

CITY OF TALENT GATEWAY SITE DEVELOPMENT PLAN

summary report
august 2018



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existing view of hills to east of site

I. INTRODUCTION & PROJECT GOALS

The City of Talent is a lively, creative, and tight-knit community nestled in the rolling hills of the southern Rogue River valley. Its developed areas are ringed by agricultural lands enriched by irrigation canals. As Talent continues to grow, its housing supply--particularly for lower and moderate-income residents--will need to increase without encroaching too far into adjacent agricultural areas.

In early 2017, Talent's Urban Renewal Agency (TURA) purchased a 4.5 acre site at a prominent Hwy 99 intersection and key entry to downtown Talent. The site was purchased to achieve multiple goals, including:

- Furthering Talent's distinct identity
- Identifying the City along Hwy 99 and drawing activity into downtown
- Adding housing to the core of Talent at an affordable level for working people
- Creating a true community gathering place with a mix of uses

In 2016, the TURA Board conducted a community listening process to understand local residents' priorities for the site. Using this information, TURA issued an RFEI (Request for Expressions of Interest) for development parties in August 2017 and selected DOSO Properties, a local development company, as a partner in developing the site to achieve the community goals. In 2017, TURA received a TGM Quick Response grant from the State of Oregon to plan the site for compact, mixed use, pedestrian-friendly, low-impact and sustainable development.

This report summarizes the outcome of the Talent Gateway Site Development project, led by Walker Macy Landscape Architects and Planners. Over the course of 7 months, a team of planners, architects, economists, DOSO Properties and City and State officials worked to translate community goals into a high-quality and financially viable plan for site development. The team developed multiple ideas for the site that could achieve the goals heard from the community. These ideas were then vetted with the community and DOSO Properties in order to arrive at a financially-viable final site development concept. The site development concept includes a mix of housing types, commercial development, and a community makerspace building that could be occupied by local nonprofit organization Talent Maker City.

The City will now partner with a developer (or developers) to build the project in phases. Given the multiple possible paths forward, this plan is not intended as a final design for the site. Instead, it is a demonstration of how the site could be arranged to meet the goals expressed through this planning process.



idea board by Talent Maker City at community meeting #1 in January 2018

// COMMUNITY PROCESS



In early 2017, TURA reached out to Talent residents to discuss the best use of the site. Major themes that emerged indicated that this project should:

- Help to further Talent's distinct identity
- Spur economic development
- Be welcoming to all--young people, families, seniors
- Serve as a true community gathering place
- Incorporate features that attract people to Talent
- Incorporate housing for a variety of household types and income levels
- Incorporate a makerspace and complementary commercial services
- Create a pedestrian-friendly environment and connections to downtown
- Incorporate art and beauty
- Be sustainable
- Act as a catalyst--set the stage for a great future for Talent



the team met with community members twice to listen and get feedback

The project team built on this initial process with two public meetings. At the first meeting in January 2018, objectives were confirmed for the site; at the second meeting, three ideas for development on the site were presented, based on community and TURA input heard (see Appendix A). Community, TURA Board and DOSO feedback, combined with financial considerations, helped shape the final development concept for the site. The concept was refined with input from TURA and DOSO Properties and adopted by the TURA Board on June 20 2018.



figure 1: site context map

///. SITE CONDITIONS



view west across site



view south on OR-99

The Gateway Site is located at a focal intersection of Highway 99 and Valley View Road, an east-west road that connects I-5 with downtown Talent. The location provides a significant opportunity to showcase Talent's unique identity and welcome visitors to visit the downtown two blocks to the west. It is a rare piece of undeveloped land within the urban growth boundary that could efficiently provide many needed housing units. It also affords beautiful views to the surrounding southern Oregon landscape.

The site is relatively flat, bordered by a single-family residential neighborhood to the south, which provides an opportunity to transition toward downtown's commercial areas with a mix of housing types. Highway commercial uses bound the site to the east and north, and the Talent Irrigation District's storage yards are located to the west. These three edges present a challenge in terms of highway noise, views, and constrained access to the site. A future road from the south side of the roundabout to Talent Avenue will reduce the site's acreage but provide a new access point.

The site is zoned Central Business Highway (CBH), which is similar to the downtown Central Business District (CBD) zoning, except that it requires parking while the downtown zone does not. In order to encourage compact, pedestrian-friendly, mixed-use development, parking requirement reductions may be explored for the site. There is also an opportunity to provide high-quality pedestrian facilities throughout the site and connections to downtown. Pedestrians currently cut through the site, indicating the importance of providing more formal connectivity.



Depot Building (Main Street)



looking south across site



Downtown Park



Plaza on Valley View Road west of the site provides pedestrian access to Downtown Talent

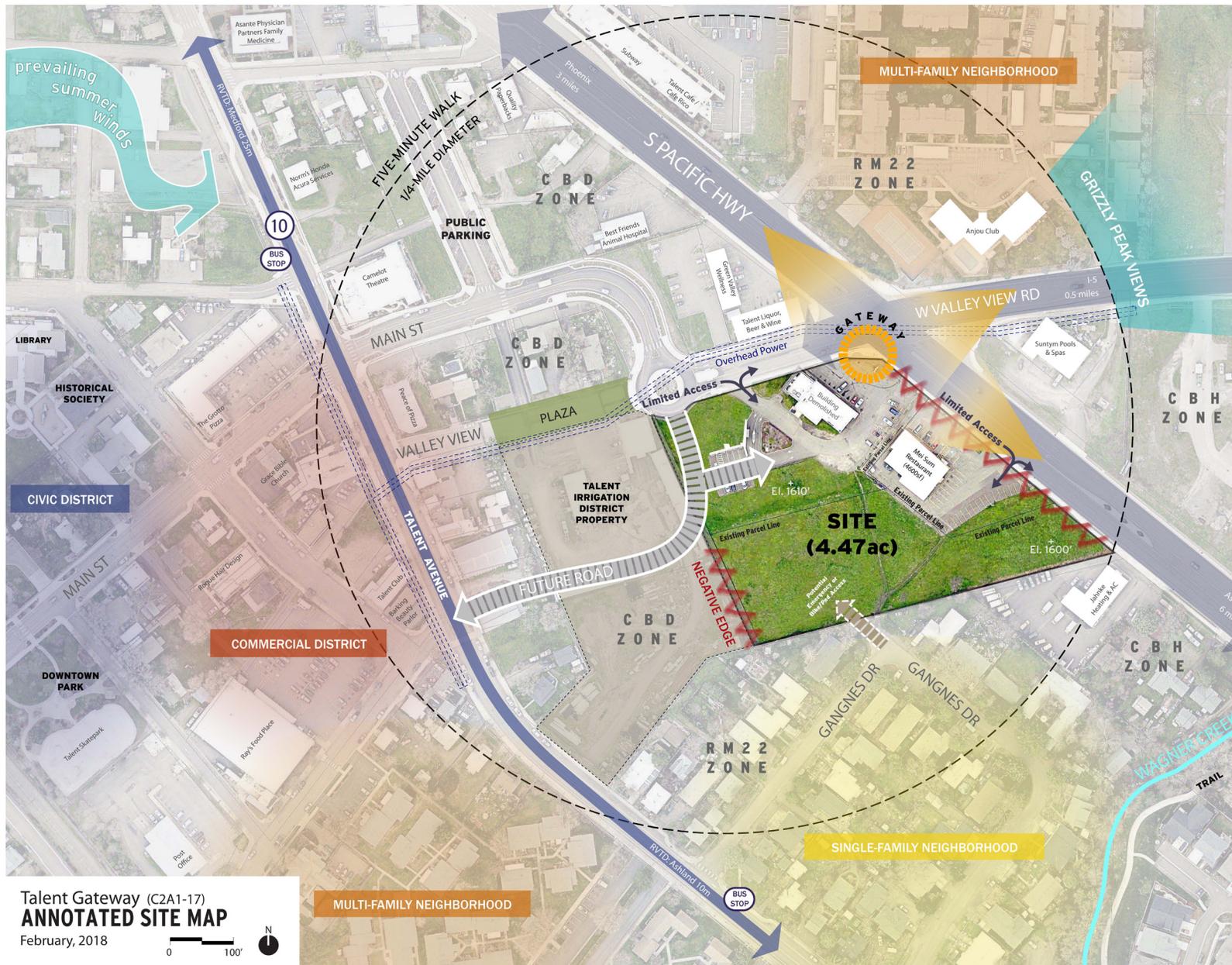


figure 2: annotated site analysis map



IV. DEVELOPMENT PROGRAM

At the outset of the project, the team was provided with a draft program, or list of potential site uses, by TURA's selected development team, DOSO Properties. These uses were outlined by DOSO as part of their successful response to TURA's RFEI in September 2017 and were deemed to best meet the site's potential market and result in a profitable project for the City and its private partners. The initial program consisted of the following uses, and serves as the basis for the draft site concepts, as shown in Appendix A:

- Townhouses
- Apartments
- Commercial uses, potentially in the ground floor of apartments
- Makerspace

As the plan and DOSO's strategy evolved, this program was refined as follows, to serve as the basis for the preferred site concept.

Townhouses

The townhouses in the plan are intended to be viable for the Rogue Valley market, with a total square footage of 1,500 sf in 2 floors. A garage is provided at the rear of the unit, and the front of each townhouse includes a small private front yard. The townhouses are attached, and ideally there should not be more than 4 units in one row to limit the scale and bulk of individual groupings and allow for pedestrian connections through and around rows of dwellings. A total of up to 20 townhomes is desired.

Senior Housing

Reflecting the growing market for senior housing, a single 3-story building of 60 units is proposed, with approximately 600sf per unit, common space on the ground floor and a generous outdoor

gathering space. Each unit has a parking space, some of which can be provided underground. In the site plan, 30 spaces are assumed underground; as a contingency, another 30 spaces are shown as surface parking within a short walk of the building's entry.

Commercial Uses

To provide a mix of uses on site, a standalone commercial building of 1 to 2 stories could contain retail, office, or other uses, complementing existing commercial buildings downtown.

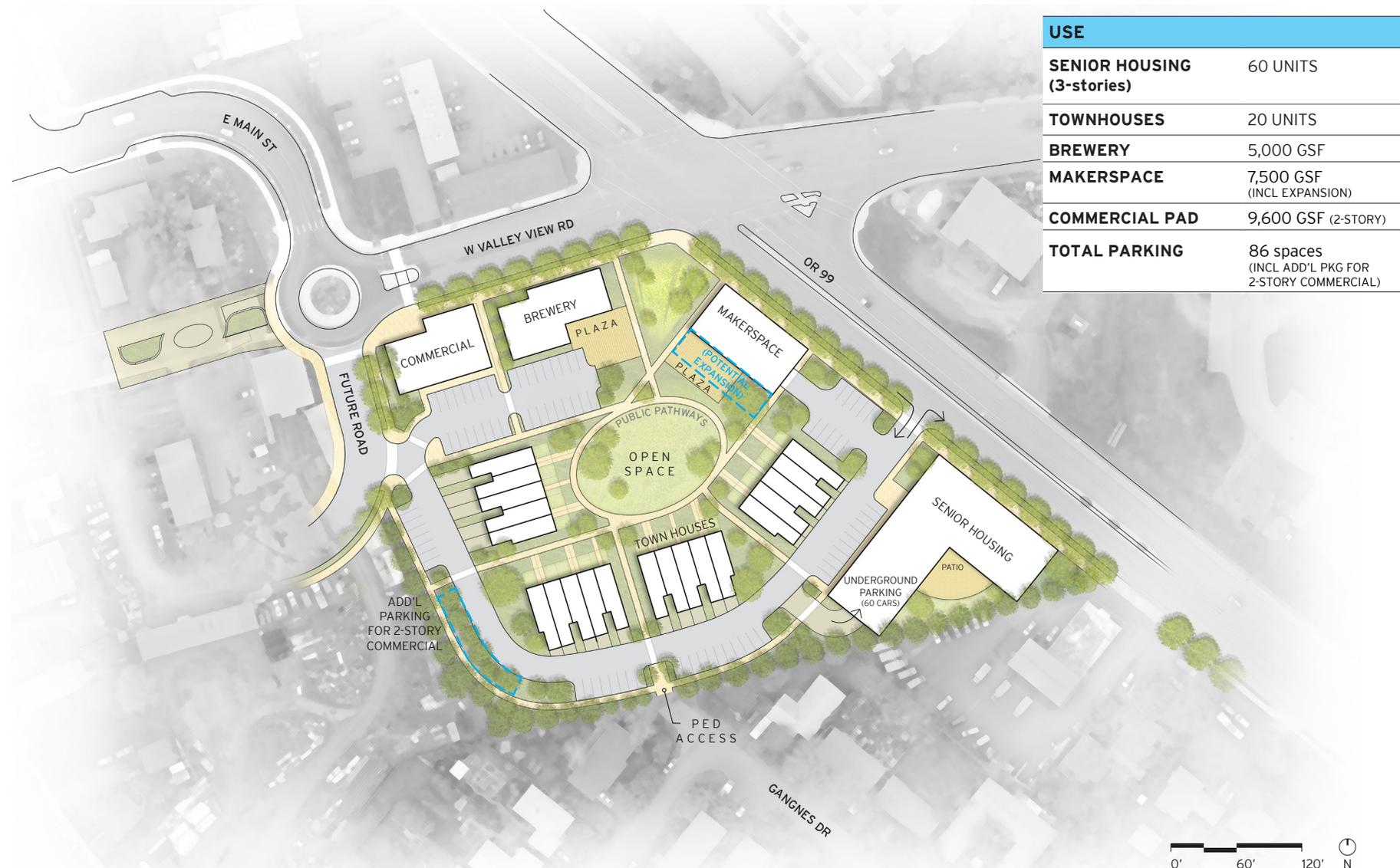
Brewery

To meet the rapid growth in the market for craft beers and associated pubs and gathering space, a brewery site is proposed, on a 5000sf pad on a visible site along West Valley View Road. A small outdoor seating area is shown on the plan, which would allow brewery visitors to sit adjacent to the central open space, helping to activate that space.

Makerspace

The members of Talent Maker City were actively involved in shaping the site vision and expressing support for a new, flexible and utilitarian 7,500 sf single-story building in a visible location at the site. This building would be adjacent to an outdoor plaza and activity space to accommodate 'maker faires', which can also help activate the central public open space.

This program and initial concepts were also analyzed by ECONorthwest to identify financially feasible types, sizes and mixes of development; barriers to market-rate development; and potential incentives to support the City of Talent's vision for the development of the site. This analysis is provided in Appendix B in this report.



USE	
SENIOR HOUSING (3-stories)	60 UNITS
TOWNHOUSES	20 UNITS
BREWERY	5,000 GSF
MAKERSPACE	7,500 GSF (INCL EXPANSION)
COMMERCIAL PAD	9,600 GSF (2-STORY)
TOTAL PARKING	86 spaces (INCL ADD'L PKG FOR 2-STORY COMMERCIAL)



figure 3: site development concept

V. SITE DEVELOPMENT CONCEPT

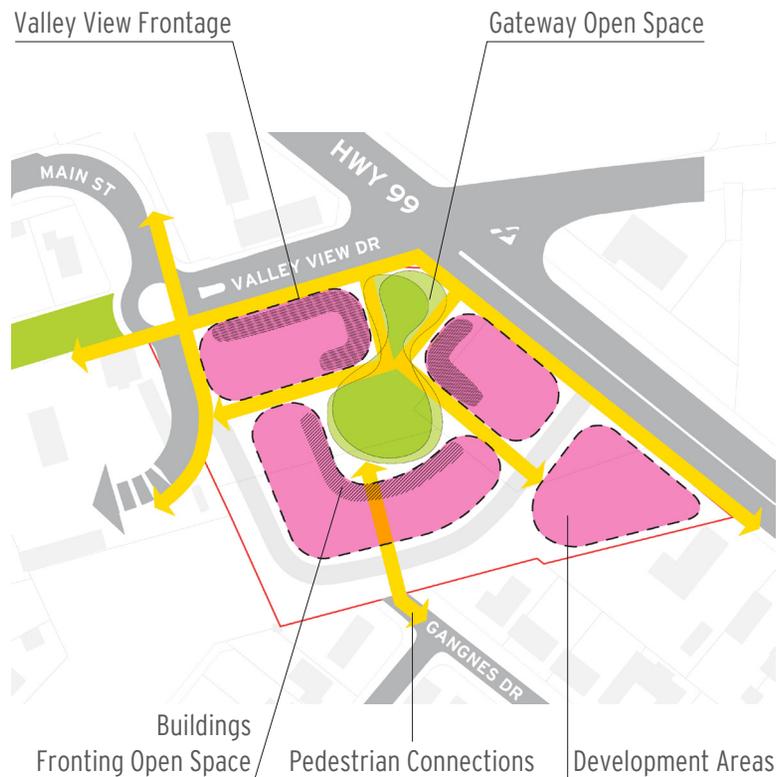


figure 4: key urban design principles

The proposed site development concept is a hybrid of features proposed in the three draft alternatives (Appendix A), each of which enjoyed broad support from Open House attendees. The proposed plan is based on several key principles, described in the diagram at left:

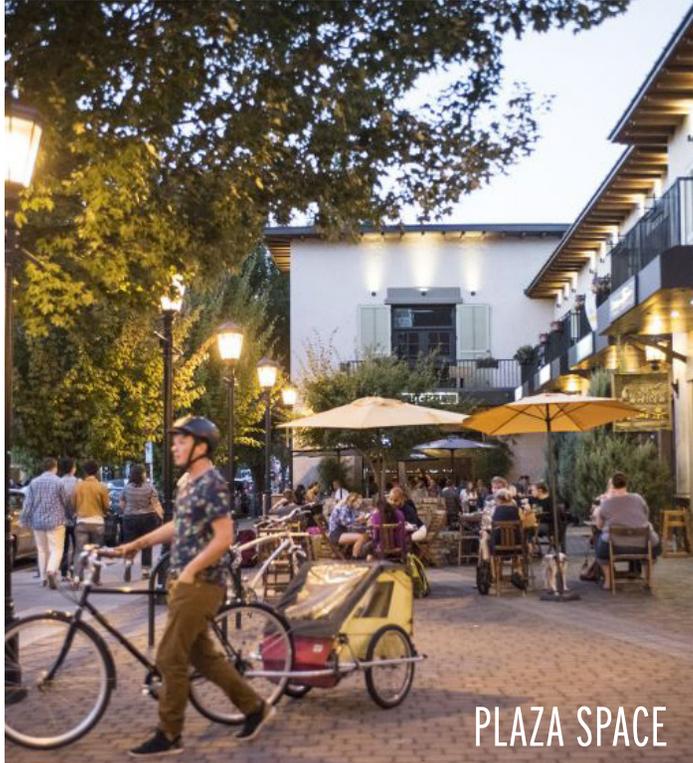
- a gateway landscape at the NE corner of the site to create a dramatic entry into the city
- a public street edge frontage with active uses and housing
- the street frontage on West Valley View Road is particularly important in enhancing the gateway to the City of Talent
- a central public open space faced by a mix of uses and small plazas that allow for a range of activities to bring vitality to the site throughout the day
- pedestrian connections from downtown and to adjacent neighborhoods
- both public street frontages will have wide sidewalks and street trees
- a narrow street providing clear internal circulation and complementing the City's street grid

Meeting a key objective of this project, a new gateway landscape is provided at the intersection of W. Valley View Road and OR-99, with room for public art and signage to enhance community identity and welcome visitors into the heart of the site, where a mix of uses frames a new public open space and supports a variety of activities to energize the area.

At the heart of the site is a central open space bordered by a path. This open space includes lawn, shade trees and seating to allow for flexible use. This space could include planting pockets, as well as a small play area or shelter for public use. Facing this central open space are 20 townhomes, each with a small front garden and individual walks connecting to the public path system around the central park. Facing the park with these residential uses will provide a visual amenity to the homes and will also help to provide 'eyes on the park', meaning that the park's central visibility will help to ensure appropriate usage and promote safety.



CENTRAL OPEN SPACE



PLAZA SPACE



VIEWS INTO AN ACTIVE SITE



GATHERING & VITALITY

A makerspace building with an outdoor plaza for public demonstrations of maker skills or 'maker faires' fronts the open space. This building should be a flexible, utilitarian space, accommodating a range of activities. A small parking lot adjacent to the makerspace can also be considered a flexible space for other associated uses. The facade of this building on Highway 99 should help to provide a welcoming gateway to the City, with ample windows and building materials that provide a human scale.

The Gateway project will also help to reinforce the urban character of Talent's charming downtown. Where there were once auto-oriented commercial uses along West Valley View Road, two new buildings are proposed, oriented to the street, providing visual interest at the entrance to the city. These two building sites, or "pads", could hold a range of uses, but it is important that the buildings be placed along the public sidewalk, with screened parking behind. Pedestrians pathways connect the sidewalk with interior open space and seating areas for the commercial tenants. A brewery was identified as a possible tenant for the commercial pad adjacent to the site gateway, with an associated seating patio and the potential for temporary use of the parking lot next to the central open space, for festivals with food carts.

A 60-unit senior housing building is also envisioned on the southeast corner of the site, with underground parking for up to 60 cars. Some surface parking could also be accommodated along the site's internal roadway. An outdoor patio and other site amenities should be part of the eventual design for this building.

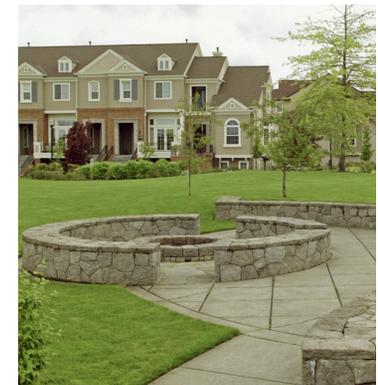
The site's edges are well-landscaped to provide a buffer to and from other adjacent uses. New pedestrian connections are provided to link the site to downtown and adjacent neighborhoods. The new development should feel like an organic extension of Talent's existing downtown.



makerspace



commercial building



townhouses facing open space



townhouses facing open space



senior housing patio



figure 5: illustrative view looking SW from the corner of W Valley View Road and OR-99

VII. APPENDICES

APPENDIX A // DRAFT ALTERNATIVES (March 2018)

APPENDIX B // DEVELOPMENT FEASIBILITY ANALYSIS

APPENDIX C // COST ESTIMATE



figure A1: Site Alternative A

A.1. MIXED USE APARTMENTS // Draft Alternative (March 2018)

USE		LOWER PARKING REQUIREMENT
APARTMENTS (3-story)	98 UNITS	74 sp (.75sp/unit)
COMMERCIAL	5,400 GSF	14 spaces (1/400)
CAFE	1,300 GSF	13 spaces (1/100)
MAKERSPACE	3,900 GSF	6 spaces (1/750)
TOTAL PARKING		107 sp

USE		HIGH PARKING REQUIREMENT
APARTMENTS (3-story)	74 UNITS	111 sp (1.5sp/unit)
COMMERCIAL	5,400 GSF	14 spaces (1/400)
CAFE	1,300 GSF	13 spaces (1/100)
MAKERSPACE	3,900 GSF	6 spaces (1/750)
TOTAL PARKING		144 sp
additional area		0.4 ac

This plan option arranges three 3-story apartment buildings in parallel, east-west rows across the site, interspersed with passive open space and pathways. At the base of the 30-du apartment building along Valley View Road, a small (1,750gsf) commercial space is available for a range of potential tenants. A space between this building and the one to the south (24du) provides space for a gateway landscape with path connections to a central open space. This open space is bordered by a small cafe building, with an associated outdoor plaza/seating area.

South of the central park space and cafe, this plaza is also bordered by a makerspace in the ground floor of the southernmost apartment building (20 apartments), which will be able to use the plaza for makerfares, or small informal gatherings. South of this building, a pedestrian-only path connects to Gangnes Drive and the single-family neighborhoods to the south.

A narrow drive loops through the site, connecting the future extension of Main Street with OR-99 (with a limited right-in, right-out connection at 99). Surface parking is provided for all uses. The rendering depicts a low parking requirement, as described on the table at left. If higher parking ratios were required, the area outlined in red on the illustration would be needed for parking and one fewer apartment building, with 24 units, would be available.



figure A2: Site Alternative B

A.2. FRAMED OPEN SPACE // Draft Alternative (March 2018)

USE		LOWER PARKING REQUIREMENT
APARTMENTS (3-story)	68 UNITS	51 sp (.75sp/unit)
COMMERCIAL	6,000 GSF	15 spaces (1/400)
MAKERSPACE	7,500 GSF	10 spaces (1/750)
TOWNHOMES	18 units	tuck-under
TOTAL PARKING		76 sp

USE		HIGH PARKING REQUIREMENT
APARTMENTS (3-story)	68 UNITS	102 sp (1.5sp/unit)
COMMERCIAL	6,000 GSF	15 spaces (1/400)
MAKERSPACE	7,500 GSF	10 spaces (1/750)
TOWNHOMES	6 units	tuck-under
TOTAL PARKING		127 sp
additional area		0.5 ac

This plan option arranges two 3-story apartment buildings on the north and east edges of the site, which provides an urban 'street wall' to the site. At the base of the apartment building along Valley View Road, a small (1,750gsf) commercial space is provided. Another small (1,750gsf) commercial space is located on the ground floor of the apartment building fronting OR-99. A space between the buildings provides an area for a gateway landscape with views into the central open space. This open space is bordered by a 6,600gsf makerspace building, with an associated outdoor plaza that can be used for makerfares and informal gatherings.

South of the central park space, two blocks of 6 townhomes face the park. Another 6 townhomes (for a total of 18) faces east, towards OR-99, with some landscape buffering between the highway and the townhomes' front gardens.

A narrow drive loops through the site, connecting the future extension of Main Street, through a large surface parking lot to OR-99 (with a limited right-in, right-out connection at 99). Surface parking is provided for all uses. The rendering depicts a low parking requirement, as described on the table at left. If higher parking ratios were required, the area outlined in red on the illustration would be needed for parking and 12 fewer townhouses would be built. A pedestrian-only and emergency access path connects to Gangnes Drive and the single-family neighborhoods to the south.



figure A3: Site Alternative C

A.3. DESTINATION // Draft Alternative (March 2018)

USE		LOWER PARKING REQUIREMENT
APARTMENTS (3-story)	53 UNITS	40 sp (.75sp/unit)
COMMERCIAL	1,750 GSF	5 spaces (1/400)
MAKERSPACE	1,250 GSF	2 spaces (1/750)
BREWERY	6,600 GSF	50 spaces (1/100)
TOWNHOMES	18 units	tuck-under
TOTAL PARKING		97 sp

USE		HIGH PARKING REQUIREMENT
APARTMENTS (3-story)	53 UNITS	80 sp (1.5sp/unit)
COMMERCIAL	1,750 GSF	5 spaces (1/400)
MAKERSPACE	1,250 GSF	2 spaces (1/750)
BREWERY	6,600 GSF	50 spaces (1/100)
TOWNHOMES	6 units	tuck-under
TOTAL PARKING		137 sp
additional area		0.4 ac

This plan option arranges two 3-story apartment buildings on the north and east edges of the site, which provides an urban street edge to the site. At the base of the apartment building along Valley View Road, a small (1,250gsf) ground-floor makerspace is provided. A small (1,750gsf) commercial space is located on the ground floor of the apartment building fronting OR-99. A space between the buildings provides area for a gateway landscape with views into an orthogonal central open space. This open space is bordered by a brewery building, with an associated outdoor plaza/seating area.

South of the central park space, a green extension is faced on each side by 6 townhomes. Another 6 townhomes (for a total of 18) faces east, towards OR-99, with some landscape buffering between the highway and the townhomes' front gardens.

A narrow drive loops through the site, connecting the future extension of Main Street with OR-99. Surface parking is provided for all uses. The rendering depicts a low parking requirement, as described on the table at left. If higher parking ratios were required, the area outlined in red on the illustration would be needed for parking and 12 fewer townhomes would be built. From the large surface parking lot, a pedestrian-only path connects to Gangnes Drive and the single-family neighborhoods to the south.

APPENDIX B. DEVELOPMENT FEASIBILITY MEMO



DATE: April 18, 2018
 TO: Zac Moody, City of Talent
 FROM: Erik Rundell, Mike Wilkerson, and Beth Goodman
 SUBJECT: FINAL Talent Gateway Development Feasibility Analysis

1 Overview

The City of Talent is in the planning process to redevelop the Gateway site at the corner of Pacific Highway and Valley View Road into a mixed used development. As part of this process, Walker Macy has developed several potential site development schemes. Each scheme shows a different composition of uses with public amenities, such as park or plaza at the center of the development.

To inform and refine this planning process, the City desires an understanding of the viability of the development types envisioned for the Gateway site. At this early phase of the planning process, the intent of feasibility analysis is to identify financially feasible types, sizes and mixes of development; barriers to market-rate development; and potential incentives to support the City of Talent’s vision for the development of the site. The analysis does not evaluate the feasibility of any scheme overall or the combination of development types on the site. This level of analysis is more appropriate at a later point in the planning process after the site design schemes have been refined and a more detailed development program is available.

1.1 Building Types Analyzed

The feasibility analysis compared five different residential and commercial building types. The types are based on the buildings depicted in the site design schemes. Exhibit 1 lists each building type analyzed and their specifications, such as total size, number of stories, types of uses, and parking.

Exhibit 1. Building Types Analyzed

	Mixed Use	Apartment	Stand-alone		
			Retail	Makerspace	Townhomes
Building Size (SF)	37,110	26,048	7,000	7,500	1,200
Number of Floors	3	3	1	1	2
Commercial Space (SF)	5,400	0	7,000	0	0
Residential Units	30	24	0	0	1
Surface Parking Spaces	45	18	35	11	0

Source: Walker Macy

In addition to the physical form of the buildings and type of construction, the analysis assumes that the townhomes would be affordable to moderate-income buyers, which is considered “workforce” affordable housing.

1.2 Memorandum Organization

This memorandum summarizes ECONorthwest’s development feasibility analysis for the Gateway site. The remainder of the memorandum has two main sections:

- **Development Feasibility** provides an overview of regional real estate trends and summarizes the approach to and results of the development financial feasibility analysis.
- **Conclusions** summarizes the most feasible uses for the site, identifies primary barriers to development, and discuss how the City of Talent could incentivize development and help reduce any feasibility gaps.

2 Development Feasibility

This section evaluates the financial feasibility of the five building types based on local market conditions. It first summarizes regional real estate trends for broad context about the real estate market in Talent. This section then describes ECONorthwest’s approach to feasibility analysis and summarizes the results.

2.1 Real Estate Trends

The Jackson County real estate market is modest, but it is showing positive indicators for growth, particularly the last several years. To capture a more complete understanding of commercial real estate trends in the region, we examined commercial real estate trends across all of Jackson County for home sales, multifamily apartments, and retail uses.

Home Sales

Based on the Housing Needs Analysis, single-family detached housing accounted for the vast majority of new housing units permitted in Talent from 2005 and 2016. About 96% of new housing was single-family detached and 4% was single-family attached housing.

Exhibit 2. City of Talent Building Permits by Type of Unit, January 2005 through July 2016

Housing type	Number of units	Percent of total
Single-family detached	309	96%
Single-family attached	12	4%
Multifamily	0	0%
Total	321	100%

Source: City of Talent

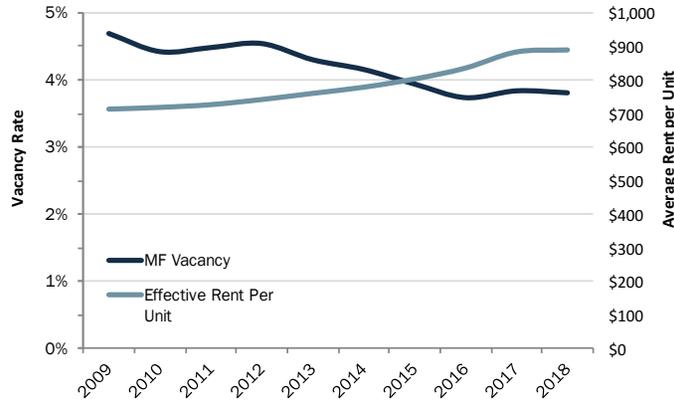
Multifamily Apartments

Talent’s multifamily housing stock has been stable, and no new multifamily units were permitted between 2005 and 2016.

Countywide, since 2009, the multifamily apartment has market improved since the recent recession, particularly over the last five years as vacancies have declined to less than four

percent. At the same time, the average apartment rent has increased to almost \$900 per unit, which includes all unit types.

Exhibit 3. Jackson County Apartment Rent and Vacancy, 2009-2018

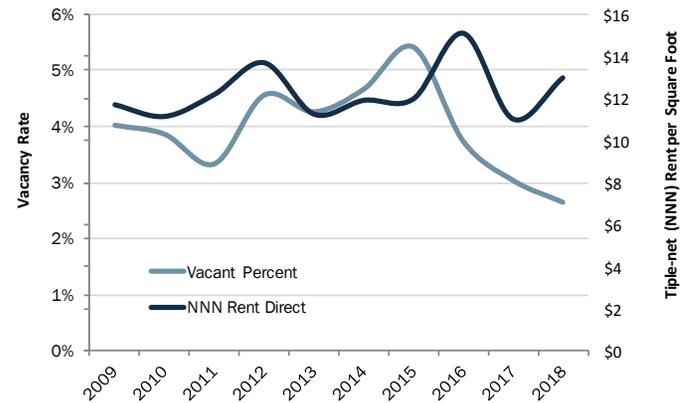


Source: CoStar

Retail Uses

Retail market rents and vacancies have been volatile over the last ten years. Retail vacancies have been relatively low at less than five percent over most the last ten years. In 2018, vacancies reached below three percent, indicating a tightening market. In 2018, average triple-net retail rents (excluding costs for taxes, insurance, and maintenance) were \$13.00 per square foot.

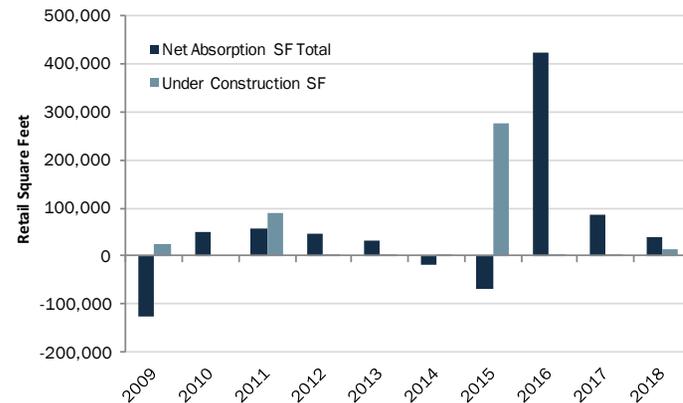
Exhibit 4. Jackson County Retail Rents and Vacancy, 2009-2018



Source: CoStar

Based on CoStar’s survey of retail buildings, the retail market has not been very active, except for 2015 and 2016 when over 275,000 square feet of retail space was under construction and subsequently leased. Overall, total net leased space (or absorption) countywide has been modest, averaging about 50,000 square feet a year.

Exhibit 5. Jackson County Retail Space Under Construction and Leased, 2009-2018



Source: CoStar

APPENDIX B. DEVELOPMENT FEASIBILITY MEMO

2.2 Pro Forma Analysis

ECONorthwest evaluated each of the five building types to determine financial feasibility in Talent based on current market rents or sales prices. In cases where construction is not currently financially feasible, ECONorthwest estimated the rent or sales price needed to achieve feasibility. The difference between this figure and the current market rents or sales prices is referred to as the feasibility gap.

Analysis Approach

ECONorthwest's approach to assessing financial feasibility was to conduct a pro forma analysis. A pro forma analysis models the total cost to construct a building and estimates the value of the building based on its rental revenue or sales price. If the completed value of the building less the developer's required return (or profit) is higher than the total cost, construction it is generally considered feasible.

This pro forma analysis assumes speculative development of buildings, based on tenants paying market rents for apartments and retail spaces and sales prices for townhomes that are workforce affordable housing.

Cost Assumptions

Costs include all components of a project including purchasing the land, basic site improvements, designing the building, permit and SDC fees, constructing the building and required parking, financing the building, developer fees, and contingencies. For land costs, the analysis assumes that the cost to purchase the land would be the same cost on a per square foot basis as the Talent Urban Renewal Agency purchased the property for last year. Costs do not include any public open space or special infrastructure needs on the site. Other key cost assumptions include:

- Construction costs: Varies by building type
- Soft costs are 20%-30% of constructions (hard) costs
- Contingency: 5.0%-10% of hard and soft costs
- Developer fee: 3.5% of total cost for rental products
- Apartment operating costs: 30%-40% of total rent revenue

Note: in the pro formas later in this Section (and in the subsequent Section 3), the lower figure in the above ranges is assumed.

Revenue Assumptions

The value of a project is based on how much income (the assumed sales price for a townhouse or rental revenue for apartments or commercial uses) the project would realize and accounts for the assumed rate of return for the developer when the project is sold. Key revenue assumptions are shown below.

- Apartment rent: \$1,010 per month for an 877-square foot apartment (\$13.81 per square foot per year, or \$1.15 per square foot per month)
- For-sale home price: \$250,000 for a 1,200-square foot home
- Retail rent: \$15.00 per square foot per year (triple-net)
- Makerspace rent: \$6.00 per square foot per year
- Apartment vacancy: 5.0%
- Vertical Housing Tax Credit: 40% property tax reduction for mixed use development (i.e. two floors of housing over ground floor commercial)

Return Assumptions

The required return for each building type assumes that a developer would need a minimum rate of return to make the project attractive to equity investors and sufficient for bank underwriting of the debt. The analysis used two different development return assumptions based on whether the building is a rental or for-sale product. A 5% return on cost metric was assumed for rental products, and a 20% return on equity assumption was used for the for-sale townhomes.

Pro Forma Results

Overall, none of the development prototypes are likely to be feasible as speculative development at the assumed rental rates or sales prices. Exhibit 6 below shows the feasibility gap for each of the five building types.

Exhibit 6. Feasibility Gap

Rent or Sales Price	Stand-alone				
	Mixed Use Rent/SF/Year	Apartment Rent/SF/Year	Retail Rent/SF/Year	Makerspace Rent/SF/Year	Townhomes Sales Price
Assumed Rate	\$14.01	\$13.81	\$15.00	\$6.00	\$250,000
Market Feasible Rate	\$18.72	\$18.13	\$20.65	\$8.15	\$295,000
Gap/Surplus	(\$4.70)	(\$4.32)	(\$5.65)	(\$2.15)	(\$45,000)

Source: ECONorthwest

Assuming that the costs and rate of return expectations remain the same, each of the building types would need to realize higher rents or sale prices in order to be financial feasible. For example, the apartment building type assumed and average rent of \$1,010 per month per unit. To cover the costs and developer return, the average rent per unit would need to be closer to \$1,325 per month to be feasible, roughly a 30% increase.

Other Considerations

It is important to keep in mind that development feasibility depends on a variety of factors. The feasibility of any site is often dependent on the individual developer and factors such as their ability to finance a project, their tolerance for risk, their ability to recruit tenants in advance of

construction, their willingness to accept a lower initial return, and/or their ability to find ways to reduce costs. A developer’s success with one or more of these factors may be able to develop a project that would not be feasible for other developers.

As mentioned earlier, this pro forma analysis assumes speculative development of buildings. Speculative development has higher risk, and a developer may require a higher rate of return for speculative projects. In addition, for this analysis, the construction costs assume labor costs are for private, market-rate development. However, public works project in Oregon are required to pay prevailing wage rates for labor, which are higher than private, market-rate wages. With certain exceptions, projects that use \$750,000 or more of public funds to construct are considered public works projects that must pay prevailing wage rates. For marginally feasible development projects, paying market-rate versus prevailing wage rates could make the difference of a project being feasible or not.

3 Conclusions

3.1 Development Types

Overall, townhomes would require the smallest increase in revenue in order to achieve financial feasibility. Exhibit 7 show the percent increase in rent or sales price needed for each building type to achieve financial feasibility based on the cost and return assumptions. All the other building types require rents to increase more than 30% over current market rent in order to achieve financial feasibility. As suggested earlier, the identified gaps may be conservative, since the figures below assume the low end of ranges of cost assumptions (see page 5).

Exhibit 7. Increase in Rent or Sales Price Need to be Feasible

Rent or Sales Price	Stand-alone				
	Mixed Use Rent/SF/Year	Apartment Rent/SF/Year	Retail Rent/SF/Year	Makerspace Rent/SF/Year	Townhomes Sales Price
Assumed Rate	\$14.01	\$13.81	\$15.00	\$6.00	\$250,000
Market Feasible Rate	\$18.72	\$18.13	\$20.65	\$8.15	\$295,000
Gap/Surplus	(\$4.70)	(\$4.32)	(\$5.65)	(\$2.15)	(\$45,000)
Increase in Rate Needed	134%	131%	138%	136%	118%

3.2 Barriers to Development

The primary barrier to development at the Gateway site is that likely rental rates and sales price for the different building types are too low to offset the cost of purchasing the land, constructing the building, and providing an acceptable return for the builder. Retail uses in particular may be financially challenging.

New “pioneering” development types that do not currently exist in the community, such as those envisioned at the Gateway site, are higher risk projects because the market for those uses has not been established. Thus, a developer, and their equity investors and debt partners, must

be willing to accept initially lower returns, and/or the City or TURA must be willing to bridge some or all of the gap. Financing a project could also be an issue for untested building types.

In addition, the feasibility analysis did not consider the cost of providing amenities, such as public open space, or extensive infrastructure needs at the site. These uses would not generate additional revenue for the development, but they would add cost.

3.3 Potential Actions

Under current market conditions, it will likely take some form of public participation for development of the type the City envisions for the Gateway site to occur, particularly for a new pioneering development project. The City of Talent does have options available to help reduce the feasibility gap for future development. Options available to the Talent Urban Renewal Agency are mainly related to reducing the cost of development. Some options include:

- Reducing SDCs either through paying down the fees with TIF funds or allowing a developer to finance all or a portion of the SDCs
- Abating permit fee costs
- Providing the land for development a low or no cost
- Providing a low interest loan to help reduce financing costs
- Establishing a Vertical Housing Development Zone, which allows for a ten-year, 40% tax abatement on improvements for mixed use development
- In the case of Maker Space, consider detaching that project from the development of the rest of the property, and negotiate some alternative funding model with Talent Maker City

Often, several of these actions can also be combined to support a proposed project. Market conditions will change over time. For the building types to be market feasible in the future rents and/or sales prices will need to increase faster than construction costs. The timing of this is uncertain. Ultimately, potential current actions depend on how willing the TURA board is to participate in a public-private partnership and how much in TIF funds the board is willing commit.

APPENDIX C. COST ESTIMATE

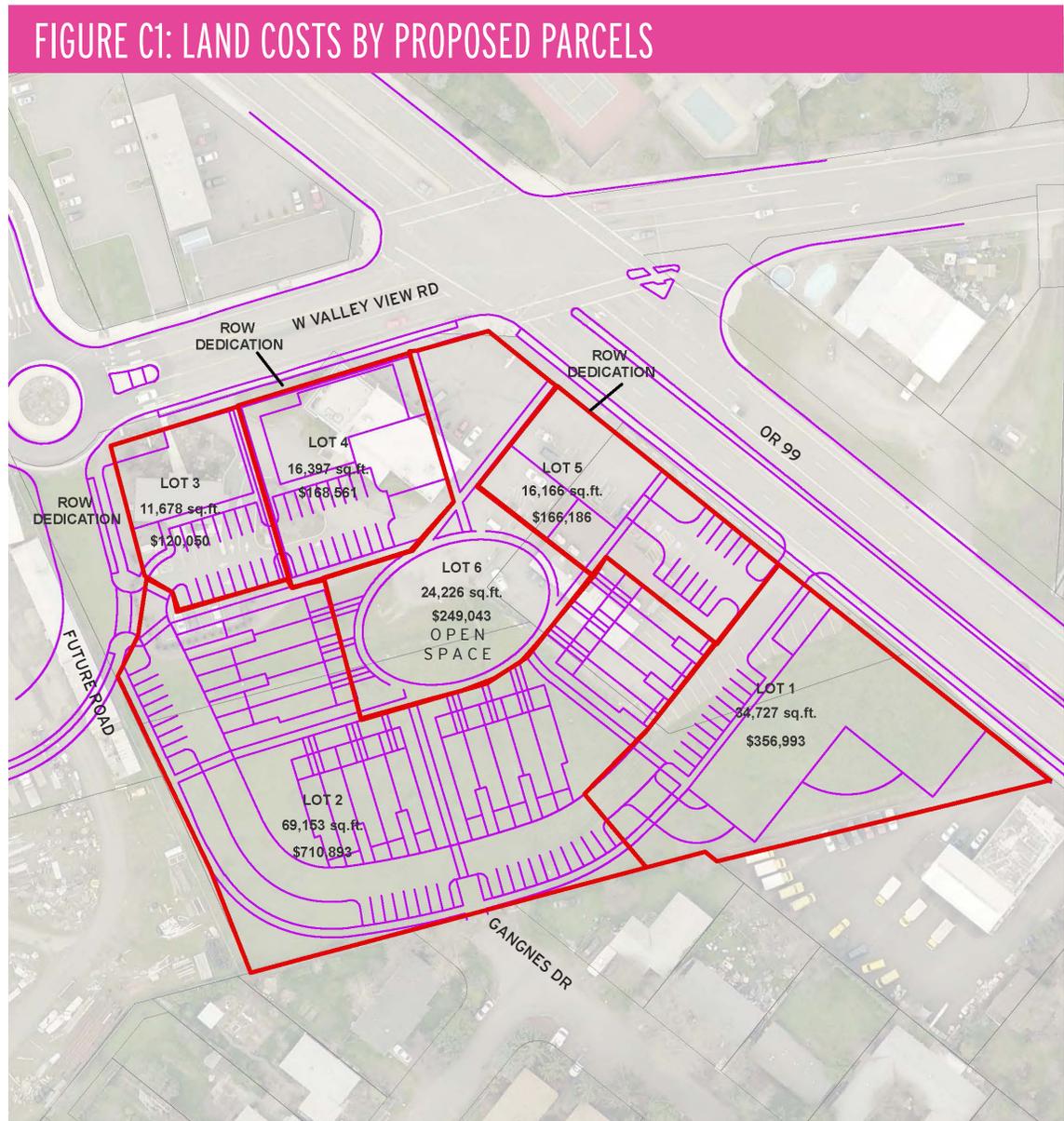


TABLE C1: SITE IMPROVEMENT COSTS

Site Elements	Low Range	High Range
Site Prep and Utilities	\$1,350,000	\$1,500,000
Building Demolition	\$55,000	\$110,000
Public Paths and Roads	\$625,000	\$1,100,000
Landscape	\$1,200,000	\$2,035,000
Total	\$3,230,000	\$4,745,000

The costs above (Table C1) are 2018 costs and for public site improvements. Costs for parking and building-related plaza or seating space associated with private land uses are assumed to be included in project costs for each building type in Table C2: Building Costs.

TABLE C2: BUILDING COSTS

Buildings	Size	Low Range	High Range
Townhouses	20du	\$4,500,000	\$4,700,000
Senior Housing	60du	\$13,200,000	\$14,000,000
Commercial Pad	4800sf	\$1,000,000	\$1,300,000
Brewery	5000sf	\$1,100,000	\$1,350,000
Makerspace*	7500sf	\$1,500,000	\$2,050,000

*Makerspace cost varies significantly depending on building function (overhead doors, crane, etc.), construction and soft costs, building materials, and systems. A simple metal building is less expensive to construct, but likely needs customization to suit makers and still requires a foundation and site work. If the makerspace is constructed as a metal storage building without customization, it could be significantly less costly but poses aesthetic challenges for this important gateway location.

TABLE C3: ESTIMATED COST / UNIT

includes development fees & land cost	
Senior Housing	\$11,434.90
Townhomes	\$50,201.65
Brew Pub/ Restaurant	\$264,258.00
Makerspace	\$254,945.48
Open Space	\$267,733.28

TABLE C4: ESTIMATED DEVELOPMENT FEES

	TRANSPORTATION	STORMWATER	PARKS	WATER	RVS	CD FEE	SDC TOTALS (PER UNIT)	SDC TOTAL (ALL UNITS)
SENIOR HOUSING	\$392	\$203	\$1,235	\$1,599	\$1,789	\$267	\$5,485	\$329,100
TOWNHOMES	\$1,345	\$1,476	\$1,702	\$4,845	\$1,789	\$3,500	\$14,657	\$293,140
*BREW PUB/ RESTAURANT	\$49,838	\$6,050	\$-	\$11,809	\$12,000	\$16,000	\$95,697	\$95,697
MAKERSPACE	\$15,924	\$5,408	\$-	\$39,427	\$12,000	\$16,000	\$88,759	\$88,759
OPEN SPACE	\$5,405	\$1,476	\$-	\$11,809	\$-	\$-	\$18,690	\$18,690

*RVS SDC to be determined based on potential existing use credit from convenience store

TABLE C5: LAND COSTS

	Land Cost	Lot Area	Lot Area/Unit	Land Cost/SF	Land Cost/Unit	Total Land Cost
Senior Housing	\$356,994.00	34,727	579	\$10.28	\$5,949.90	\$356,994.00
Townhomes	\$710,893.00	69,153	3,458	\$10.28	\$35,544.65	\$710,893.00
Brew Pub/Restaurant	\$168,561.00	16,397	16,397	\$10.28	\$168,561.00	\$168,561.00
Makerspace	\$166,186.00	16,166	16,166	\$10.28	\$166,186.48	\$166,186.48
Open Space	\$249,043.00	24,226	24,226	\$10.28	\$249,043.28	\$249,043.28



**CITY OF TALENT
GATEWAY SITE
DEVELOPMENT PLAN**