9.4% increase per annually. The rate of rent growth peaked around 2015 before tapering off and ultimately slowing down during the onset of COVID in 2020. Although the downturn during COVID was much more pronounced, it did not persist very long as rent growth accelerated going into 2022.

FIGURE 1: MULTIFAMILY RENT TRENDS, MEDFORD, PHOENIX, & TALENT (2000 - 2022)

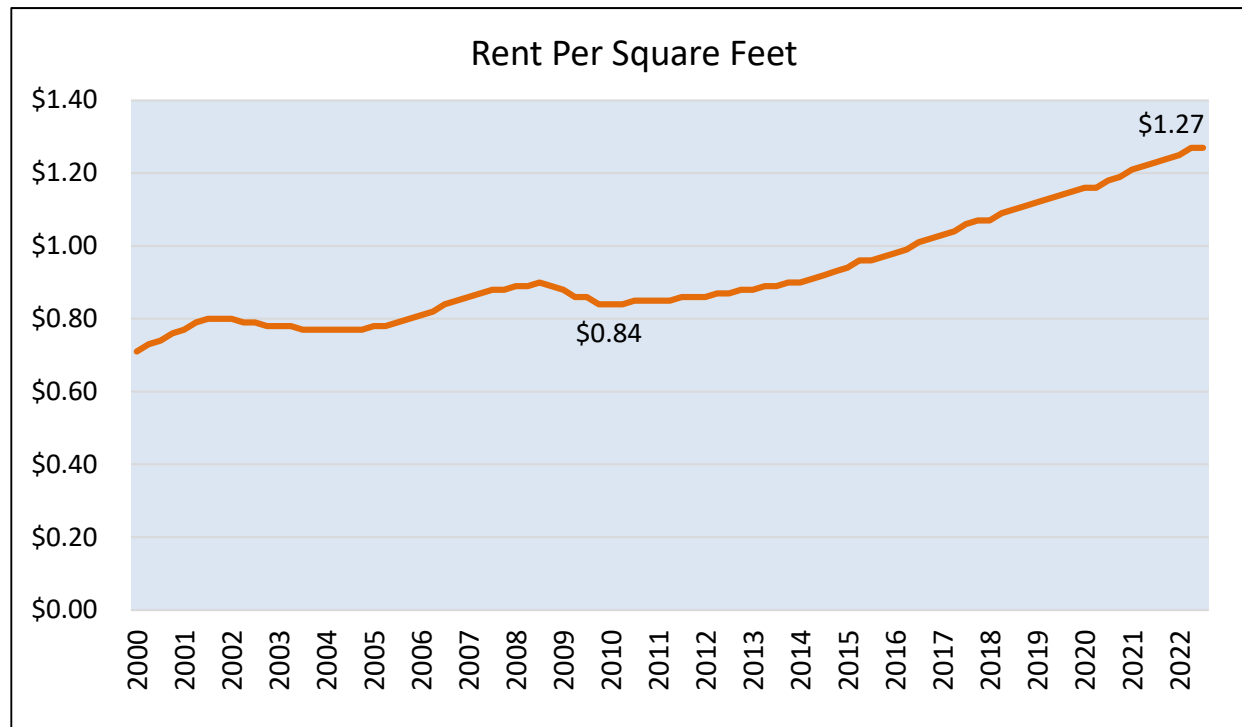
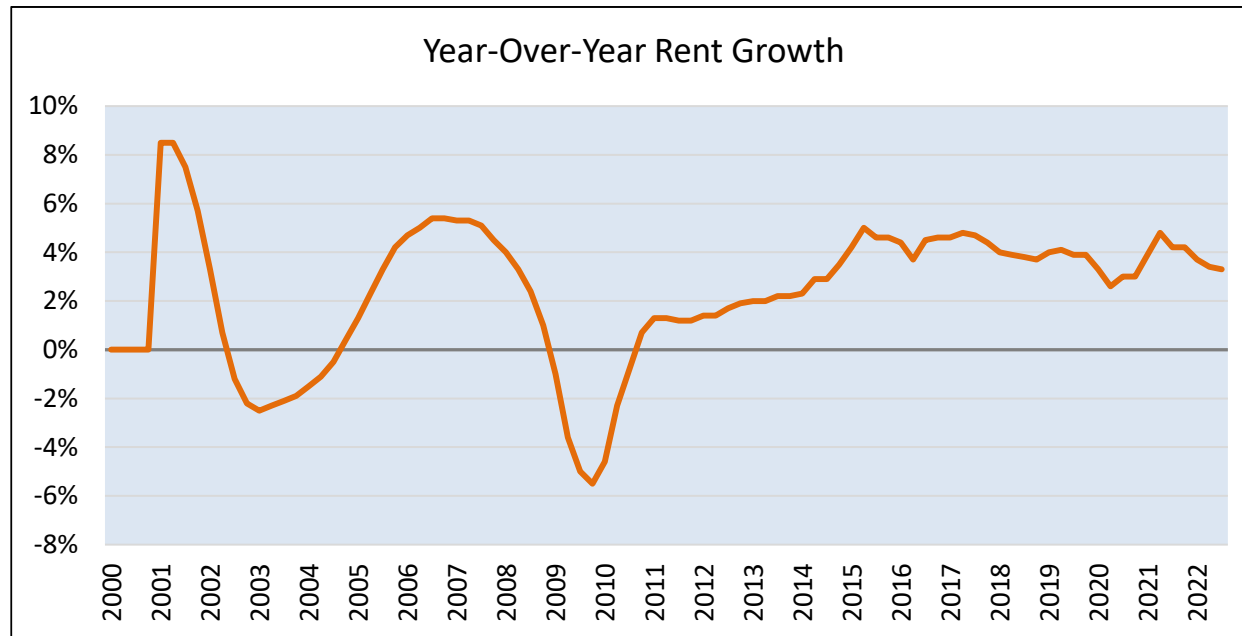


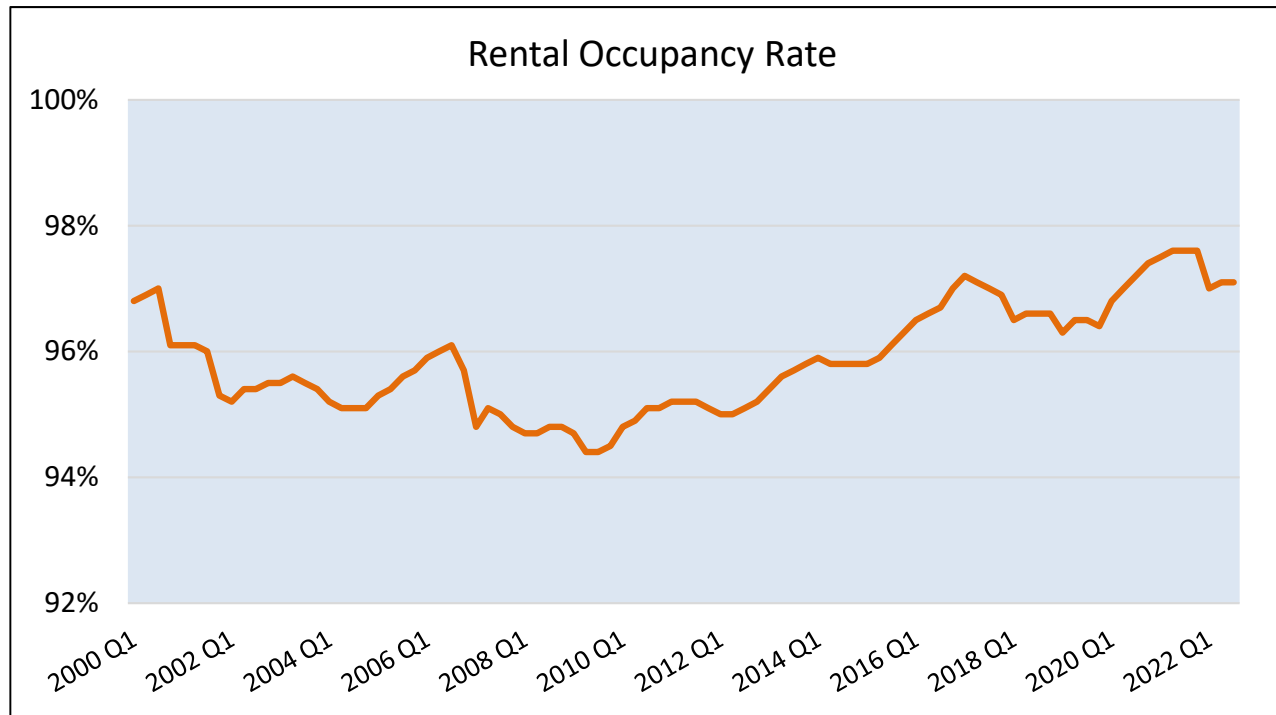
FIGURE 1 (CONT.): MULTIFAMILY RENT TRENDS, MEDFORD, PHOENIX, & TALENT (2000 - 2022)

Source: CoStar, Johnson Economics LLC

CoStar tracks 6,282 apartment units spread across 158 buildings in the greater Medford area. When compared to commercial space, apartments have seen the steadiest occupancy rate throughout the last two decades. As seen in the figure below, occupancy rates bottomed around the 2008-09 recession, but never dropped below 94%. In the following years, occupancy rates within apartment units have been increasing with little fluctuations, currently hovering around 97% to 97.5% occupancy.

The recent high occupancy of multifamily residential units reflects the area's tight apartment market following the wildfires as afflicted homeowners who lost their homes sought any available housing. However, much like the recent decrease in rent growth, CoStar estimates that occupancy experienced a slight decline as of Q3 2022 as well.



FIGURE 2: APARTMENT OCCUPANCY, MEDFORD, PHOENIX, & TALENT (2000 - 2022)

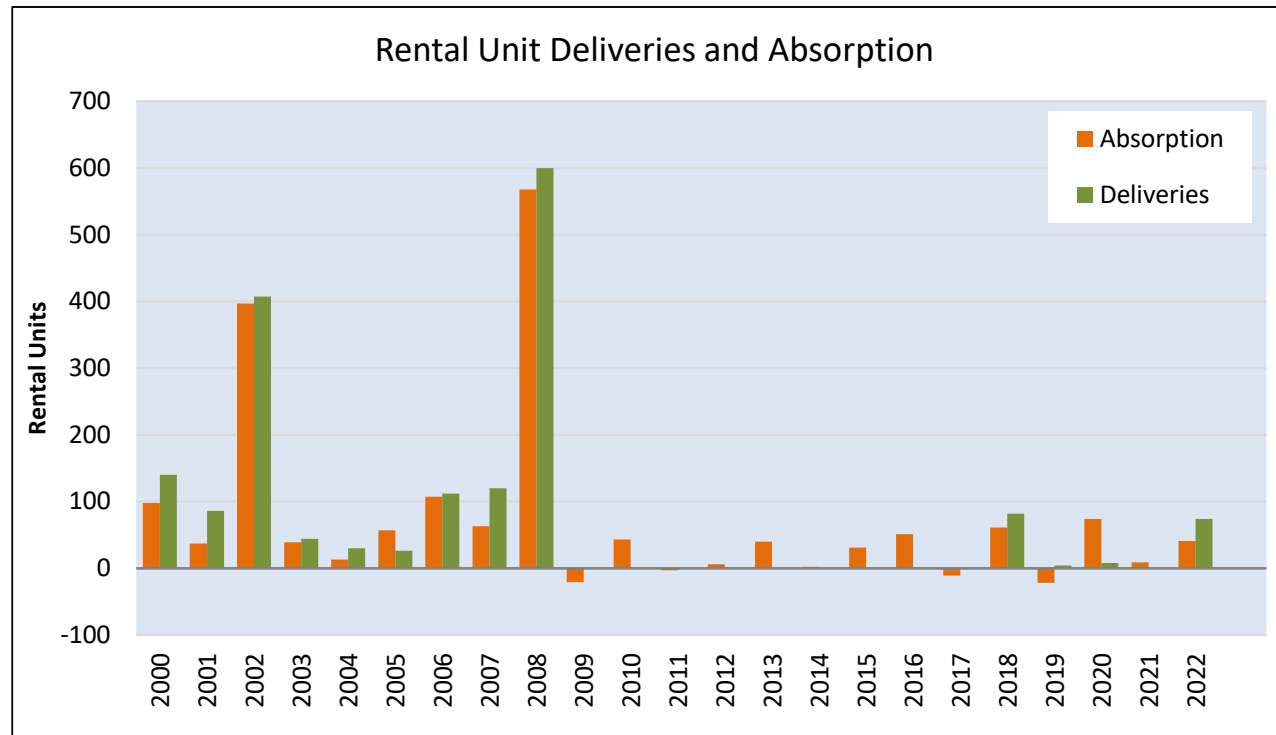
Source: CoStar, Johnson Economics LLC

Rental Absorption & Delivery Trends

Since 2000, the Medford area has absorbed over 1,680 multifamily residential units, averaging at roughly 73 units absorbed per year. As seen in the figure below, there have been very few vacations of apartment spaces in the past 2 decades, reflecting the strong occupancy rates of apartment spaces in the area. The patterns shows that deliveries of new rental housing is met with strong absorption of those new units.

However, the data suggests that there has not been much recent multifamily residential development in the area; as annual absorption and deliveries have been below 100 units on average since 2009. In the past 2 decades, 2008 saw the most absorption and deliveries with roughly 575 units absorbed and 600 units delivered.



FIGURE 3: ABSORPTION & DELIVERIES OF MULTIFAMILY RESIDENTIAL UNITS, MEDFORD, PHOENIX, & TALENT (2000 - 2022)

Source: CoStar, Johnson Economics LLC

Competitive Survey

Johnson Economics surveyed seven apartment projects for this analysis, built between 1972 to 2008. Five of the surveyed properties are in Medford, while the other two are found in Phoenix and Talent respectively. The greater Medford apartment market is characterized by older properties with recent apartment developments being sparse at best. Nearly all of the projects in the area are categorized as garden apartments, with Ridgewood being the only one categorized as a low-rise.

The survey reflects an average gross monthly rent of \$1,273 per unit and \$1.32/sq.ft. As previously mentioned, vacancy rates within the market are currently very low as more homeowners were forced to rent after the destruction of the wildfire. Details are included below.



FIGURE 4: VACANCY & RENT SUMMARY, ALL SURVEYED APARTMENT PROPERTIES

Project Name/ Location	Unit Characteristics							Rent Characteristics	
	Year Built	Occupancy	Type	Units	Share	Avg. Sq. Ft.	Vacant	Avg. Rent	Avg. Rent/SF
1) The Reserve at Ashbrook 171 Lowry Ln Medford, Oregon	2008	99%	1B/1b	200	33%	750	0 0%	\$1,000	\$1.33
			2B/1b	180	30%	777	0 0%	\$1,099	\$1.41
			2B/1.5b	100	17%	777	0 0%	\$1,120	\$1.44
			2B/2.5b	60	10%	1,275	0 0%	\$1,235	\$0.97
			3B/2.5b	60	10%	1,275	0 0%	\$1,308	\$1.03
			Total/Avg:	600	100%	971	0 0%	\$1,152	\$1.24
2) Anjou Club Apartments 100 N Pacific Hwy Talent, Oregon	1990	100%	1B/1b	20	11%	621	0 0%	\$1,165	\$1.93
			2B/1b	60	33%	704	1 2%	\$1,350	\$1.57
			2B/2b	60	33%	1,014	1 1%	\$1,415	\$1.45
			3B/2b	41	23%	1,280	0 0%	\$1,575	\$1.24
			Total/Avg:	181	100%	905	2 1%	\$1,376	\$1.55
3) Brookside Rose 933 N Rose St Phoenix, Oregon	1987	100%	1B/1b	50	100%	600	0 0%	\$530	\$0.88
			Total/Avg:	50	100%	600	0 0%	\$530	\$0.88
4) Woodcreek Apartments 800 Ellendale Dr Medford, Oregon <div></div>	1972	90%	1B/1b	4	5%	700	0 0%	\$888	\$1.26
			2B/1.5b	69	81%	978	0 0%	\$1,028	\$1.09
			3B/2.5b	12	14%	1,350	0 0%	\$1,338	\$0.98
			Total/Avg:	85	100%	1,009	0 0%	\$1,085	\$1.11
5) Parkside Village Apartments 1820 W 8th St Medford, Oregon	2006	99%	1B/1b	12	20%	707	0 0%	\$903	\$1.28
			2B/2b	36	60%	959	2 6%	\$1,047	\$1.09
			3B/3b	12	20%	1,200	0 0%	\$1,152	\$0.96
			Total/Avg:	60	100%	955	2 3%	\$1,034	\$1.11



VACANCY & RENT SUMMARY, ALL SURVEYED APARTMENT PROPERTIES (CONT.)

Project Name/ Location	Unit Characteristics								Rent Characteristics	
	Year Built	Occupancy	Type	Units	Share	Avg. Sq. Ft.	Vacant		Avg. Rent	Avg. Rent/SF
6) Ridgewood	2002	98%	2B/2b	52	54%	1,265	0	0%	\$1,802	\$1.42
3115 Alameda St			3B/3b	44	46%	1,516	0	0%	\$1,984	\$1.31
Medford, Oregon			Total/Avg:	96	100%	1,391	0	0%	\$1,893	\$1.37
7) Brentwood Village Apartme	2000	99%	Studio	33	38%	487	0	0%	\$1,050	\$2.16
2281 Table Rock Rd			1B/1b	35	40%	643	0	0%	\$1,260	\$1.96
Medford, Oregon			2B/1b	20	23%	835	0	0%	\$1,310	\$1.57
			Total/Avg:	88	100%	655	0	0%	\$1,207	\$1.90
All Surveyed Units										
			Studio	33	3%	487	0	0%	\$1,050	\$2.16
Average Year Built:	1995		1B/1b	321	28%	670	0	0%	\$958	\$1.44
Average Occupancy:	98%		2B/1b	260	22%	772	1	0%	\$1,253	\$1.52
			2B/1.5b	169	15%	878	0	0%	\$1,074	\$1.27
			2B/2b	148	13%	1,079	3	2%	\$1,421	\$1.32
			2B/2.5b	60	5%	1,275	0	0%	\$1,235	\$0.97
			3B/2b	41	4%	1,280	0	0%	\$1,575	\$1.24
			3B/2.5b	72	6%	1,313	0	0%	\$1,323	\$1.01
			3B/3b	56	5%	1,358	0	0%	\$1,568	\$1.14
			Total/Avg.	1,160	100%	896	4	0%	\$1,273	\$1.32

SOURCE: CoStar, JOHNSON ECONOMICS



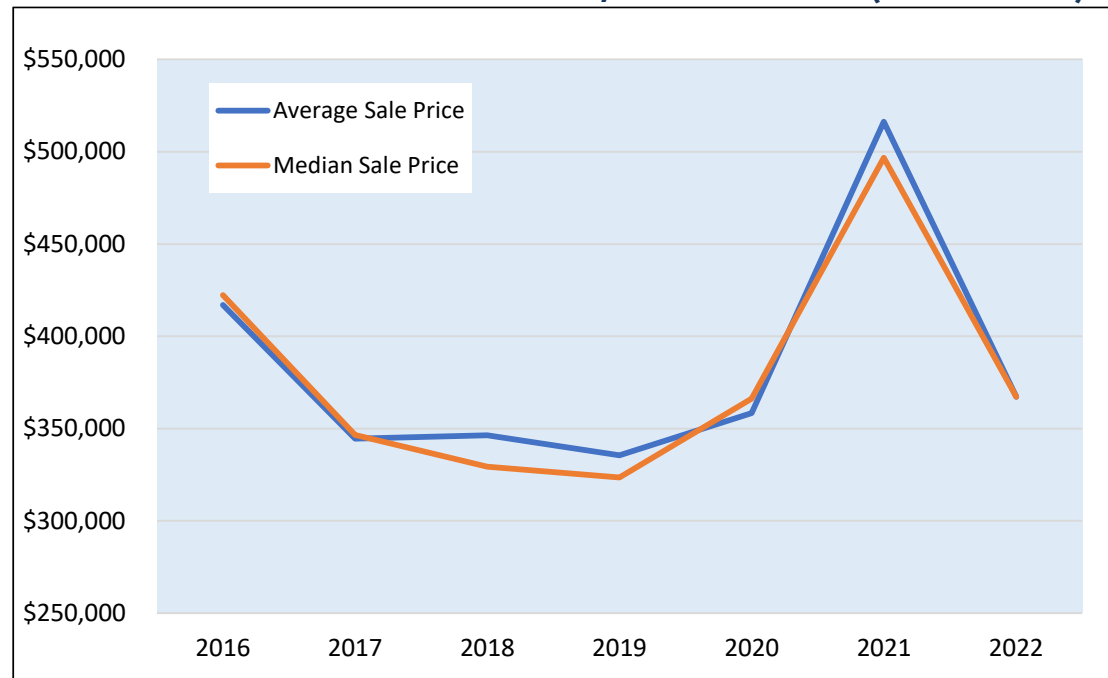
B. HOME SALES MARKET TRENDS

RMLS tracks residential property listings, including the sale prices, property area, and days on the market, for properties that are both actively listed and sold. From the available data, houses recently sold on the market have a median size of roughly 1,750 square feet. and a mean size of roughly 2,170 square feet. with an average price of \$240/square foot.

Home Price Trends

The figure below depicts mean and median prices for houses sold on the market since 2016. The spike in median prices in 2021 was likely due to the tight housing markets as a result of the reduction in inventory from the Alameda Fire and from the COVID pandemic. The pandemic increased demand for housing in some markets, as more people could work remotely and there was a surge in early retirements. This was combined with supply chain disruptions for the building industries and a reduction in for-sale inventory in some markets. This tight housing market caused a price surge in many regions.

FIGURE 5: MEAN & MEDIAN SALE PRICES, JACKSON COUNTY (2016 - 2022)



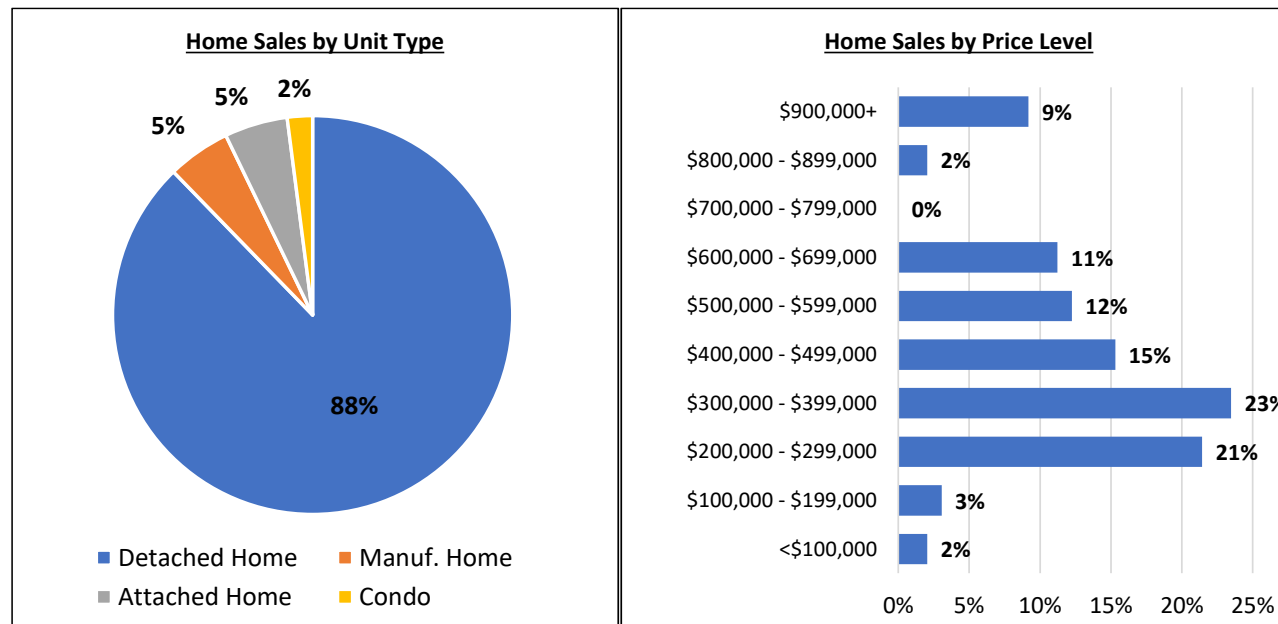
Source: RMLS, Johnson Economics LLC



Figure 6 shows a summary of homes sold in the greater Medford area since 2020. The median sale price was nearly \$400,000 and the average (mean) sales price was nearly \$500,000. Over a quarter of sales were priced below \$300k which is an attainable price level for many middle-income households.

Nearly all sales were for detached single-family homes (88%). However, manufactured homes and attached types such as townhomes or duplexes made up 10% of sales.

FIGURE 6: RECENT HOMES SALES BY UNIT TYPE AND PRICE LEVEL, JACKSON COUNTY



Source: RMLS, Johnson Economics LLC



C. COMMERCIAL RETAIL MARKET TRENDS

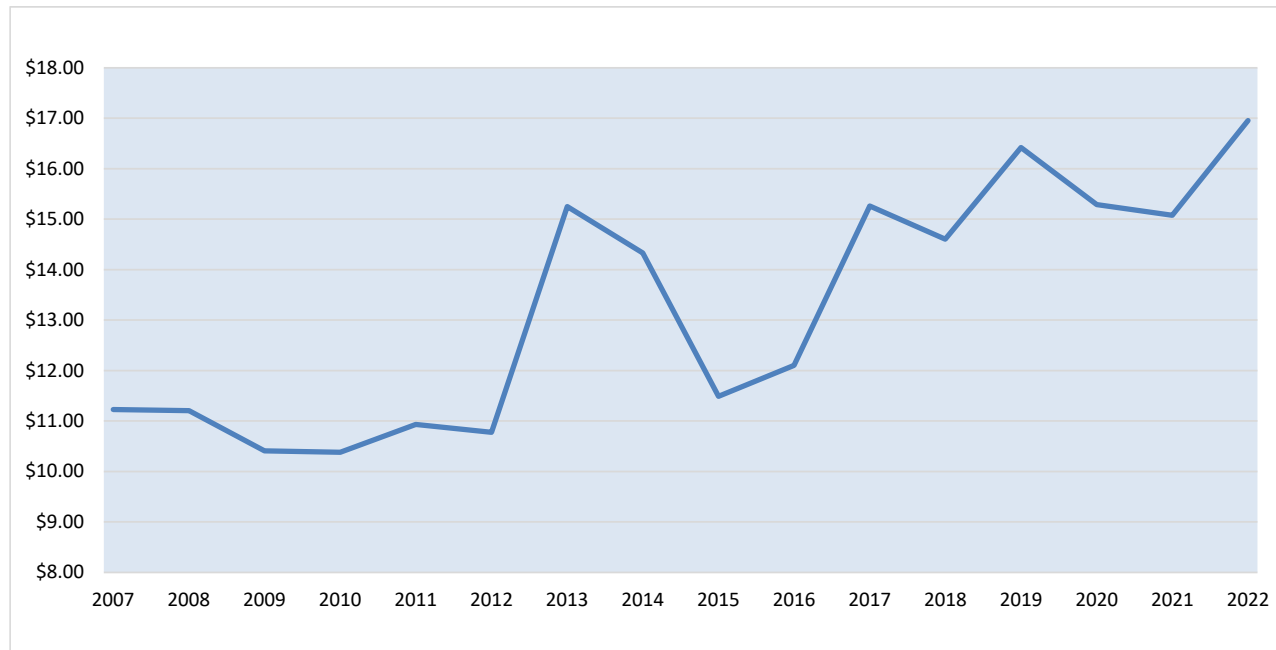
Rent & Occupancy Trend

The retail property market in Phoenix, Talent, and south Medford area has seen some volatility in rents and occupancy during the past decade but overall has maintained reasonable growth.

The following chart displays average yearly rents per square feet for retail property in the area. Most retail rents are commonly presented on a “triple net” (NNN) basis, which means that tenants are responsible for most building expenses such as maintenance, taxes, and insurance on top of the agreed upon rent. Since 2007, the annual NNN rent in the area has increased by a sizable 50.9% growing at an average of 3.7% per year. The area experienced a particularly steep increase in 2013 when average annual NNN rents grew from \$10.78 to \$15.25 per square feet (+ 41.5%) within a year. During the observed period rents peaked in Q3 2022 at \$16.95 per square feet.

Although there has been overall strong growth, there have been periods when rents decreased somewhat drastically. From 2007-2012 growth trends were relatively weak with base rents decreasing annually by 0.74% on average. Then, following the peak in 2013, rents experienced sharp declines through 2015, going from \$15.25 to \$11.49 per square feet (- 24.7%) within the two years.



FIGURE 7: AVERAGE ANNUAL RETAIL NNN RENT (PER SQ.FT.), MEDFORD, PHOENIX, & TALENT (2007 - 2022)

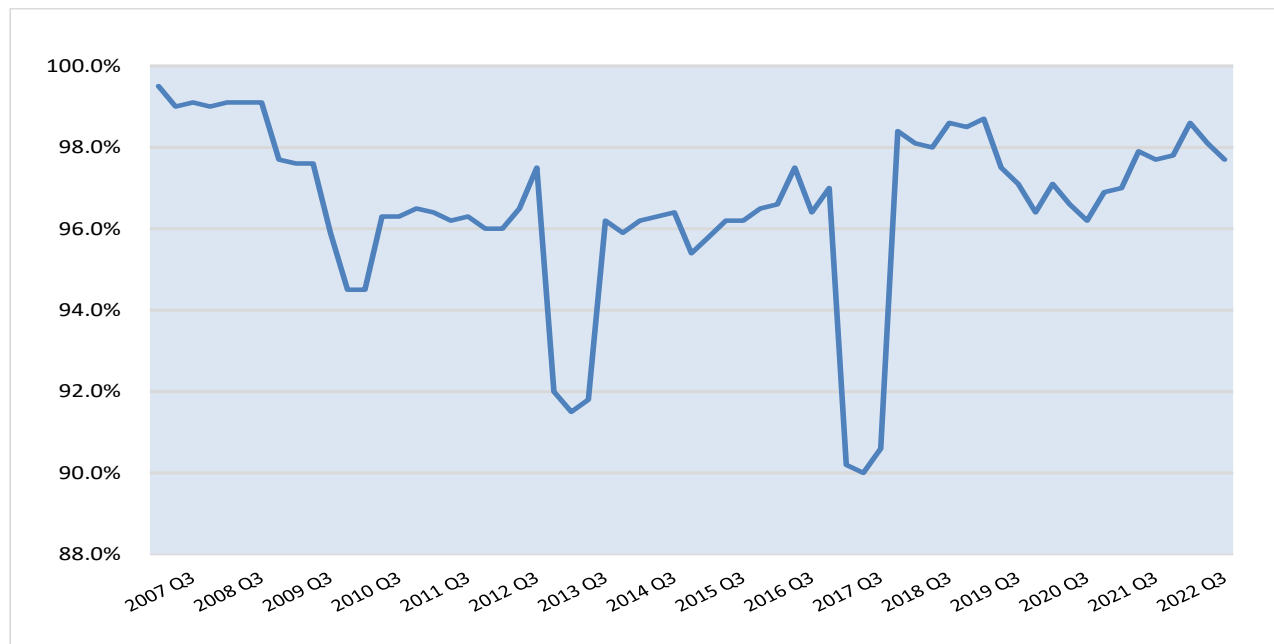
Source: CoStar, JOHNSON ECONOMICS

CoStar tracks roughly 1.98 million square feet across 128 leasable retail spaces within the area. Retail property occupancy in the study area has also seen some volatility, although not as drastically as rents. Despite the fluctuations, retail occupancy from 2007 through 2022 was still considerably strong as occupancy rates among the CoStar properties did not drop below 90%, a rate that is widely accepted as a benchmark for “healthy” vacancy.

Furthermore, building up to the 2008-09 recession there was essentially no vacancy in these spaces as the occupancy rate remained steady at the 99% level. Following this period of near-full occupancy, the study area experienced a steep decline to 95% (- 1.31%) occupancy in 2009 during the onset of the recession, before fluctuating around 90% to 96% occupancy throughout the 2010’s. The particularly deep troughs in occupancy found in 2013 and 2017 also happen to correspond to peaks in retail rent prices for the same years.



FIGURE 8: RETAIL OCCUPANCY RATE, MEDFORD, PHOENIX, & TALENT (2007 - 2022)



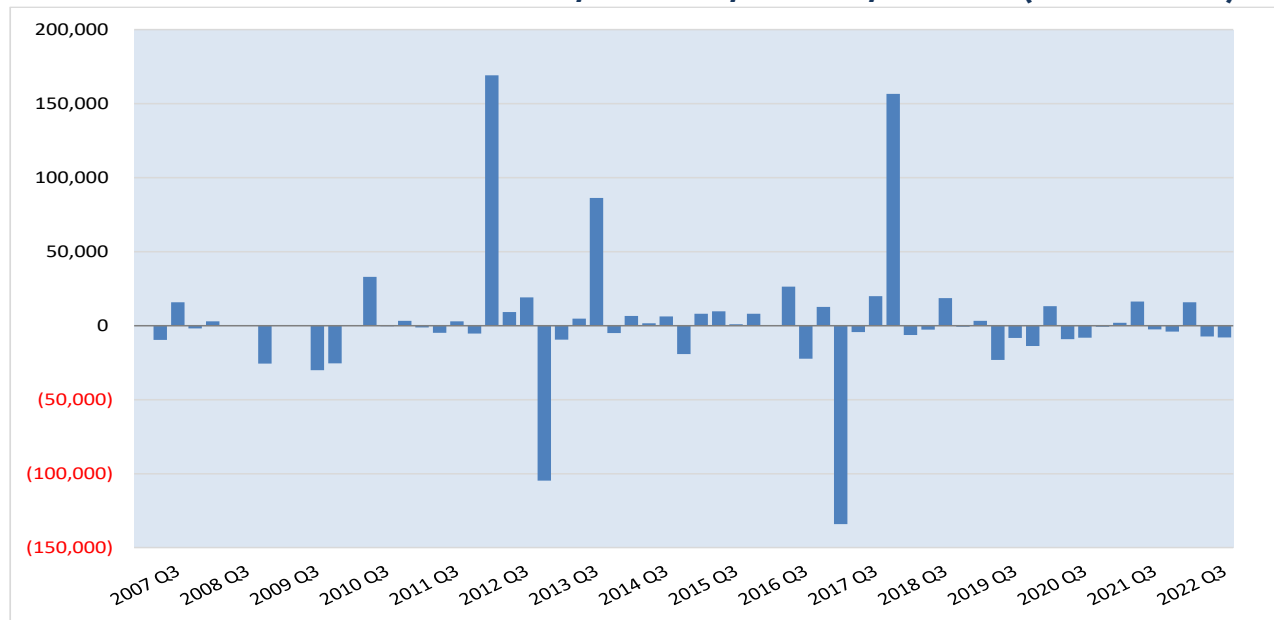
Source: CoStar, JOHNSON ECONOMICS



Absorption Trend

As seen in the figure below, since 2007, the study area of Medford, Phoenix and Talent has absorbed a net of 174,000 square feet of retail space averaging over 11,000 square feet absorbed per year. While these spaces have experienced relatively moderate movements in absorption and vacation, there have been a few extremes cases. For example, 2012 saw the net absorption of over 170,000 square feet of retail space. This was then almost immediately followed by a sizable vacation of these spaces from Q4 2012 to Q1 2013 amounting to roughly 114,000 square feet of vacated retail space. The sudden increase of vacancy led to the steep hike in rent prices which persisted throughout the 2013 calendar year.

FIGURE 9: RETAIL SPACE ABSORPTION, MEDFORD, PHOENIX, & TALENT (2007 - 2022)



Source: CoStar, JOHNSON ECONOMICS



Competitive Survey

JOHNSON ECONOMICS surveyed six retail properties around the Medford area for this analysis, including storefront retail buildings, fast food establishments, and recently redeveloped retail spaces following the wildfire. Four of the surveyed properties are in Medford while the other two are in the Phoenix and Talent respectively. The properties were built between 1979 and 2022. All surveyed properties are leased on a triple-net basis ranging from \$14.00 to \$33.60 PSF.

FIGURE 10: RETAIL SURVEY SUMMARY

	Property	Building Address	Year Built	Parking Spaces	Pkg. Ratio*	Rentable Area (SF)	Max Contig. Space	Direct Vacant Space	Percent Leased	Avg. Weighted Rent	
1	Jack in the Box	471 Bear Creek Dr	2022	na	na	2,790	930	2,790	0%	\$14.19	NNN
2	4150 S Pacific Hwy	4150 S Pacific Hwy	2004	17	6.0	2,650	2,650	2,650	0%	\$33.60	NNN
3	1341 Center Dr	1341 Center Dr	1994	201	4.0	50,218	16,000	16,000	68%	\$15.00	NNN
4	950 N Phoenix Rd	950 N Phoenix Rd	1998	na	na	10,116	1,160	2,240	78%	\$18.00	NNN
5	Winco Plaza	263-293 E Barnett Rd	1979	na	na	18,127	4,017	6,023	67%	\$14.00	NNN
6	Dollar General	237 W Valley View Rd	2017	na	na	9,100	9,100	0	100%	\$19.82	NNN

* Parking spaces/ 1,000 s.f. of rentable space

Source: CoStar, JOHNSON ECONOMICS

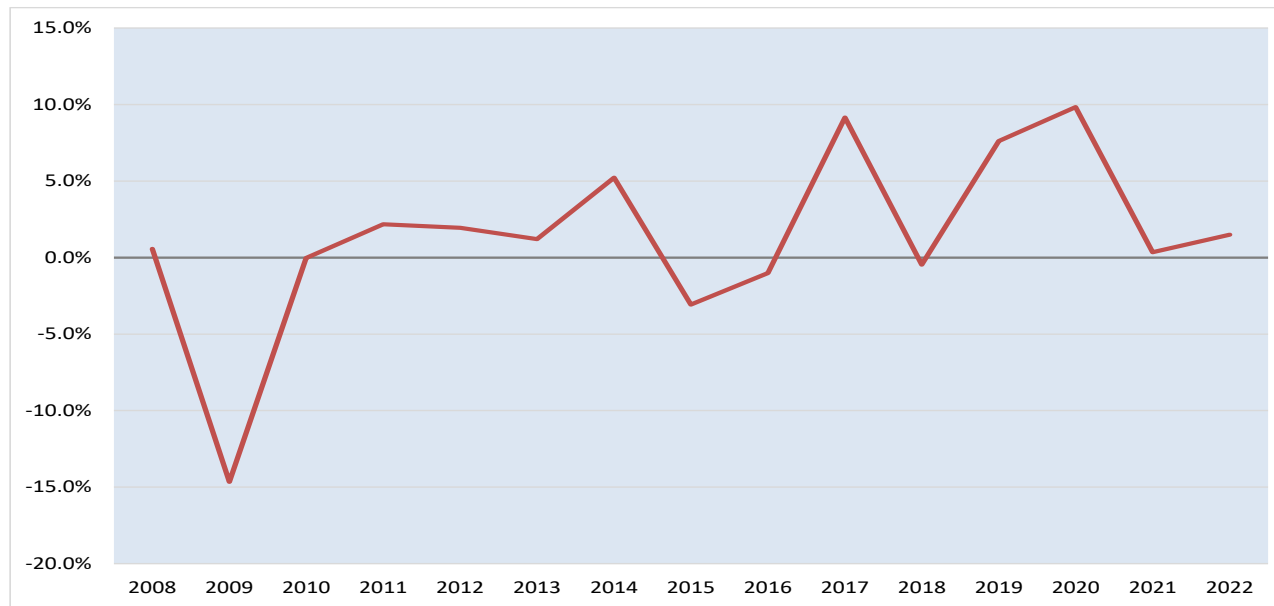


D. OFFICE MARKET TRENDS

Rent & Occupancy Trends

Office rents in the surrounding Medford area have seen significant growth with less volatility compared to the retail real estate market in the last decade. Office rents are typically listed on a “full service” basis, meaning that most expenses of the building and property are carried by the property owner (landlord) rather than the tenant.

FIGURE 11: YEAR-OVER-YEAR OFFICE RENT GROWTH, MEDFORD, PHOENIX, TALENT (2008 - 2022)

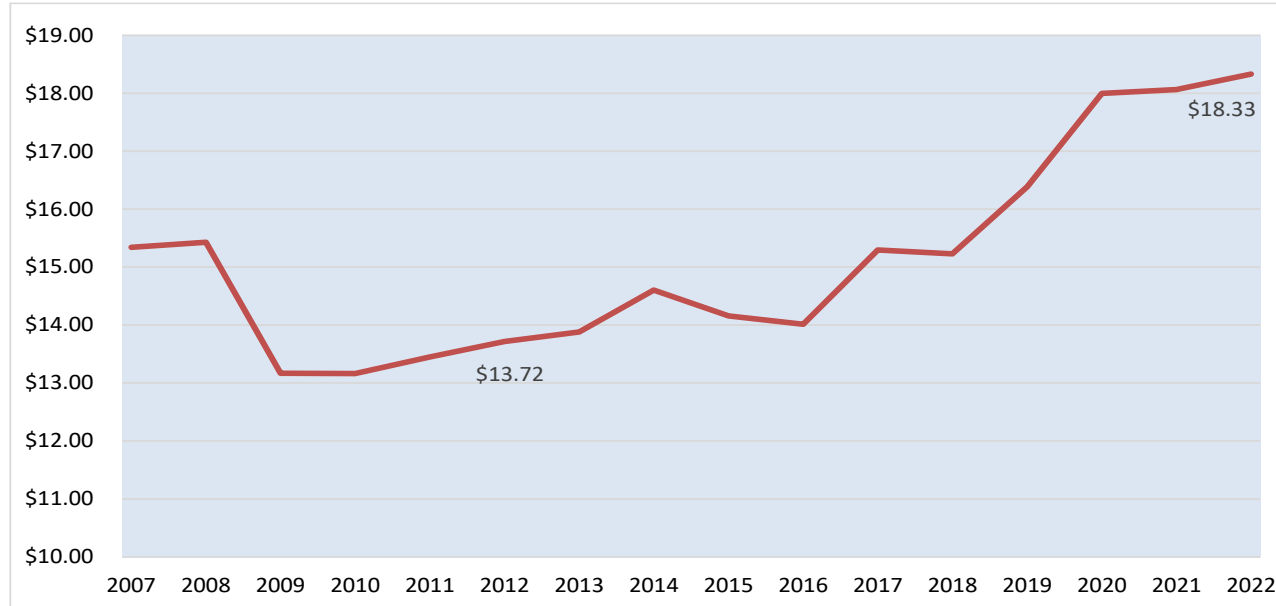


Source: CoStar, JOHNSON ECONOMICS



As seen in the figure below, rents fell to roughly \$13 during the 08-09 recession and have since increased quite sizably. As of 2022, office rents are at an all-time high of \$18.33 despite the setbacks from COVID although the rent trend has been quite flat since 2020. Furthermore, volatility has been quite moderate in the past decade as rents have not fallen below \$14 since the 08-09 recession.

FIGURE 12: ANNUAL AVERAGE OFFICE RENTS, PHOENIX, MEDFORD, & TALENT (2007 - 2022)



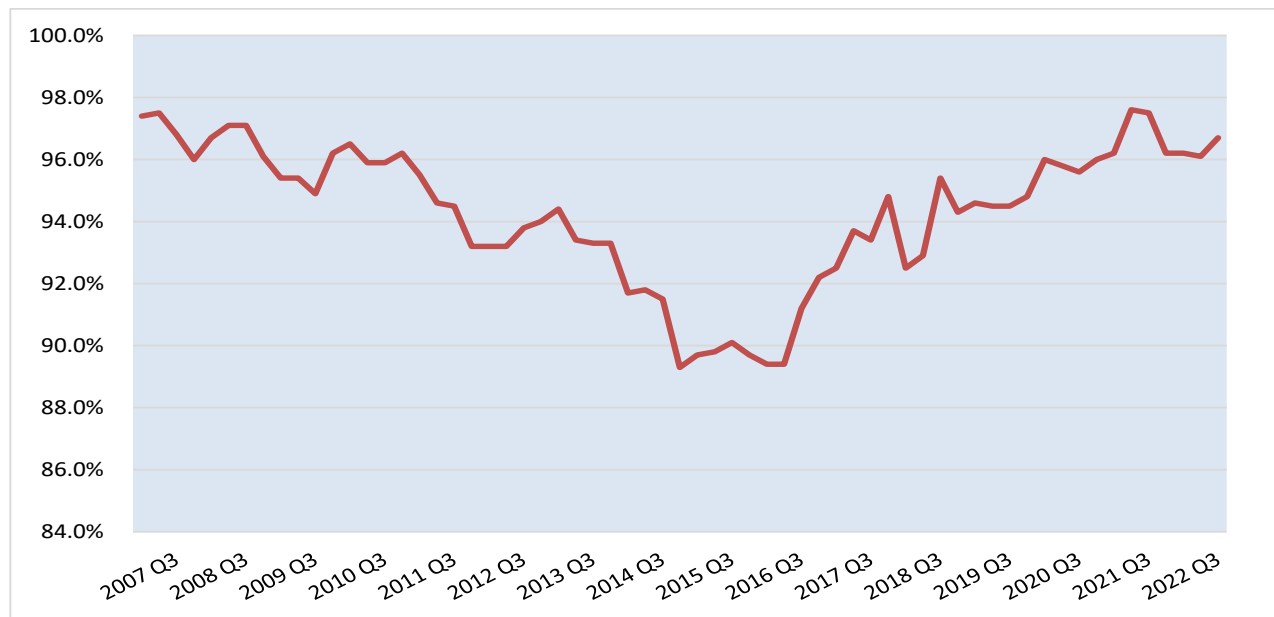
Source: CoStar, JOHNSON ECONOMICS



CoStar tracks roughly 3.025 million square feet of office spaces across 365 individual buildings in the surrounding Medford area. Similar to the retail real estate market, the 08-09 recession set the office spaces on a trend of decreasing occupancy that remained until 2016 when occupancy rates were at its lowest (roughly 89%). However, unlike the retail real estate market, the effects of the recession were not as immediate given that occupancy rates hovered between 96% to 98% from 2007 - 2012.

Although movements in office space occupancy have not been as erratic as compared to other types of real estate in the region, occupancy did drop to roughly 89% from 2015-2016. This historic low in office occupancy was met with decreased office space rents during the same period. Following 2016, occupancy has been steadily above 90%, indicating healthy growth that has also been supported with growing rents moving into the 2020's.

FIGURE 13: OFFICE SPACE OCCUPANCY, MEDFORD, PHOENIX, & TALENT (2007 - 2022)



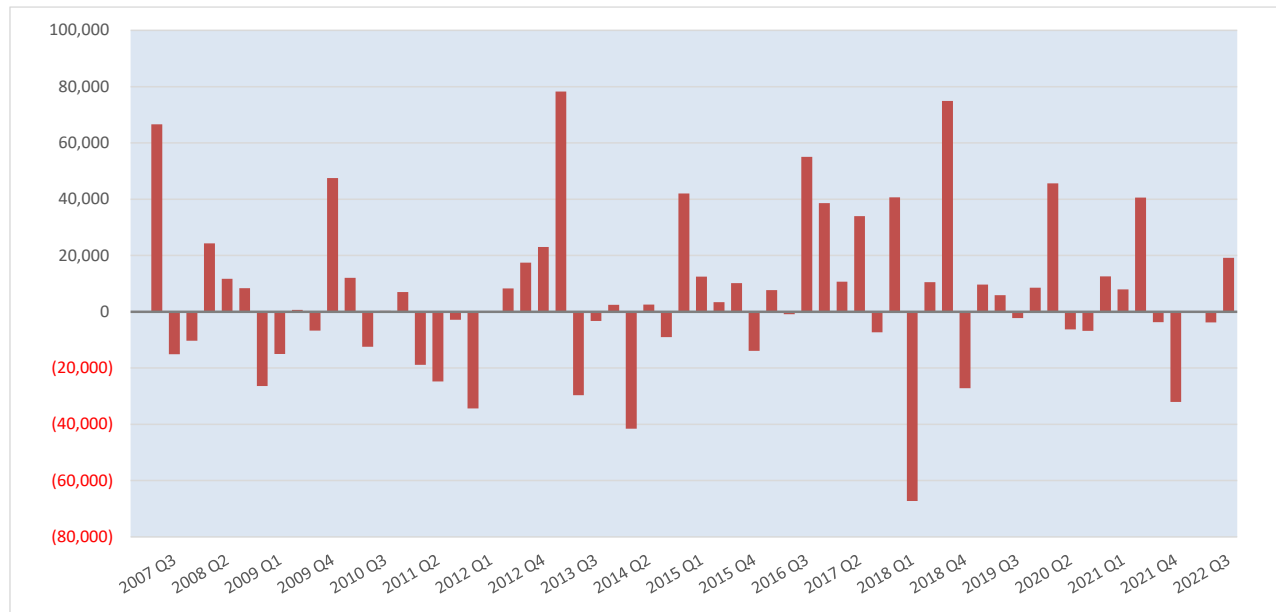
Source: CoStar, JOHNSON ECONOMICS



Absorption Trends

Based on the properties tracked by CoStar, the area surrounding Medford has absorbed a net of roughly 380,000 square feet of office space since 2007 averaging at about 24,000 square feet absorbed per year. Unlike the retail spaces in this area, office spaces have seen larger movements in absorption and vacation on average. Regardless of these large movements, there have been on average more office spaces absorbed than vacated within the last 2 decades.

FIGURE 14: OFFICE SPACE ABSORPTION, MEDFORD AREA, PHOENIX, & TALENT (2007 - 2022)



Source: CoStar, JOHNSON ECONOMICS



Competitive Survey

JOHNSON ECONOMICS surveyed eight office properties for this analysis, all located in Medford. The properties surveyed were built between 1977 and 2021, although the property that was built in 1977 was recently renovated in 2012. Among the surveyed properties is a mix of business parks and small to large professional and medical service buildings.

Occupancy among the properties varies greatly, as some buildings are largely vacant, while others are completely occupied. Annual lease rates range from \$16.20/square foot to \$26.40/square foot, with a majority of the properties presenting leases as triple-net where tenants are responsible for the operating costs. Only two of the surveyed properties present their leases at different structures, with one leasing at \$23.78 full-service (landlord responsible for operating costs), and the other leasing at \$24.00 modified gross (tenant responsible for some operating costs). Both these properties are business parks.

FIGURE 15: OFFICE SURVEY SUMMARY

	Business Park	Building Address	Bldg. Class	Year Built (Year Renovated)	No. Of Stories	Parking Spaces	Pkg. Ratio*	Rentable Area (SF)	Average Floor Size	Percent Leased	Avg. Weighted Rent	Lease Type
1	3531 E Barnett Rd	3531 E Barnett Rd	B	2021	1	na	na	5,940	5,940	0%	\$26.40	Triple Net
2	One West Main	1 W Main St	A	2014	4	na	na	115,615	33,184	81%	\$24.00	Modified Gross
3	People's Bank Building	1311 E Barnett Rd	B	2012	3	na	na	20,220	6,740	100%	\$28.50	Triple Net
4	Earhart Place	400 Earhart St	B	1977 (2012)	1	100	10.0	10,000	10,000	100%	\$17.50	Triple Net
5	Lausmann Building	221 W Stewart Ave	A	2001	3	66	1.4	46,216	4,981	100%	\$23.78	Full Service
6	3156 State St	3156 State St	B	2006	2	60	8.3	7,200	3,600	100%	\$24.00	Triple Net
7	2045 Cardinal Ave	2045 Cardinal Ave	B	2007	3	64	3.0	21,000	7,000	91%	\$16.20	Triple Net
8	AmeriTitle	1501 E McAndrews Rd	B	1998	2	45	3.1	14,468	7,234	16%	\$19.20	Triple Net

* Parking spaces/ 1,000 s.f. of rentable space

Source: CoStar, JOHNSON ECONOMICS



APPENDIX B: PRO FORMA FEASIBILITY ANALYSIS

SUMMARY

The primary approach used to predict feasible development types in the study area is to estimate the supportable residual land value (RLV) for prospective development using a series of simplified pro forma analyses that represent a range of potential building prototypes.

In general, from a for-profit development perspective the “highest and best use” of each parcel is defined as the allowable land use program that yields the greatest monetary return to the existing property, and the RLV reflects the maximum acquisition value supported by that program under the assumptions used. Where the finding of RLV for a given development is negative, this means that the building form costs too much to build in return for the rents or property prices that are achievable for the final product. (i.e., the development would lose money and is not estimated to be feasible.)

Other factors come in to play such as zoning approvals, as well as incentives or public goals that can impact what is built. From a community’s perspective there are other considerations besides profit that enter into what may be the best use of a location. But for the purposes of this analysis, we estimate the feasibility from a market perspective in order to determine what might organically be built in the study area, and what types of incentives might be necessary to entice changes to those uses.

PRO FORMA ANALYSIS

The general findings on feasibility for major land use categories are summarized in Section III of this report. The following tables present details of the pro forma analyses. Pro forma analyses model hypothetical development based on a wide range of assumptions of the development parameters, costs, and likely revenue potential.

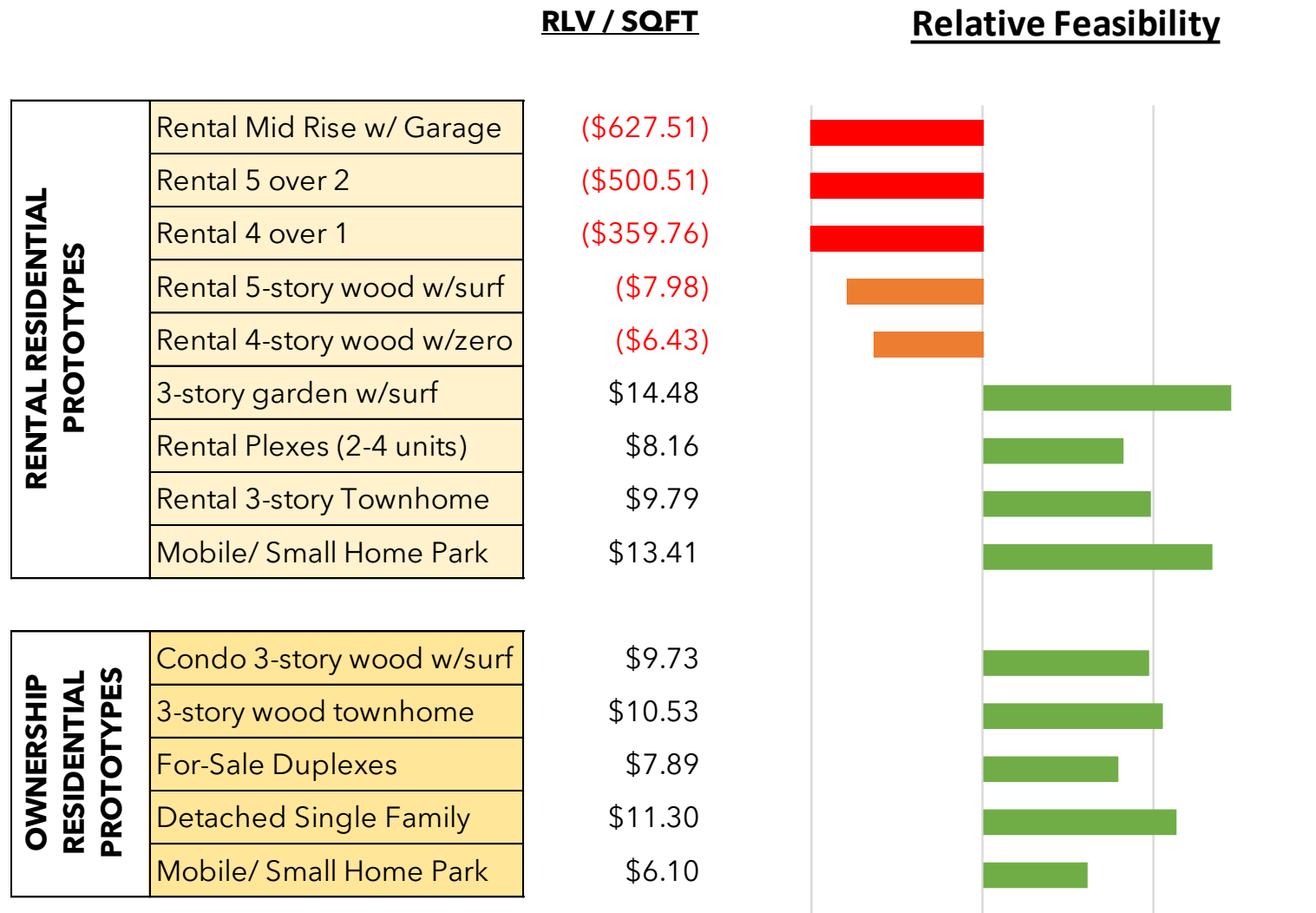
This analysis considered 23 different prototypical development forms in five major land use categories:

- Rental Residential
- Ownership Residential
- Retail
- Office
- Industrial

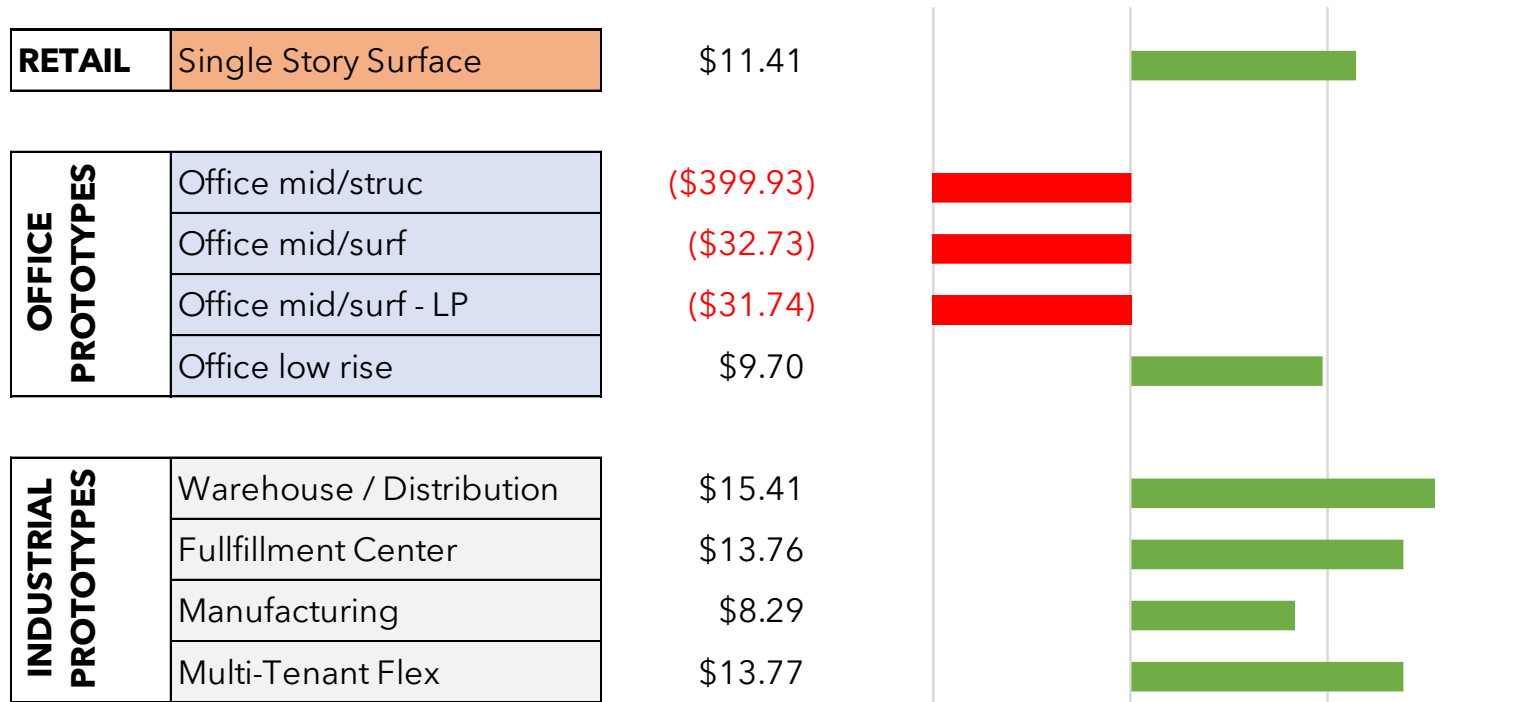
Very high-density and high-cost development forms that are unrealistic in this market (e.g., high-rise office towers) were not included in this analysis.



**FIGURE 1: SUMMARY OF ESTIMATED RESIDUAL LAND VALUE CALCULATIONS
BY DEVELOPMENT PROTOTYPE**



SUMMARY OF ESTIMATED RESIDUAL LAND VALUE CALCULATIONS BY DEVELOPMENT PROTOTYPE (CONT.)



Source: CoStar, RMLS, JOHNSON ECONOMICS



FIGURE 2: RENTAL RESIDENTIAL PROTOTYPES, PRO FORMA SUMMARY

PROTOTYPE RENTAL RESIDENTIAL PROGRAMS									
	Rental Mid Rise w/ Garage	Rental 5 over 2	Rental 4 over 1	Rental 5-story wood w/surf	Rental 4-story wood w/zero	3-story garden w/surf	Rental Plexes (2-4 units)	Rental 3-story Townhome	Mobile/ Small Home Park
Property Assumptions									
Site Size (SF)	40,000	40,000	40,000	40,000	40,000	40,000	5,000	40,000	40,000
Density	225	225	170	90	72	35	30	20	16
Unit Count	206	206	156	82	66	32	3	18	14
Ave Unit Size	750	750	750	750	750	700	750	1,200	1,000
Efficiency Ratio	85%	85%	87%	85%	85%	100%	100%	100%	100%
Building Square Feet	181,765	181,765	134,483	72,353	58,235	22,400	2,250	21,600	14,000
FAR	4.54	4.54	3.36	1.81	1.46	0.56	0.45	0.54	0.40
Parking Ratio/Unit	1.25	1.25	1.25	1.50	1.50	1.50	1.50	1.50	1.00
Total Parking Spaces	258	258	195	123	99	48	5	27	14
Parking Spaces - Surface	-	-	-	123	99	48	5	27	14
Parking Spaces - Structure	258	258	195	-	-	-	-	-	-
Structured Parking %	100%	100%	100%	0%	0%	0%	0%	0%	0%
Cost Assumptions									
Base Construction Cost/SF	\$260	\$240	\$240	\$176	\$176	\$176	\$184	\$184	\$50
Adjustment Factor	0%	0%	0%	0%	0%	0%	0%	0%	0%
Construction Cost/SF	\$260	\$240	\$240	\$176	\$176	\$176	\$184	\$184	\$50
Base Parking Costs/Space	\$35,000	\$29,400	\$29,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400
Adjustment Factor	0%	0%	0%	0%	0%	0%	0%	0%	0%
Parking Cost/Space	\$35,000	\$29,400	\$29,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400
Income Assumptions									
Base Income/Sf/Mo.	\$1.60	\$1.60	\$1.60	\$1.60	\$1.60	\$1.60	\$1.60	\$1.60	\$0.70
Adjustment Factor	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Achievable Pricing	\$1.60	\$1.60	\$1.60	\$1.60	\$1.60	\$1.60	\$1.60	\$1.60	\$0.70
Parking Charges/Space/Mo	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Expenses									
Vacancy/Collection Loss	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Operating Expenses	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Adjustment Factor	0%	0%	0%	0%	0%	0%	0%	0%	0%
Operating Expenses	30%	30%	30%	30%	30%	30%	30%	30%	30%
Valuation									
Capitalization Rate	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Adjustment Factor	0%	0%	0%	0%	0%	0%	0%	0%	0%
Capitalization Rate	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Cost									
Cost/Construct w/o prkg.	\$47,258,824	\$43,623,529	\$32,275,862	\$12,734,118	\$10,249,412	\$3,942,400	\$413,407	\$3,968,703	\$700,000
Total Parking Costs	\$9,030,000	\$7,585,200	\$5,733,000	\$0	\$0	\$0	\$0	\$0	\$0
Estimated Project Cost	\$56,288,824	\$51,208,729	\$38,008,862	\$12,734,118	\$10,249,412	\$3,942,400	\$413,407	\$3,968,703	\$700,000
Income									
Annual Base Income	\$2,966,400	\$2,966,400	\$2,246,400	\$1,180,800	\$950,400	\$430,080	\$43,200	\$414,720	\$117,600
Annual Parking	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gross Annual Income	\$2,966,400	\$2,966,400	\$2,246,400	\$1,180,800	\$950,400	\$430,080	\$43,200	\$414,720	\$117,600
Less: Vacancy & CL	\$148,320	\$148,320	\$112,320	\$59,040	\$47,520	\$21,504	\$2,160	\$20,736	\$5,880
Effective Gross Income	\$2,818,080	\$2,818,080	\$2,134,080	\$1,121,760	\$902,880	\$408,576	\$41,040	\$393,984	\$111,720
Less Expenses:									
Operating Expenses	\$845,424	\$845,424	\$640,224	\$336,528	\$270,864	\$122,573	\$12,312	\$118,195	\$33,516
Annual NOI	\$1,972,656	\$1,972,656	\$1,493,856	\$785,232	\$632,016	\$286,003	\$28,728	\$275,789	\$78,204
Property Valuation									
Return on Cost	3.50%	3.85%	3.93%	6.17%	6.17%	7.25%	6.95%	6.95%	11.17%
Threshold Return on Cost	6.33%	6.33%	6.33%	6.33%	6.33%	6.33%	6.33%	6.33%	6.33%
Residual Property Value	(\$25,100,586)	(\$20,020,492)	(\$14,390,585)	(\$319,382)	(\$257,064)	\$579,390	\$40,791	\$391,594	\$536,427
RPV/SF	(\$627.51)	(\$500.51)	(\$359.76)	(\$7.98)	(\$6.43)	\$14.48	\$8.16	\$9.79	\$13.41



FIGURE 3: OWNERSHIP RESIDENTIAL PROTOTYPES, PRO FORMA SUMMARY

PROTOTYPE OWNERSHIP RESIDENTIAL PROGRAMS					
	Condo 3-story wood w/surf	3-story wood townhome	For-Sale Duplexes	Detached Single Family	Detached Single Family
Property Assumptions					
Site Size (SF)	40,000	40,000	40,000	40,000	40,000
Density	35	20	18	9	16
Unit Count	32	18	16	8	14
Ave Unit Size	800	1,500	1,250	1,750	1,300
Efficiency Ratio	100%	100%	100%	100%	100%
Building Square Feet	25,600	27,000	20,000	14,000	18,200
FAR	0.64	0.68	0.50	0.35	0.40
Parking Ratio/Unit	1.50	1.50	2.00	1.50	1.00
Total Parking Spaces	48	27	32	12	14
Parking Spaces - Surface	48	27	32	12	14
Parking Spaces - Structure	-	-	-	-	-
Structured Parking %	0%	0%	0%	0%	0%
Cost Assumptions					
Base Construction Cost/SF	\$185	\$176	\$193	\$176	\$50
Adjustment Factor	0%	0%	0%	0%	0%
Construction Cost/SF	\$185	\$176	\$193	\$176	\$50
Base Parking Costs/Space	\$4,400	\$4,400	\$4,400	\$4,400	\$4,400
Adjustment Factor	0%	0%	0%	0%	0%
Parking Cost/Space	\$4,400	\$4,400	\$25,000	\$25,000	\$25,001
Income Assumptions					
Sales Price/SF	\$250	\$250	\$250	\$250	\$142
Adjustment Factor	0%	0%	0%	0%	0%
Achievable Pricing	\$250	\$250	\$250	\$250	\$142
Parking Charges/Space	\$0	\$0	\$0	\$0	\$0
Expenses					
Sales Commission	4.0%	4.0%	4.0%	4.0%	4.0%
Cost					
Cost/Construct w/o prkg.	\$4,730,880	\$4,762,800	\$3,858,462	\$2,469,600	\$910,000
Total Parking Costs	\$0	\$0	\$0	\$0	\$0
Estimated Project Cost	\$4,730,880	\$4,762,800	\$3,858,462	\$2,469,600	\$910,000
Income					
Gross Income - Units	\$6,400,000	\$6,750,000	\$5,000,000	\$3,500,000	\$2,584,400
Gross Income - Parking	\$0	\$0	\$0	\$0	\$0
Gross Sales Income	\$6,400,000	\$6,750,000	\$5,000,000	\$3,500,000	\$2,584,400
Less: Commission	(\$256,000)	(\$270,000)	(\$200,000)	(\$140,000)	(\$103,376)
Effective Gross Income	\$6,144,000	\$6,480,000	\$4,800,000	\$3,360,000	\$2,481,024
Property Valuation					
Return on Sales	29.87%	36.05%	24.40%	36.05%	172.64%
Threshold Return	20.00%	25.00%	15.00%	15.00%	115.00%
Residual Property Value	\$389,120	\$421,200	\$315,452	\$452,139	\$243,965
	\$9.73	\$10.53	\$7.89	\$11.30	\$6.10



FIGURE 4: COMMERCIAL LAND USE PROTOTYPES, PRO FORMA SUMMARY

		OFFICE PROTOTYPES				RETAIL
		Office mid/struc	Office mid/surf	Office mid/surf - LP	Office low rise	Single Story Surface
PROGRAM	Property Assumptions					
	Site Size (SF)	40,000	40,000	40,000	40,000	40,000
	Stories	5	4	4	1	1
	FAR	3.8	0.5	0.5	0.3	0.3
	Building Square Feet	150,000	20,000	20,000	12,000	12,000
	Efficiency	90%	90%	90%	100%	100%
	Leasable Area	135,000	18,000	18,000	12,000	12,000
	Parking Ratio/000 SF	1.50	1.50	1.00	1.50	3.5
	Parking Spaces	202	27	18	18	42
	Cost Assumptions					
	Base Construction Cost/SF	\$200	\$200	\$200	\$127	\$120
	Tenant Improvement Allowance	\$84	\$84	\$84	\$84	\$76
	Adjustment Factor	0.00%	0.00%	0.00%	0.00%	0.00%
	Construction Cost/SF	\$284	\$284	\$284	\$211	\$196
	Base Parking Costs/Space	\$35,000	\$4,400	\$4,400	\$4,400	\$4,400
	Adjustment Factor	0.00%	0.00%	0.00%	0.00%	0.00%
	Parking Cost/Space	\$35,000	\$4,400	\$4,400	\$4,400	\$4,400
OPERATING ASSUMPTIONS	Income Assumptions					
	Base Income/Sf/Yr.	\$23.00	\$23.00	\$23.00	\$23.00	\$23.00
	Adjustment Factor	0.00%	0.00%	0.00%	0.00%	0.00%
	Achievable Pricing	\$23.00	\$23.00	\$23.00	\$23.00	\$23.00
	Parking Charges/Space/Mo	\$0	\$0	\$0	\$0	\$0
	Expense Assumptions					
	Vacancy/Collection Loss	10.00%	10.00%	10.00%	10.00%	10.00%
	Base Operating Expenses	3.00%	3.00%	3.00%	3.00%	3.00%
	Adjustment Factor	0%	0%	0%	0%	0.00%
	Operating Expenses	3.00%	3.00%	3.00%	3.00%	3.00%
	Valuation Assumptions					
	Base Capitalization Rate	7.00%	7.00%	7.00%	7.00%	7.00%
	Adjustment Factor	0%	0%	0%	0%	0%
	Capitalization Rate	7.00%	7.00%	7.00%	7.00%	7.00%
SUPPORTABLE PROPERTY VALUE	Cost					
	Cost/Construct w/o prkg.	\$42,600,000	\$5,680,000	\$5,680,000	\$2,526,072	\$2,352,000
	Total Parking Costs	\$7,070,000	\$118,800	\$79,200	\$79,200	\$184,800
	Estimated Project Cost	\$49,670,000	\$5,798,800	\$5,759,200	\$2,605,272	\$2,536,800
	Income					
	Annual Base Income	\$3,105,000	\$414,000	\$414,000	\$276,000	\$276,000
	Annual Parking	\$0	\$0	\$0	\$0	\$0
	Gross Annual Income	\$3,105,000	\$414,000	\$414,000	\$276,000	\$276,000
	Less: Vacancy & CL	\$310,500	\$41,400	\$41,400	\$27,600	\$27,600
	Effective Gross Income	\$2,794,500	\$372,600	\$372,600	\$248,400	\$248,400
	Less Expenses:					
	Operating Expenses	\$83,835	\$11,178	\$11,178	\$7,452	\$7,452
	Annual NOI	\$2,710,665	\$361,422	\$361,422	\$240,948	\$240,948
	Property Valuation					
	Return on Cost	5.46%	6.23%	6.28%	9.25%	9.50%
	Threshold Return on Cost	8.05%	8.05%	8.05%	8.05%	8.05%
	Residual Property Value	(\$15,997,143)	(\$1,309,086)	(\$1,269,486)	\$387,871	\$456,343
	RPV/SF	(\$399.93)	(\$32.73)	(\$31.74)	\$9.70	\$11.41

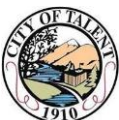


FIGURE 5: INDUSTRIAL LAND USE PROTOTYPES, PRO FORMA SUMMARY

		INDUSTRIAL PROTOTYPES			
		Warehouse / Distribution	Fulfillment Center	Manufacturing	Multi-Tenant Flex
PROGRAM	Property Assumptions				
	Site Size (SF)	120,000	120,000	120,000	40,000
	Stories	1	1	1	1
	FAR	0.4	0.4	0.5	0.3
	Building Square Feet	48,000	60,000	60,000	13,000
	Efficiency	100%	100%	100%	100%
	Leasable Area	48,000	60,000	60,000	13,000
	Parking Ratio/000 SF	1.0	3.5	3.0	1.0
	Parking Spaces	48	210	180	13
	Cost Assumptions				
	Base Construction Cost/SF	\$84	\$84	\$109	\$92
	Tenant Improvement Allowance	\$0	\$0	\$0	\$0
	Adjustment Factor	0.00%	0.00%	0.00%	0.00%
	Construction Cost/SF	\$84	\$84	\$109	\$92
	Base Parking Costs/Space	\$4,400	\$4,400	\$4,400	\$4,400
	Adjustment Factor	0.00%	0.00%	0.00%	0.00%
	Parking Cost/Space	\$4,400	\$4,400	\$4,400	\$4,400
OPERATING ASSUMPTIONS	Income Assumptions				
	Base Income/Sf/Yr.	\$10.00	\$10.00	\$11.00	\$11.00
	Adjustment Factor	0.00%	0.00%	0.00%	0.00%
	Achievable Pricing	\$10.00	\$10.00	\$11.00	\$11.00
	Parking Charges/Space/Mo	\$0	\$0	\$0	\$0
	Expense Assumptions				
	Vacancy/Collection Loss	10.00%	10.00%	10.00%	10.00%
	Base Operating Expenses	3.00%	3.00%	3.00%	3.00%
	Adjustment Factor	0.00%	0.00%	0.00%	0.00%
	Operating Expenses	3.00%	3.00%	3.00%	3.00%
	Valuation Assumptions				
	Base Capitalization Rate	6.00%	6.00%	6.00%	6.00%
	Adjustment Factor	0%	0%	0%	0%
	Capitalization Rate	6.00%	6.00%	6.00%	6.00%
SUPPORTABLE PROPERTY VALUE	Cost				
	Cost/Construct w/o prkg.	\$4,012,800	\$5,016,000	\$6,564,000	\$1,201,200
	Total Parking Costs	\$211,200	\$924,000	\$792,000	\$57,200
	Estimated Project Cost	\$4,224,000	\$5,940,000	\$7,356,000	\$1,258,400
	Income				
	Annual Base Income	\$480,000	\$600,000	\$660,000	\$143,000
	Annual Parking	\$0	\$0	\$0	\$0
	Gross Annual Income	\$480,000	\$600,000	\$660,000	\$143,000
	Less: Vacancy & CL	\$48,000	\$60,000	\$66,000	\$14,300
	Effective Gross Income	\$432,000	\$540,000	\$594,000	\$128,700
	Less Expenses:				
	Operating Expenses	\$12,960	\$16,200	\$17,820	\$3,861
	Annual NOI	\$419,040	\$523,800	\$576,180	\$124,839
	Property Valuation				
	Return on Cost	9.92%	8.82%	7.83%	9.92%
	Threshold Return on Cost	6.90%	6.90%	6.90%	6.90%
	Residual Property Value	\$1,849,043	\$1,651,304	\$994,435	\$550,861
	RPV/SF	\$15.41	\$13.76	\$8.29	\$13.77

