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# Better Red Station Area Planning: Gateway Transit Center Joint Development Delivery Strategy

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Prepared for:



Final

Prepared by:



# Acknowledgments

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ECONorthwest, Salazar Architect, Nelson Nygaard, and JLA prepared this report for TriMet. The project team is grateful to the jurisdictional partners, elected officials, community stakeholders and other persons and organizations who participated and provided feedback to guide this project.

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# Executive Summary

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Market conditions in Gateway appear more conducive to the dense, activated, transit-oriented neighborhood envisioned for the Gateway Plan District than at any time in recent decades. The area has seen real momentum of both income-restricted housing and market-rate development, with the vacancy rate for apartments in Gateway now below 5 percent. However, increased interest rates and shifting capital markets are creating some near-term barriers that may require flexibility regarding when and how funding is secured. Given the series of deliberate predevelopment steps needed for this site, the timing may align with the return to more typical financing environment.

The City of Portland’s vision for Gateway, developed over 20 years ago, contemplates a dense, mixed-use destination for housing, employment, shopping, and recreation, all served by diverse transportation options and characterized by pedestrian-oriented streetscapes and connections.<sup>1</sup> While several key projects have occurred—the addition of two new MAX lines serving Gateway, the Oregon Clinic, Gateway Green and Gateway Discovery Park, and new multifamily and senior housing—development activity in the broader Gateway district to date has not met the full scope of this ambitious vision, in part due to market conditions. Many landholders now appear ready to move into an era of dense, mixed-use development, encouraged by the dynamic development surrounding them.

This analysis specifically evaluates the potential for new market feasible development on a 2-acre site owned by Prosper Portland alongside the Gateway Transit Center. This site has been identified by Prosper Portland and TriMet as a priority location for redevelopment, to build on the partnership begun in 2006 to catalyze construction of The Oregon Clinic.<sup>2</sup> The parcel is currently leased to the Oregon Clinic on a long-term basis as a surface parking lot for its medical office building. Unlocking this site for redevelopment will require coordination between Prosper Portland and the Oregon Clinic—with support from TriMet—to satisfy this agreement.

TriMet’s Better Red investments at the Gateway Transit Center provide an opportunity to build on recent market momentum and catalyze development in the neighborhood to help deliver on the vision of a vibrant regional center. This delivery strategy discusses the steps TriMet can take to coordinate with government partners and current users of the site to determine a potential path forward for redevelopment.

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<sup>1</sup> See [Opportunity Gateway Concept Plan and Redevelopment Strategy](#) (2000) and [Gateway Regional Center Urban Renewal Plan](#) (2001).

<sup>2</sup> See [Gateway Action Plan Draft](#) (2016).

# 1. Overview

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## 1.1 Purpose

The Better Red Station Area Planning: Gateway Transit Center Joint Development Delivery Strategy provides a roadmap for steps TriMet can take to be an active partner supporting vertical development on Prosper Portland’s property adjacent to the Gateway Transit Center in Portland, Oregon. This plan includes recommended actions for TriMet to work with public and private partners, including Prosper Portland and the City of Portland, to address site-specific considerations and start on a path toward redevelopment.

## 1.2 Context

The Better Red project improves TriMet’s light rail service to serve additional stations throughout the Portland metro region and enhance the reliability of the MAX Red Line. In an effort to leverage these system improvements, TriMet applied funding from the Federal Transit Authority to engage a consulting team led by ECONorthwest, to gain a deeper understanding of station area transit-oriented development possibilities surrounding its transit assets. The overarching purpose of this project is to stimulate catalytic projects that will shape growth and improved land use that contribute to ridership of the Red Line. These projects build on TriMet’s long tradition of Transit-Oriented Development (TOD), with a focus on equitable development outcomes.<sup>3</sup>

The specific site under discussion is TriMet’s Gateway Transit Center in Portland, Oregon and several publicly owned properties adjacent to the station. The Gateway Transit Center is one of the best-connected transit hubs in the Portland region, served by three light rail lines, seven bus lines, and an express connector to Columbia Area Transit in the Columbia Gorge. These investments by TriMet and other public agencies in the Transit Center area have laid the foundation for high-density TOD in Gateway that has not yet been realized.

The purpose for this specific project work by the consulting team was to outline the steps necessary to move forward near-term equitable joint development on Prosper Portland-owned property adjacent to the Gateway Transit Center, including identifying roles for TriMet and partners. As a development partner, TriMet brings important resources to the table to support TOD in the Gateway area, including:

- Federal transit funds to support service improvements (currently underway);
- Federal TOD planning grants to enable key studies (including this report) and facilitate interagency communication and coordination;

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<sup>3</sup> Transit-Oriented Development (TOD) is a pattern of land use and development that integrates a mix of residential and commercial uses at higher density or intensity within walking distance from transit stations.

- The ability to seek transit-linked grant funding for TOD investments;
- A structured parking garage next to the Transit Center that could help support a district parking or transportation demand management strategy; and
- A comprehensive network of existing transit choices and a range of incentive programs that can encourage transit use for new mixed-use development in the Gateway area.

This report explores how these resources could help address the challenges to redevelopment and discusses the priorities and processes that apply to the Prosper Portland-owned site.

A companion element of this delivery strategy includes a more detailed set of recommended improvements for further investment in pedestrian and bicycle access between the Gateway Transit Center and the neighborhood to the east, connecting existing and future transit riders to with safe, multimodal transit access.

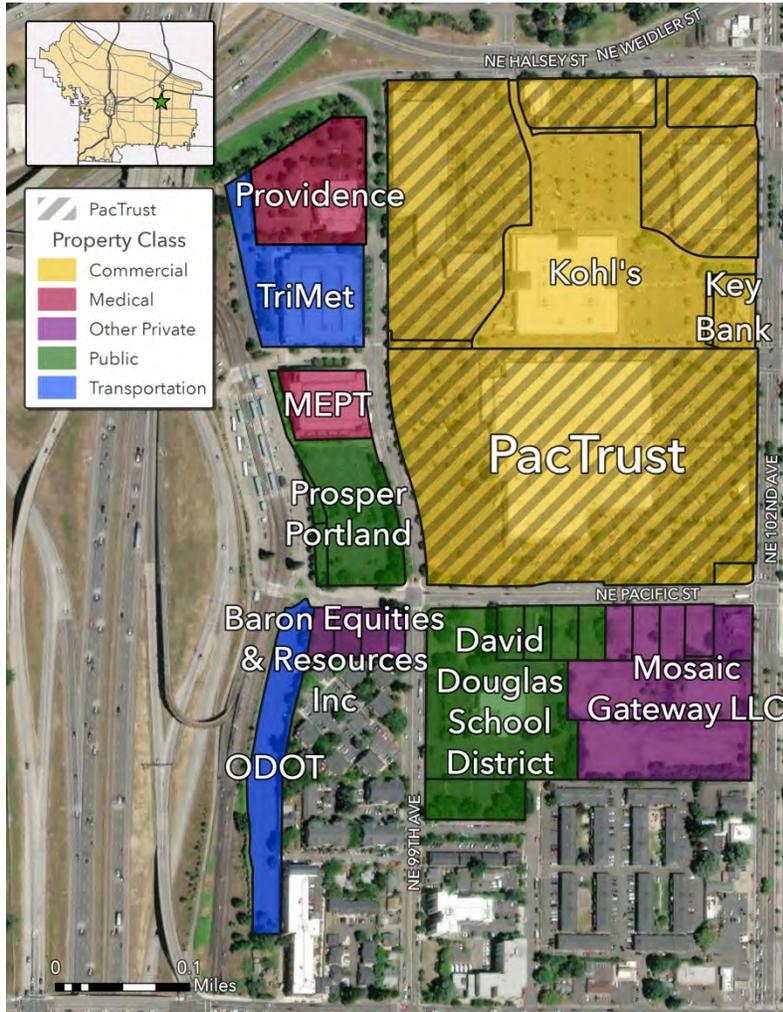
## 1.3 Study Area

The Gateway Transit Center is in the City of Portland, on the eastern portion of the MAX Red Line. There are a handful of publicly owned properties in this area, but the one with the greatest potential for transit-oriented vertical development is a site owned by Prosper Portland (formerly the Portland Development Commission). The subject site is a flat, 2.1-acre parcel located immediately adjacent to the Gateway Transit Center, at the corner of NE 99<sup>th</sup> Avenue and NE Pacific Street. While owned by Prosper Portland, it is currently leased to The Oregon Clinic as a surface parking lot for their medical office building at 1111 NE 99<sup>th</sup> Avenue. Throughout this report, we refer to the subject site as 1111 South.

Exhibit 1 shows the Gateway Transit Center study area, including 1111 South (in red) and adjacent parcels with details on ownership, size, and current parking capacity. MEPT is the real estate equity fund that owns medical office building occupied by The Oregon Clinic.

### Exhibit 1. Gateway Study

Source: ECONorthwest



### Exhibit 2. Gateway Transit Center and 1111 South Street Context

Source: Google Maps



TriMet and Prosper Portland have been engaged in joint development planning around the Gateway Transit Center for more than 20 years. In 2004 and 2005, TriMet sold and/or

transferred a total of 3.1-acres of property located at 1111 NE 99<sup>th</sup> Ave to Prosper Portland. As part of the station area development, Prosper Portland built a structured parking garage at 1250 NE 99<sup>th</sup> Ave (owned by TriMet) to serve the Gateway Transit Center and sold 1 acre at the north end of the site to The Oregon Clinic in 2005 for the construction of a medical office building. Prosper retained ownership of the remaining 2.1 acres on the southern portion of the parcel, as well as the air rights above TriMet's parking garage and the medical office building, for future phases of mixed-use development. Currently, Prosper Portland leases 1111 South to The Oregon Clinic for surface parking and subleases an additional 155 spaces for the Clinic in TriMet's garage.

## 1.4 Work that Informed this Delivery Strategy

The consulting team lead by ECONorthwest carried out a series of studies that included extensive research and analysis of the Gateway Transit Center and its surrounding neighborhood context. The activities that contributed to this delivery strategy are detailed in Appendices A–D, including:

- ECONorthwest studied the development potential of the Prosper Portland-owned parcel through a **Feasibility Study** (December 2022), which analyzed overall market conditions in the Gateway area and comparable submarkets. Through an iterative process, these results informed Salazar Architect' development of massing scenarios, for which ECONorthwest tested the financial feasibility using pro forma analysis.

*See Appendix A and Section 3 Development Feasibility Findings*

- Salazar Architect developed **massing scenarios** for medium density mixed-use development, and feasibility for joint development of a surface parking lot owned by Prosper Portland adjacent to the Transit Center (November 2022).

*See details in Appendix B and Section 3 Development Feasibility Findings*

- Nelson\Nygaard produced a **multimodal access study** with draft designs to better link Gateway Transit Center and the commercial and residential areas to the east of the station that consider TriMet users' needs and the Portland Bureau of Transportation's future street connection plans (November 2022).

*See details in Appendix C*

- JLA summarized the results of five previous public engagement processes in (or related to) Gateway between 2010 and 2016, led by various community organizations and public agencies (May 2022). This summary captures community priorities for public investment in Gateway and can also guide future targeted outreach for TOD at the Gateway Transit Center.

*See details in Appendix D and Section 2.1.1 Primary Partners*

## 2. Joint Development Priorities

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This section outlines key considerations specific to TriMet’s role in joint development and how it can approach critical partnerships, particularly for a property that TriMet does not own, but for which it has a stake in the long-term impacts of development. Understanding the landscape of potential partners and their priorities can help to guide TriMet’s steps to deliver outcomes for the Gateway Transit Center area that align with TriMet’s priorities and goals.

### 2.1 Partnerships

#### 2.1.1 Primary Partners

- **TriMet** owns the Gateway Transit Center immediately west of 1111 South, as well as the structured parking garage at 1249 NE 99<sup>th</sup> Avenue. As part of the Better Red project’s investments for improved MAX Red Line service at the Gateway Transit Center, TriMet seeks to catalyze TOD development in key station areas along the Red Line. Gateway Transit Center is one of the busiest transit hubs in the metro region and is a transfer point between three light rail lines that span the full east-west and north-south reach of the MAX system.
- **Prosper Portland** is the owner of 1111 South. As the economic development agency for the City of Portland, Prosper Portland leverages public and private investments to support job-creation, place-making, and economic opportunity for all Portland residents. Prosper Portland established and administers the Gateway Urban Renewal Area (URA) and Tax Increment Financing (TIF) tools to create a more urban, mixed-use environment with employment and commercial activity that contributes to East Portland and the broader region’s economy and livability. Prosper Portland’s investments in the TIF district are guided by the Gateway Action Plan approved by the Prosper Portland Board and City Council in 2016. In June 2022, the Board of Prosper Portland amended the Gateway URA to remove the 2022 deadline for issuing debt, extending the timeline for the URA until all TIF investment funds are allocated.
- **The Oregon Clinic** is the sole tenant of the medical office building at 1111 NE 99<sup>th</sup> Avenue and leases 1111 South as a surface parking lot. The Oregon Clinic is a large private medical practice serving the broader Portland region. Their Gateway medical office is one of The Oregon Clinic’s largest service locations, with a patient catchment area spanning from west of downtown Portland, into Clackamas and Clark Counties. The parking lease with Prosper Portland grants The Oregon Clinic the right to approve the location of relocated parking in the event of 1111 South’s redevelopment. Concerns about crime and safety in the area around the Gateway Transit Center, including in the surface parking lot and the structured parking garage (the top floor of which The

Oregon Clinic leases for additional parking), contribute to retention issues for staff and patients.<sup>4</sup>

- **The City of Portland**'s priorities in Gateway include increasing urban density with pedestrian-friendly mixed-use development and improving multimodal access and connectivity as outlined in the Gateway Regional Center Master Streets Plan. This plan includes the addition of a new street connection between the Gateway Transit Center and NE 102<sup>nd</sup> Avenue along NE Multnomah Street.
- **PacTrust** is the owner of the majority of parcels in the Gateway Shopping Center at 9924 NE Halsey Street, across NE 99<sup>th</sup> from 1111 South. PacTrust is a private real estate investment trust in which the Oregon Public Employee Retirement System and Washington State Investment Board are limited partners. PacTrust has considered redevelopment possibilities at the Gateway Shopping Center, including converting some of the underutilized surface parking in the southwest corner to residential or mixed-use.
- **The Gateway community** has experienced over two decades of public engagement and proposals for neighborhood-level redevelopment, which has created skepticism around local government's intent to prioritize investment in Gateway. As TriMet and partners engage the community around specific proposals for 1111 South, recurring priorities from the past should be addressed, including: balancing more affordable housing and anti-displacement measures with mixed-income housing, offering affordable commercial spaces for local businesses and business incubators, honoring the district's identity as an international neighborhood particularly for Portland's immigrant and refugee communities, and mitigating safety concerns related to houselessness and drug use near the station area.

### 1.1.2 2.1.2 Additional Partners

- **Multi-Employer Property Trust (MEPT)** owns the medical office building at 1111 NE 99<sup>th</sup> Avenue occupied by The Oregon Clinic. The building was purchased from The Oregon Clinic in 2017 for \$49 million. The medical office building was designed and constructed to support up to six additional floors, with Prosper Portland retaining the air rights for future vertical development above the medical office; MEPT is now the entity with which any such development would be negotiated.
- **Oregon Department of Transportation (ODOT)** owns a parcel (see Exhibit 1) that is leased to TriMet for surface parking serving the Gateway Transit Center. The dimensions of this parcel limit its potential for future vertical development, thus its continued use for surface parking will likely be an important component of a shared parking model to serve new development on 1111 South, The Oregon Clinic, and TriMet riders.
- **David Douglas School District** owns the site of the former Elks Lodge at 725 NE 100<sup>th</sup> Avenue, southeast of 1111 South. Future development plans for the parcel are still being

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<sup>4</sup> ECONorthwest spoke with a representative of The Oregon Clinic.

formulated, but previous studies have included a new elementary school. The timeline for redevelopment of this site is in the medium- to long-term, perhaps 10 years at least, given the District’s need to secure voter-approved bond funding. In addition to their interest as a property owner in the study area, the District may have valuable input on community-serving commercial uses and/or residential needs for the neighborhood. In acknowledgement of the impact the recent extension of the timeline for Gateway’s TIF on the school district’s tax revenues, Prosper Portland committed to negotiating an agreement with David Douglas to investment \$3 million in infrastructure that support the district’s future development of their property at NE 100<sup>th</sup> Avenue.

- **Other property owners:** Additional property owners in the Transit Center area will be important to engage in discussions around TOD-focused redevelopment, including private owners on the south side of NE Pacific Street. In the Gateway Shopping Center, the multimodal greenway improvements proposed in Appendix C would need the support of Kohl’s and Key Bank in order to be implemented as designed.

## 2.2 TriMet Equitable TOD Policy

TriMet’s upcoming Transit Oriented Development Plan provides critical guidance for TriMet-owned property and station areas that are applicable to a joint development strategy at the Gateway Transit Center. Although proposals for 1111 South will be guided by the Gateway TIF Plan and community-guided Gateway Action Plan—that is, they will not be formally subject to TriMet’s evaluation framework—TriMet can bring its TOD principles and goals to bear in its role as a key development partner in the station area:<sup>5</sup>

- Create multimodal mobility hubs that are integrated with transit, not merely transit-adjacent
- Ensure projects are financially viable to support long-term sustainability of the TOD program
- Create accessible and vibrant station areas by including community-oriented services
- Balance different uses that provide options for people to live, work, shop, and play
- Deliver density that is compatible with off-peak secondary uses to create resource-efficient developments
- Provide housing to meet a range of households—including very low income—and minimize displacement

As we discuss in the Development Actions below (Section 5), there are opportunities for TriMet to align its own resources, support stakeholder engagement, and facilitate interagency collaboration around regulatory changes in the Gateway Plan District to promote mixed-use development that serves transit riders and the surrounding neighborhood in line with its TOD goals.

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<sup>5</sup> TriMet, “Transit Oriented Development Plan,” Spring 2023, 11.

## 2.3 Gateway TIF District Action Plan Priorities

In 2016, Prosper Portland developed an Action Plan to guide its TIF investments in the Gateway Urban Renewal Area as approved by the Prosper Portland Board and the Portland City Council. The Action Plan identifies community-informed priorities for near-term investments alongside broad goals for economic development that supports existing businesses and attracts new employers to Gateway. Since the Gateway Action Plan was created, Prosper Portland has adopted a strategic plan and equity framework that prioritizes inclusive economic development and building complete neighborhoods. The Gateway Action Plan identifies three key geographies within the TIF district: the Halsey/Weidler couplet, the Gateway Transit Center, and Central Gateway at the south end of the TIF district. Priorities for the Gateway Transit Center focus on attracting new jobs to the area and creating a front door to east Portland from the Gateway Transit Center through the following activities:

- Assess zoning classifications, identify regulatory barriers to redevelopment, and implement regulatory solutions to unlock development potential.
- Prioritize and implement transportation projects in Gateway that enhance bicycle, pedestrian, and automobile connectivity.
- Facilitate future redevelopment, including through engaging with Oregon Clinic on existing and future parking requirements and finding a workable solution that could lead to redevelopment of Prosper Portland/TriMet-owned properties at the station.
- Identify opportunity sites for future mixed use, mixed income housing development in partnership between Prosper Portland and the Portland Housing Bureau.

Prosper Portland is working with community partners in 2023 to update this Action Plan to align with lessons learned from the 2016 Plan and additional resources that will be available in the district.

## 3. Development Feasibility Findings

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The team executed a market study in 2022 to explore the demand in the area and the rental rates that could be expected. Alongside that process, ECONorthwest spoke with developers to hear more about the area and what form and use would be the most viable for the specific site at 1111 South. To better understand the viability of potential developments, a prototype feasibility analysis was developed to explore two hypothetical scenarios and a model was developed to test the findings.

### 3.1 Market Findings

ECONorthwest analyzed trends in the residential, office, and retail markets in Gateway. To supplement the limited observations, we also considered two East Portland submarkets with

comparable residential development patterns, transportation infrastructure, and retail and office amenities. This analysis found that:

- Multifamily rents in Gateway have been steadily increasing but are lower than average rents in Portland as a whole, and generally lower than what is affordable to households earning 100 percent of Median Family Income.
- There is limited demand for market-rate speculative office construction to take advantage of Gateway Plan District entitlements, and office rents are lower than both the citywide average and the Gateway submarket peak rates in 2009.
- Gateway's retail market is dominated by national credit tenants like Fred Meyer, Kohl's, and Office Depot who pay higher rents associated with anchor tenant destination shopping centers. These retailers skew the Gateway average market rent higher than supportable rents for smaller, neighborhood-serving retail businesses that could occupy the ground floor in new mixed-use development.

## 3.2 Use and Density Assumptions

The current zoning around Gateway will allow for a variety of uses and development heights. Based on analysis of market trends, ECONorthwest sees the strongest demand for new construction in the Gateway area would be for medium-density, primarily residential development.

### 3.2.1 Multifamily Residential

A combination of declining vacancy rates and steadily increasing multifamily rents in Gateway show the strongest demand for residential development. One challenge in Gateway is that market rents, especially on 2- and 3-bedroom units, are generally lower than rent limits for households earning 100 percent of Median Family Income (MFI). Regional MFI levels have increased sharply over the last couple of years which means market rate rents in the Gateway Transit Center are between 80 percent and 100 percent MFI. New multifamily residential development in Gateway would be best positioned to serve moderate-income households.

### 3.2.2 Community-Serving Commercial Space

Zoning at 1111 South requires ground-floor active use along 50 percent of sidewalk and public plaza frontages. The smaller retail spaces in a mixed-use development on this site would likely be neighborhood-serving retail businesses who may be less able to match the average retail rents, which are driven by national credit tenants in the Gateway market. Ground-floor retail provided in new development will need to be leased at below-market rates to address the softer retail market in the Gateway area and meet community desires for local economic development or other neighborhood amenity needs. Prosper Portland may offer an affordable commercial tenanting program similar to what it sponsors for the ground-floor commercial spaces at the Nick Fish affordable housing and mixed-use building at 10560 NE Halsey Street.

### 3.2.3 Mid-Rise, Phased Construction

Although the base zone (Central Commercial, CX) and Gateway Plan District standards allow high-density mixed-use development oriented to pedestrian and transit access, current residential rents are unlikely to support high-density tower development. ECONorthwest’s market analysis showed the strongest feasibility for four- to seven-story development. We believe a phased approach to development will allow better absorption of new units in the Gateway submarket and take advantage of residual surface parking to meet current or new tenant demands at lower cost.

## 3.3 Scenarios

ECONorthwest created two prototype development scenarios guided by the conclusions of the market analysis, site-specific zoning and development standards, existing parking agreements, preserving the mutual access easement with The Oregon Clinic, and demand for on-site parking for residential tenants.

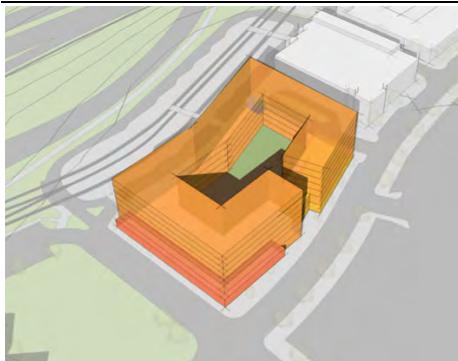
The development scenarios tested financial feasibility across varying scales of medium-density development on the 2.1-acre parcel (full-site, half-site), and with different building programs (podium and wood frame). Salazar Architect completed a massing study of the two development scenarios to provide more specificity on the number of units, the mix of unit types and average square footage, parking ratios, non-residential uses, and total leasable area.

**Scenario 1 maximizes the number of residential units and on-site parking with a single building. The phased approach to scenario 2 includes a less expensive wood frame building type in the first phase, a podium building in the second phase, and a unit count more supportive of absorption trends in Gateway, but offers less on-site parking space to meet the demands of multiple uses. Exhibit 3 and**

Exhibit 4 summarize the details of each scenario.

#### Exhibit 3. Summary of Massing Scenario 1, Full-Site Podium Building

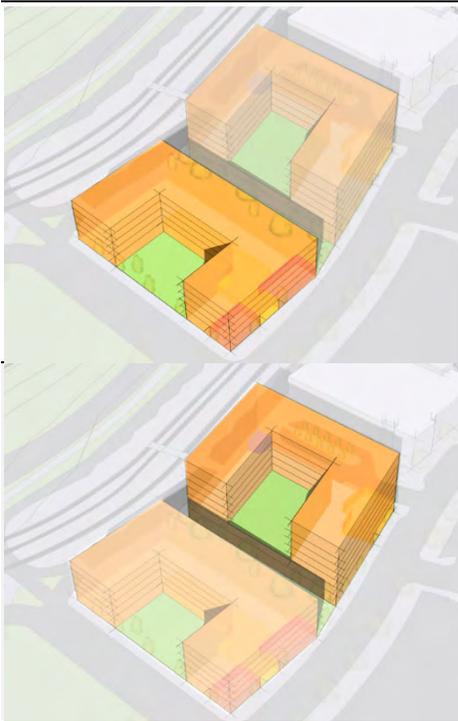
Source: ECONorthwest, Salazar Architect



		Scenario 1 Full-Site Podium
Uses	Residential	360 units
	Unit Mix (0-2BR)	135/175/50
	Retail	6,154 sq. ft.
Parking	Residential	270 stalls (0.75 per unit)
	Retail	18 stalls (3.00 per 1,000 sq. ft.)
	Surplus	75 stalls
	Total On-Site Parking	363 stalls

**Exhibit 4. Summary of Massing Scenario 2, Phased Wood Frame and Podium Buildings**

Source: ECONorthwest, Salazar Architect



		<b>Scenario 2 Phase 1, Wood Frame</b>
Uses	Residential	130 units
	Unit Mix (0-3BR)	15/80/30/5
	Retail	2,724 sq. ft.
Parking	Residential	98 stalls (0.75 per unit)
	Retail	6 stalls (3.00 per 1,000 sq. ft.)
	Surplus	18 stalls
	Total On-Site Parking	122 stalls (surface)
		<b>Scenario 2 Phase 2, Podium</b>
Uses	Residential	155 units
	Unit Mix (0-3BR)	20/85/45/5
	Retail	3,356 sq. ft.
Parking	Residential	191 stalls (0.67 per unit)
	Retail	18 stalls (3.00 per 1,000 sq. ft.)
	Total On-Site Parking (serving both buildings)	209 stalls (structured)

**3.4 Feasibility Findings**

ECONorthwest used the details from this massing study to build a financial pro forma to model the revenues and costs of potential developments, evaluate their returns, and understand sources of funding needed for the project to move forward. Our pro forma model calculated the return on cost and compared financial feasibility of the scenarios using a residual land value analysis (RLV). This analysis focuses on the RLV, or the budget for land that is available after accounting for development costs and projected revenues. We then compared the RLV of both development prototypes to an estimate of the current market value of the site—between \$2.8 million and \$4.7 million.<sup>6</sup> Prosper Portland’s current policy for developing the land it owns—a policy shaped by community feedback and endorsed by Prosper Portland’s Board of Directors—is to sell land at market rate.

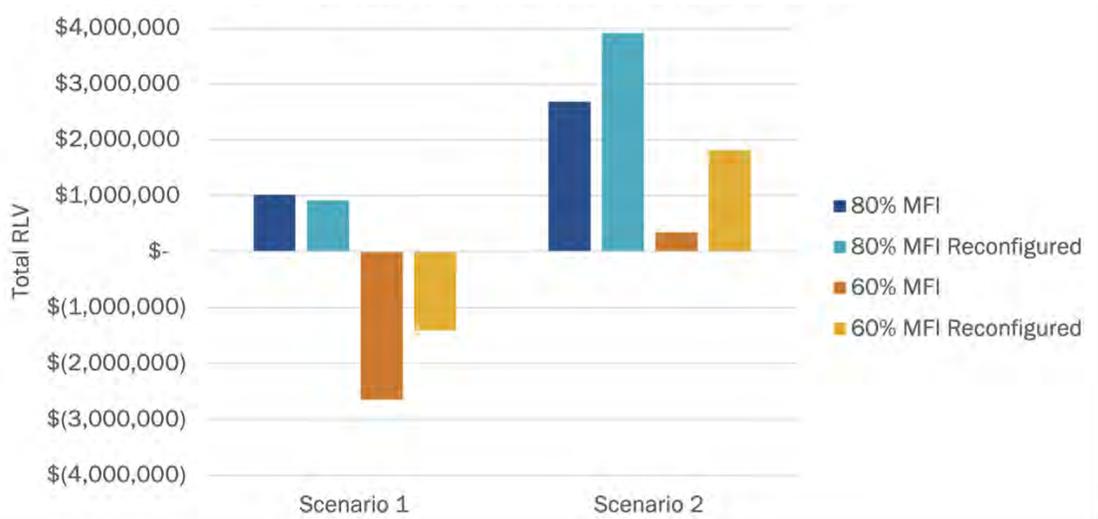
Exhibit 5 summarizes the results of the development feasibility analysis, showing the range of allowable options to meet the City of Portland’s Inclusionary Housing requirements, without including the cost of land. Exhibit 6 shows the total development value after factoring in the estimated market cost of land. The set of bars to the left models the lower estimate of land cost (\$2.8 million) and the set of bars to the right models the higher estimate of land cost (\$4.7

<sup>6</sup> We estimated the market value of 1111 South by comparing prices from the last three years of large (between 1 and 5 acres) parcel sales in Gateway and other neighborhoods in East Portland. This estimate is a range that does not account for differences in zoning, development capacity, and other factors. A more robust comparative analysis would be needed to provide an estimate of land value for the purposes of disposition.

million). The cost of land is a challenge for the development feasibility for these scenarios. See Appendix A for more details of the pro forma analysis, development assumptions, and Inclusionary Housing policy.

**Exhibit 5. Comparison of Total Residual Land Value by Massing Scenario**

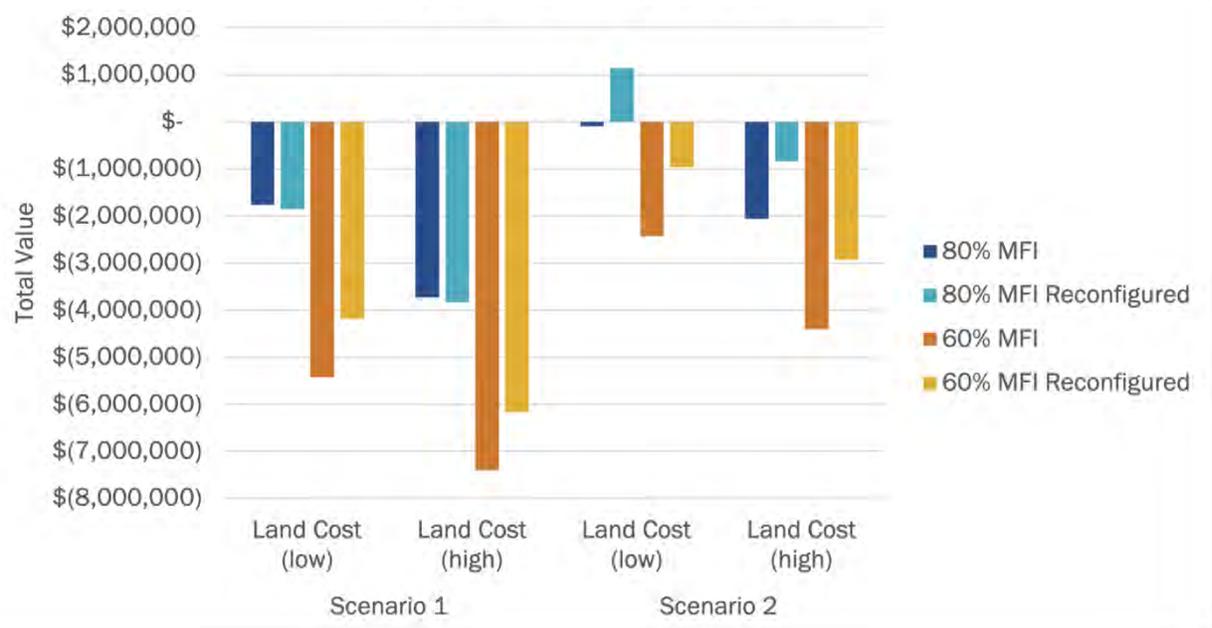
Source: ECONorthwest



Note: "Reconfigured" means that the affordable set aside is calculated as a share of bedrooms rather than units.

**Exhibit 6. Comparison of Total Value After Land Cost by Massing Scenario**

Source: ECONorthwest



Note: "Reconfigured" means that the affordable set aside is calculated as a share of bedrooms rather than units.

At this time, scenario 2 is the most feasible development option evaluated and provides the most flexibility in phasing and absorption. However, the feasibility results are extremely sensitive to residential rent assumptions and Inclusionary Housing program incentives. If market conditions shift development feasibility could be more challenging.

- Within scenario 2, the strongest feasibility results when meeting the Inclusionary Housing requirements at 80 percent of MFI under the City's reconfiguration policy.<sup>7</sup> Reaching deeper affordability would be possible with additional sources between \$2.1 and \$3.6 million.
- Ground-floor retail will likely need to be offered at affordable rents, both to meet community demand and to address the softer retail market in the Gateway area. This commercial rent subsidy on approximately 6,100 square feet of retail in both scenarios would cost approximately \$30,500 per year.
- Accessing development incentives for Inclusionary Housing available in the Central City Plan District would substantially improve the feasibility of both scenarios, especially for deeply affordable units at 60 percent of MFI. MULTE property tax abatements for all residential units would increase the value of the scenarios between \$4.3 and \$6 million.

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Multiple-Unit Limited Tax Exemption Program (MULTE). The City's current Inclusionary Housing policy has the same set aside requirements in the Central City and Gateway, but applies different incentives under MULTE between the two Plan Districts. In the Central City, a 10-year property tax abatement applies to all residential units in a development with on-site affordable units compliant with the Inclusionary Housing code. In Gateway, a 10-year property tax abatement applies only to the affordable units (60 or 80 percent MFI) in a development.

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The results of the development feasibility analysis are extremely sensitive to rent assumptions, regulatory requirements, and incentives. If market conditions shift, so too will the relative feasibility of the modeled scenarios. However, the scenarios offer guidelines for a successful development program and highlight regulatory considerations for TriMet and its partners to address in a joint development process.

## 4. Joint Development Considerations

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In addition to the potential market feasibility of redevelopment on 1111 South, there are several important issues for joint development partners to address to prepare for any redevelopment. These issues include satisfying ongoing contractual obligations with The Oregon Clinic, securing a more precise appraised land value, soliciting for a qualified development partner, navigating potential regulatory barriers, and ultimately, aligning project plans on this site with broader community development goals in Gateway.

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<sup>7</sup> See <https://www.portland.gov/phb/documents/hou-304-inclusionary-housing-program-full-text-policy/download>.

## 4.1 Parking Obligations and Demand

Unlocking development potential on 1111 South will require creative new arrangements for meeting the parking obligations Prosper Portland will need to fulfill for The Oregon Clinic and meet demand for tenant parking in future residential development.

### 4.1.1 Existing Lease Agreements

Currently, The Oregon Clinic leases 354 parking spaces from Prosper Portland, spread across the existing surface lot and TriMet's structured parking garage.<sup>8</sup> The lease agreement grants the Clinic the right to a total of 405 parking spaces and—crucially—approval authority over relocated parking if the surface lot is redeveloped. This lease runs through September 2056. Further details of the lease and redevelopment agreement are provided in Appendix A.

A first step in approaching redevelopment of 1111 South will require Prosper Portland to discuss with The Oregon Clinic an alternate location for staff and patient parking, under the same no-cost terms and of commensurate quality to their use of the surface lot. The lease stipulates that relocated parking must be within 350 feet of the medical office building entrances. Unless the Oregon Clinic is willing to renegotiate these terms, the surrounding areas within this radius include: the 1111 South parcel, TriMet's structured parking garage at NE 99<sup>th</sup> Avenue and NE Multnomah Street, and private property across NE 99<sup>th</sup> Avenue.

### 4.1.2 Potential Residential Parking Demand

Parking is an evolving topic for transit-oriented development in Oregon, with changes to minimum parking mandates in the state's Climate Friendly and Equitable Communities rulemaking. Furthermore, TriMet's TOD framework prioritizes equitable development with community benefits over parking. While no on-site parking is required by code, future residential development at the Gateway Transit Center will likely include market demand for on-site tenant parking alongside the benefits of transit-oriented development. Housing built in Gateway within the last decade—most of which is regulated affordable housing—has an average ratio of 0.47 spaces per unit, far below the average among all multifamily residential buildings in the study area. ECONorthwest's development feasibility analysis modeled parking ratios between 0.67 and 0.75 spaces per unit. These ratios were driven by the building types, floor plates, and unit counts of the different massing scenarios, and align with the assumptions of developers working in the submarket and a review of recent permit activity in Gateway. Consideration should be given to other types of residential accommodation that might support a lower parking ratio such as senior or student housing if this makes solving the parking demand equation a little less challenging.

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<sup>8</sup> The parking garage spaces are provided by way of a ground lease structure between TriMet and Prosper Portland that was entered into when the garage was built in 2006. Prosper subleases these spaces through its parking agreement with The Oregon Clinic.

### 4.1.3 TriMet Patron Parking

TriMet’s structured parking garage at NE 99<sup>th</sup> Avenue and NE Multnomah Street was built in partnership with Prosper Portland in 2006 to catalyze redevelopment of the station area—beginning with the construction of The Oregon Clinic—and support Gateway Transit Center as a key node in the regional transportation network. Before the beginning of the COVID-19 pandemic, the Park and Ride spaces in the garage were at full capacity by 7:30 a.m. during the work week. As of spring 2023, daily Park and Ride capacity at Gateway have been approximately 16 – 42 percent, but these patterns may change if commute rates to the Central City continue to gradually increase as well as future corridor tolling.

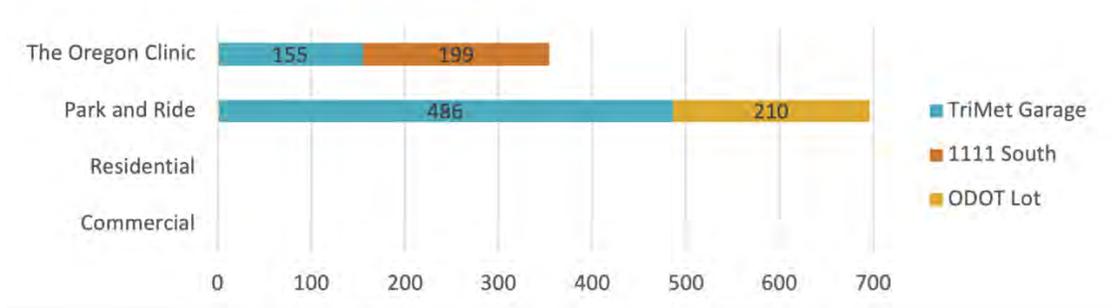
### 4.1.4 Shared Parking Model

To pursue joint development on this key parcel of the Gateway station area and deliver upon the community vision, Prosper Portland will need to engage The Oregon Clinic to explore alternatives to the existing parking arrangement. A future developer of the 1111 South parcel, TriMet, or the other property owners within the 350-foot radius of The Oregon Clinic (as stipulated in the parking lease agreement) could be approached to help support a shared or district parking model. One option to explore is shared use of TriMet’s structured parking garage at NE 99<sup>th</sup> Avenue and NE Multnomah Street or the surface Park and Ride lot owned by the Oregon Department of Transportation (ODOT) south of NE Pacific Street. Accessing transit assets such as TriMet’s garage and ODOT’s surface lot may have additional requirements including assessing fair market value and demonstrating a transit-supportive nexus for alternative uses. PacTrust may also be open to leasing a portion of the surface parking within its large commercial development on NE 99<sup>th</sup> Avenue to serve nearby uses.

All development scenarios explored in the feasibility analysis will need a phased approach to accommodating parking needs and should consider the possible long-term relocation of spaces in the existing surface lot and near-term displacement during construction. While our feasibility results accounted for the cost of building on-site structured parking in a new development, our analysis did not evaluate potential costs to Prosper Portland to relocate parking for The Oregon Clinic off-site temporarily or permanently. Further discussions and transportation demand modeling would help identify and inform viable pathways to an alternative shared or district parking model possible between property owners in the station area.

**Exhibit 7. Gateway Transit Center Station Area Parking, Current Use**

Source: ECONorthwest



## 4.2 Plan for Inclusionary Housing

Medium-density residential development on Prosper Portland’s property would be subject to the City of Portland’s Inclusionary Housing policy, which applies to all new development with 20 or more units. As part of the feasibility analysis for development prototypes, ECONorthwest analyzed each of the options for meeting the set aside requirements on-site as the most feasible path to comply with the policy: either 20 percent of units/bedrooms affordable at 80 percent of MFI, or 10 percent of units or bedrooms affordable at 60 percent of MFI.

Both scenarios show the strongest feasibility results when meeting the Inclusionary Housing requirements at 80 percent of MFI, but deeper affordability at 60 percent of MFI is also possible, especially with additional financing sources. Prosper Portland would work with the Portland Housing Bureau to discuss the desired approach for using TIF resources set aside for affordable housing, as well as non-set aside TIF funds, to comply with Inclusionary Housing and contribute to the overall residential market in Gateway.

## 4.3 Community Development Goals

TriMet and Prosper Portland share a commitment to aligning their plans and investments with the priorities and needs of the communities they serve. Both TriMet and Prosper Portland have engaged residents and business owners in the Gateway neighborhood around past projects, including plans for the Better Red project and the Gateway Five-Year Action Plan. These engagements—along with several processes conducted by other public agencies and community groups between 2010 and 2016 (see Section 2.4 and Appendix D)—have identified priorities for greater and safer street connections through the neighborhood, a strong desire for mixed-income housing, strong desire for additional trees and green spaces (i.e., fewer asphalt heat islands), and investment that supports business development for Gateway residents.

An essential part of the predevelopment process will involve confirming that the proposed project supports community goals and the broader development strategy in Gateway. Prosper Portland is undertaking community engagement to update its Gateway Action Plan which could also include partnership with the Portland Housing Bureau. This process will help guide specific community desires for investment in the Gateway Transit Center area, including any redevelopment of the existing surface parking lot.

## 4.4 Regulatory Considerations

The consultant team identified several regulatory considerations that should be clarified or addressed before more precise development plans can be made for 1111 South.

### 4.4.1 Active-Ground Floor Requirements

The Gateway Plan District requires 50 percent of the street and public plaza frontages to have active ground-floor uses which includes residential, commercial, office, lobbies, or retail. Plan District code stipulates that ground-floor parking can be designed for future conversion to

active use. The City may push back on designs that have no active use along the frontage facing the Gateway Transit Center and bus transfer area, as modeled in a full-site development with two levels of podium parking. TriMet has a growing need for additional space at Gateway for transit operators and safety and security staff. Exploring options for leasable space along the station-facing edge in a future development could help meet TriMet’s operational goals and this code requirement.

#### 4.4.2 Priority Activation Streets

The Gateway Plan District also has specific requirements for the location of active ground-floor uses, with a priority for active uses along NE Pacific Street, starting at the Gateway Transit Center bus entrance. The access, massing, and feasibility studies conducted by the ECONorthwest team saw greater potential in activating NE 99<sup>th</sup> Avenue for building entrances and commercial spaces and promoting stronger links to the existing pedestrian connections between the Gateway Transit Center and surrounding neighborhood. The City of Portland has indicated it may revisit its approach to activation along NE Pacific Street between NE 99<sup>th</sup> Avenue and the Gateway Transit Center. City planning staff may, alternatively, support a variance on designs that orient active uses along NE 99<sup>th</sup> Avenue.

## 5. Development Actions

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The Gateway area has a variety of vacant lots, empty storefronts, and surface parking lots that are well suited for redevelopment when conditions align. As the demand for housing has grown throughout the city, Gateway is now a more feasible area for higher density residential development than in past years, moving Prosper Portland’s property at 1111 South closer to a potential pathway to vertical development. Predevelopment steps to achieve that goal are detailed below. While many of these actions would be led by Prosper Portland as the property owner, we note the role that TriMet can play to support these activities.

### Action 1: Engage Oregon Clinic to Discuss Concerns and Priorities

**Purpose:** Present the positive outcomes of vertical development and hear the needs of the Oregon Clinic in any parking lease amendment

**Lead Actor:** Prosper Portland

Prosper Portland can engage the leadership of The Oregon Clinic on the goals of redevelopment of 1111 South and the community vision of a safe and active Gateway Transit Center area, including new development Prosper Portland is fostering on 102<sup>nd</sup> Avenue with a private partner and other nearby sites. Bringing The Oregon Clinic on as a partner in the larger vision for the station area would build trust in what would be a multi-year process to reconfigure and improve the urban context that surrounds their office. The objectives of these conversations will be hearing their concerns, specifically around any potential shift of parking spaces or safety concerns. The conversations and any following negotiations should be data-driven and based

on current parking demand, supply, and occupancies/vacancies within the specific area defined in Prosper Portland's surface lot lease with the Clinic. Finding a solution will require patience, trust, and identifying shared interests, where the Oregon Clinic feels part of the larger process, open to adjustments to its parking situation as a long-term business and anchor tenant, and hopeful for the changes that Prosper Portland, TriMet, and partners can bring to the area.

**TriMet Role:** TriMet has an established relationship with The Oregon Clinic as owner of the structured parking garage and lead agency managing safety and security for patrons of the Transit Center and garage. TriMet has invested in improved lighting and staffing around the station area and garage to address safety concerns in response to The Oregon Clinic's requests, and can continue to work with the Clinic, Prosper Portland, and other agencies to improve the Transit Center environment.

### Action 2: Develop Transportation Demand Management Plan and Long-Term District Plan for Structured Parking

**Purpose:** Coordinate district-wide collaboration between major property owners regarding existing and anticipated future development visions and associated transportation demands to support transit-oriented development within the district

**Lead Actor:** TBD

In the absence of a district approach to transportation demand and parking management, individual property owners are likely to continue to overinvest in lower-cost surface parking in the Gateway area. Bringing public and private property owners together to outline future development visions and understand multimodal transportation needs across the broader station area could build toward a district strategy to shift demand toward paid parking and other forms of transportation. A district parking model could support a vibrant mix of uses in the broader Gateway station area and free up property that is currently utilized for surface parking. As part of this exercise, TriMet could evaluate how the existing structured parking garage might fit into a district parking strategy that advances its transit-oriented development goals.

### Action 3: Support Adjacent Development Opportunities

**Purpose:** Support development on currently undeveloped and underdeveloped sites adjacent to the 1111 South property

**Lead Actor:** Prosper Portland

The 1111 South property is adjacent to multiple currently vacant or inactive sites that have lower barriers to development than underutilized sites such as 1111 South. Prosper Portland sees greater near-term potential in partnering with landowners and developers to transform these vacant sites to accelerate demand for additional residential and commercial development in the Gateway district. As more of these adjacent sites redevelop, the demand for a district approach to structured parking will grow.

## Action 4: Engage the Community on Priorities

**Purpose:** Gain feedback from community on design and programming priorities for 1111 South and the broader Gateway Transit Center area

**Lead Actor:** Prosper Portland

The focus of the consultant team in this process has been exploring financial feasibility, understanding zoning constraints, and identifying existing parking complications. Community considerations for the site, particularly residential type and ground-floor activation has depended on past community planning efforts and public partners. To move the project forward, a fresh conversation with the Gateway community may be required. Through a series of public discussions, the community could provide input on the desired goals of development in the area and on this site in particular. This could include community priorities related to whom the development supports and serves, how the development engages with the broader Gateway Transit Center area, and any additional direct TIF investment the community supports in parallel with a land disposition. Some of these priorities will be defined through the update to the Gateway Action Plan engagement process Prosper Portland is currently leading. Confirming and consolidating community priorities prior to a design process would help any future developer have confidence in the expectations for the site.

**TriMet Role:** TriMet has conducted community engagement in Gateway around the Better Red project and could share that work with Prosper Portland.

## Action 5: Establish Ongoing Communication Channels

**Purpose:** Keep partners aware of process

**Lead Actors:** Prosper Portland

Prosper Portland should establish channels for ongoing communication with its key partners, including The Oregon Clinic, TriMet, the City of Portland, and the community to continue providing updates on the process and input needed as part of the predevelopment process. It often takes months between actions, so regular communication is important to avoid future misunderstandings about the larger process or specific items like code changes, parking, or public realm improvements. Prosper Portland will engage with the community based on the Gateway Action Plan priorities and in alignment with its Community Engagement Guidelines which provide a framework for the agency's engagement process and defines a set of directions based on the agency's Equity Framework and Equity Policy.

## Action 6: Finalize Development Action Plan

**Purpose:** Consolidate input and decide process for vertical development

**Lead Actor:** Prosper Portland

Once considerations are established that detail the primary stakeholder needs, and the priorities of the Gateway community, a process can be established to begin the discussion with the development community. Given past partnership projects on mixed income, mixed use projects in Gateway like The Nick Fish, Prosper Portland and the Portland Housing Bureau should work discuss if there is interest and opportunity to partner on redevelopment of the property. Prior to any formal solicitation, Prosper Portland would undertake internal disposition processes according to the agency’s disposition policy.

### Action 6: Potential Regulatory Revisions

**Purpose:** Assist future development with minor adjustments to the code in Gateway

**Lead Actors:** Prosper Portland, City of Portland Bureau of Planning and Sustainability and Bureau of Development Services

The design review process allows modifications to code development standards to better meet the Plan District requirements and priorities. Through design review, a project may be able to avoid formal zoning adjustments, which require separate review procedures and approval by City staff, the Planning Commission, or the City Council.<sup>9</sup> Possible modifications and adjustments should be discussed with a City technical advisory group in preparation for any development solicitation and based on the recommendations in Exhibit 8.

### Exhibit 8. Primary Entitlement Processes and Recommended Adjustments for Gateway Site

Source: ECONorthwest, Salazar Architect

Code Element	Issue	Review Procedure	Desired Outcome
Replat	1111 South parcel is officially three lots	Type Ix	Replat site as required to support future development plans and various ownership structures
Design Review	Gateway Plan District and the site’s scale of development both require design review	Type III	(See adjustment recommendations below)
<b>Recommended Zoning Adjustments or Changes</b>			
Superblocks 33.293	Site includes vacated NE Holladay Street, which triggers requirements for walkways and plazas equal to at least 50% of vacated area	Through design review	Existing pedestrian connection on the south side of The Oregon Clinic could meet code requirements for a full-site development  A public plaza in a multi-building development would meet code requirements
Street and Pedestrian Connections 33.130.292	Site exceeds 330’ centerline distance between pedestrian walkways	Type II	<i>Zoning adjustment:</i> Focusing pedestrian activity along existing pedestrian connection and NE Pacific Street will reinforce active streets and safer connections across NE 99 <sup>th</sup> Avenue

<sup>9</sup> See the City of Portland’s summary on design review types and procedures: <https://www.portland.gov/bds/zoning-land-use/documents/summary-land-use-procedure-types/download>.

Enhanced Pedestrian Streets 33.526.280	Multi-building scenario with south-facing public plaza does not meet the requirement of zero setback for 75 percent of the lot line on NE Pacific	Type III	<i>Zoning code change:</i> Remove NE Pacific Street between NE 99 <sup>th</sup> Avenue and the transit center from the Enhanced Pedestrian Streets map
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**TriMet Role:** The City of Portland has committed support for TriMet’s Better Red project through an in-kind match of resources. TriMet could facilitate the City satisfying part of that commitment by addressing these regulatory items.

## 6. Gap Financing Options

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ECONorthwest’s analysis shows that sample development scenarios on 1111 South could be feasible under current market conditions, but are extremely sensitive to rents, incentives, and costs. As noted in the Feasibility Study (see Appendix A), rising interest rates and changes in capital markets have restricted lending for real estate development in general. Portland, in particular, is experiencing a decline in real estate investment capital compared to recent years and relative to other cities. These conditions present challenges for securing timely, favorable, and comprehensive private financing for new development in Gateway.

Beyond project feasibility, Prosper Portland and its development and community partners may have specific goals, including affordable housing to serve a range of income levels, community-serving retail, etc., that change the overall cost and value of the project. Public sources could be leveraged to fill financial feasibility gaps or incentivize the desired development programs.

### 6.1 Public Sources

The Feasibility Study summarized the primary sources of public financing for mixed-use development in the Portland region. Below we discuss the most promising sources that align with the proposed TOD program at Gateway Transit Center.

#### 6.1.1 Tax Increment Finance District Funds

In June 2001, the City of Portland approved the Gateway Regional Center Urban Renewal Plan and \$164 million in tax-increment financing (TIF) to support implementation of the Gateway Action Plan and community priorities within that plan. Since 2006, TIF spending citywide and across TIF districts requires a 45 percent set-aside for affordable housing, to be allocated to the Portland Housing Bureau to build or preserve units affordable to households earning 60 percent or less of MFI. In the Gateway URA, Prosper Portland has committed 33 percent of funds to affordable housing, or \$28.4 million of the remaining maximum indebtedness of the TIF district. The maximum remaining budget for other economic development and infrastructure uses is \$65.6 million. TIF has been used in other projects to deliver on a range of community benefits, including supporting small businesses in accessing ground-floor commercial space, recruiting commercial tenants, incorporating culturally specific art or public realm improvements, and

improving street and pedestrian connectivity. As noted above, the Gateway URA no longer has a deadline for issuing this debt.

### 6.1.2 Transit-Oriented Development Funds

Since 1998, Metro has provided \$35 million in grants to support residential, commercial, and mixed-use TOD throughout the Portland region. The program currently offers approximately \$5.5 million in gap funding each year (currently as grants of up to \$250,000 total for qualifying projects). Metro's strategic plan for these grants focuses on infill development, TOD-supportive infrastructure, and other site improvements. The results of ECONorthwest's feasibility analysis in Gateway suggest that redevelopment of the subject site could be a strong candidate for Metro's competitive criteria to increase transit ridership, create new market momentum for mixed-income development around the Gateway Transit Center, and catalyze private investment.

### 6.1.3 Multiple Unit Limited Tax Exemption

As discussed in Section 3.4, ECONorthwest's feasibility analysis showed the considerable value of Multiple Unit Limited Tax Exemption Program (MULTE) incentives that are available in the Central City Plan District, an area with similar development standards and goals for dense, transit-oriented design as the Gateway Plan District. The ability to access a ten-year tax exemption on all residential units, beyond the current ten-year exemption on affordable units, is a very powerful financial incentive to support both development feasibility and lower MFI units in Gateway. The City of Portland Housing Bureau is currently conducting a calibration study of the Inclusionary Housing program that could include consideration of applying the Central City incentives in other areas identified for higher density development.

### 6.1.4 Congressional Direct Request

Because of its disadvantaged status and lower income population, the economic and physical development of the Gateway neighborhood has long been a goal of the City of Portland, TriMet, Prosper Portland, Metro regional government, and other public jurisdictional partners. Although it would have to be part of a larger funding package, the potential to seek and secure an earmark or appropriation through a congressional direct request exists. The project would have to deliver community benefits that cannot be funded through normal channels, and these benefits must continue as a legacy for the community. Although the potential to secure an appropriation is limited, it is significant and should not be overlooked.

## 7. Closing Statement

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The Gateway area has long been envisioned as a dense, transit-focused, mixed-use community and employment center with a variety of amenities including transit, shopping, entertainment and public space. TriMet's Better Red project has made investments in the Gateway Transit Center that provide an opportunity to accelerate the momentum in a key regional center. A variety of residential developments have emerged in the larger area over the past decade, from

multifamily to senior housing to townhomes, and multiple sites within immediate proximity to the Transit Center appear primed for near-term redevelopment.

Momentum for a revived Gateway area relies on the public sector continuing to play a strong role in supporting density and access improvements. The type of project detailed in this study could increase housing options within the district, improve safety and activation by reducing the isolation of the transit station, reduce greenhouse gas emissions through location-efficient housing, complement the critical health services and medical office jobs provided by The Oregon Clinic and Providence, and deepen the activation of one of the best-connected transit hubs in the Portland region. The first step is to increase communication and rebuild trust between public and private partners by coalescing around a shared vision of Gateway's future.

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# Appendix A

## Gateway Transit Center Development Feasibility Study

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June 16, 2023

Prepared for:



Final Report

**ECONorthwest**  
ECONOMICS • FINANCE • PLANNING

**SALAZAR**  
**ARCHITECT**

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# 1. Introduction

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The Better Red project expands TriMet’s light rail service to serve additional stations throughout the Portland metro region and improve the reliability of the MAX Red Line. A consulting team, led by ECONorthwest, is helping TriMet gain a deeper understanding of station area development possibilities. The overarching purpose of this project is to stimulate catalytic projects that will shape growth on the MAX Red Line. These projects build on TriMet’s long tradition of Transit-Oriented Development (TOD), with a focus on equitable development outcomes.<sup>1</sup> This report is part of the **Task Order 5** work focusing on studying the development potential at the **Gateway Transit Center**.

This report is a feasibility analysis to evaluate market and site-specific contexts for TOD real estate development scenarios, including market viability, parking requirements, and public realm elements. This analysis evaluates potential development scenarios on a **2.1-acre parcel** located next to the Gateway Transit Center, at the corner of NE 99<sup>th</sup> Avenue and NE Pacific Street that is owned by Prosper Portland. This feasibility analysis will be used as a foundational element to craft the Delivery Strategy that creates near term opportunities for TOD at the Gateway Transit Center.

The analysis in this report builds on parallel studies from the project team that identified opportunities and barriers in the study area.

- Nelson\Nygaard produced a **multimodal access study** with draft designs to better link Gateway Transit Center and the commercial and residential areas to the east of the station that consider TriMet users’ needs and the Portland Bureau of Transportation’s future street connection plans.
- Salazar Architect developed **massing scenarios** for medium density mixed-use development, and feasibility for joint development of a surface parking lot owned by Prosper Portland adjacent to the Transit Center.

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<sup>1</sup> Transit-Oriented Development (TOD) is a pattern of land use and development that integrates a mix of residential and commercial uses at higher density or intensity within walking distance from transit stations.

## 2. Key Findings

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- **Two development scenarios were evaluated** utilizing detailed massing studies and pro forma analyses to understand potential development outcomes for the opportunity site evaluated in this report.
  - Scenario 1 is structured as a large development (360 units) which address parking needs via a large podium. This scenario has some cost efficiencies due to a single construction process, but there are likely large barriers to the timeline to hit a targeted occupancy rate given the headwinds for absorption of 360 units delivered to the market at one time.
  - Scenario 2 is a phased approach creating fewer units (286), though the first phase appears the most feasible overall due to utilization of existing surface parking that exists on half of the site. Additionally, phase one is envisioned to be built as a five-story wood frame residential building that has lower construction costs than the phase 2 podium building that is also absorbing the bulk of the parking costs in this scenario.
- **Both development scenarios evaluated are generally feasible for development in the market today.** The feasibility results are extremely sensitive to residential rent assumptions and Inclusionary Housing program incentives and if market conditions shift, so too will the relative feasibility of the two development scenarios.
- **Development scenario 2 is the most feasible development options evaluated and provides the most flexibility in phasing and absorption.** While both scenarios are feasible, the phased approach to scenario 2 along with a less expensive wood frame building type and a unit count more supportive of absorption trends in Gateway makes this scenario the most feasible.
- **Market analysis of the Gateway area, and comparable areas, shows the strongest demand for development in the station area is for four to seven story residential development.** Taller development is less feasible without a substantial increase in rents above current market rates. There is not strong enough demand for market-rate retail or office space in the station in today's market conditions.
- **Both scenarios show the strongest feasibility results when meeting the Inclusionary Housing requirements at 80 percent of Median Family Income (MFI).** Reaching deeper affordability would likely require subsidy, either the activation of an additional tax exemption program similar to Central City, layering additional affordable housing funds, or other financial contributions to the project from available tax increment financing resources.
- **Parking needs, specifically replacing the onsite parking obligations for The Oregon Clinic, adds complication and cost to any prospective development on the site.** The feasibility analysis presented here assumes The Oregon Clinic will enter into a shared-

parking agreement with TriMet and/or the residential developer to replace the approximately 200 spaces currently leased on the surface lot, per the redevelopment terms in its lease. TriMet and Prosper Portland will need to collaborate on how best to meet the current parking obligations for The Oregon Clinic between new structured parking in development and existing parking supply in the TriMet structured parking garage.

- **Market rents on 2-and 3-bedroom apartments in Gateway are lower than rent limits for households earning 100 percent of Median Family Income.**<sup>2</sup> Regional MFI levels have increased sharply over the last couple of years which means market rate rents in the Gateway Transit Center are between 80 percent and 100 percent MFI.
- **Any ground floor retail provided in the development projects will need to be leased at below-market rates.** Both scenarios include ground-floor retail spaces, though these will likely need to be at below-market affordable rents to meet community demand and to address the softer retail market in the Gateway area.
- **Any development scenario with affordable retail and affordable residential units at 60 percent of MFI would require public subsidy.** A variety of local and state funding sources exist to fill the gap on affordable housing projects.
- **Large-scale office uses are not feasible in a mixed-use development in the Gateway Transit Center.** However, office space could be built to satisfy ground floor activation requirements in the Gateway Plan District that is tenanted by community organizations or other targeted commercial uses and leased at below-market rents.

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<sup>2</sup> Portland Region MFI for a family of four in 2022 is \$106,500.

<https://www.portland.gov/sites/default/files/2022/2022%20AMI%20Rents%20PHB.pdf>

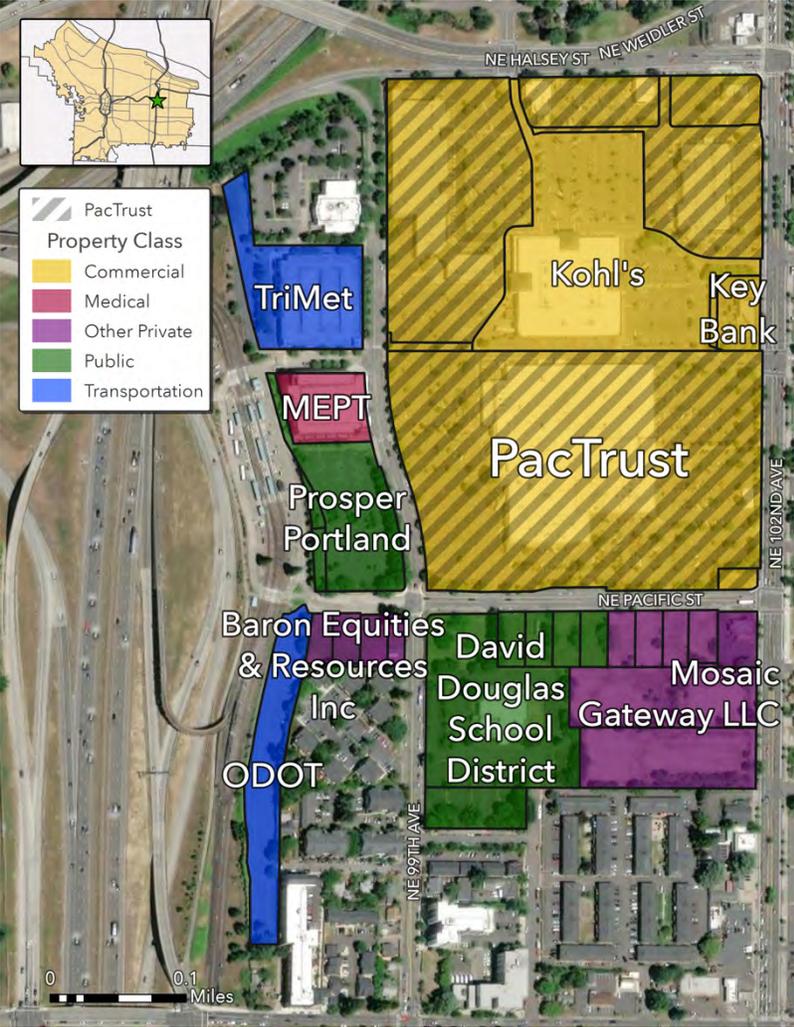
# 3. Site Description and Analysis

## Regional Position

The subject site is a **2.1-acre parcel** located next to the Gateway Transit Center, at the corner of NE 99<sup>th</sup> Avenue and NE Pacific Street. The site is owned by Prosper Portland, and currently leased to The Oregon Clinic as a surface parking lot for their medical office building at 1111 NE 99<sup>th</sup> Avenue. Throughout this report, we refer to the subject site as 1111 South. Exhibit 1 shows the location of 1111 South and immediate context, noting the ownership of nearby parcels.

**Exhibit 1. Gateway Study Area Map**

Source: ECONorthwest



## Zoning and Development Standards

1111 South is located in a Central Commercial (CX) zone with a design overlay, within the Gateway Plan District. The base CX zone allows a variety of uses and encourages dense

development with a focus on pedestrian access. The Gateway Plan District also promotes dense mixed-use development oriented to pedestrian and transit access. The site's location adjacent to Gateway Transit Center allows additional height and density that supersedes both the base zone and the generic Plan District standards. Key development standards for 1111 South include:

- Maximum height of 150 feet with allowable bonuses for affordable housing, affordable commercial space, open space, and eco roofs. Residential development can exceed this maximum height, subject to design review.
- Maximum Floor Area Ratio of 8:1.
- 50 percent of ground floor sidewalk and public plaza frontage must be dedicated to active use, which includes residential, commercial, office, lobbies, or retail. These spaces must be 25 feet deep. Alternatively, ground floor space can be designed for future conversion to active use.
- All uses in the Gateway Plan District are exempt from minimum parking requirements. Residential uses on the 1111 South are subject to a maximum of 1.35 parking spaces per unit, while retail and services have a maximum of 1.5 parking spaces per 500 SF of net building area.
- Vehicle areas—driveways and parking—are not allowed within 100 feet of a street with light rail alignment.

### Site History and Agency Agreements

TriMet and Prosper Portland (formerly the Portland Development Commission) have been engaged in joint development planning around the Gateway Transit Center for almost 20 years. In 2004, TriMet sold a 1-acre surface parking lot located at the northeast corner of NE 99<sup>th</sup> Ave and NE Pacific Street to Prosper Portland. In 2005, TriMet transferred the adjacent 2.1-acre parcel to the north to Prosper in exchange for funding the construction of a structured parking garage at 1250 NE 99<sup>th</sup> Ave. Prosper sold 1 acre at the north end of the site to The Oregon Clinic in 2005 for the construction of a medical office building. Prosper retained ownership of the remaining 2.1 acres for future phases of mixed-use development. Currently, Prosper leases this 2.1-acre site to The Oregon Clinic for surface parking, and subleases additional space in TriMet's structured garage.

Prosper and The Oregon Clinic have several agreements—in force through September 2056—governing parking allocations for the medical office building and redevelopment of 1111 South:

- The Oregon Clinic is entitled to four parking spaces per 1,000 square feet of gross building area, for a total of 405 parking spaces.<sup>3</sup>

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<sup>3</sup> This allocation reverts to a lower ratio per code maximums if the uses inside the medical office building change to non-medical.

- The Oregon Clinic has 199 spaces in the existing surface lot (including 17 accessible spaces), and 155 dedicated spaces in TriMet’s structured parking garage, for a total use of 354 spaces.
- Replacement parking for the existing surface lot must be located within 350 feet from the midpoint of The Oregon Clinic’s entrances, which limits relocation to TriMet’s parking garage, onsite parking in new development on the site, or directly across the street at Gateway Shopping Center.
- The Oregon Clinic must agree to the parking relocation site.
- The surface parking lot entrance and drop-off circle to the south of the medical office building is a mutual easement area that was built out by The Oregon Clinic. Prosper must reimburse The Oregon Clinic for half of the construction costs if this easement is redeveloped.
- Relocated parking would be subject to the existing lease terms of no base rent plus a proportional share of maintenance fees and taxes.

Both the structured garage and the medical office building were designed to accommodate additional vertical development. Prosper retains an air rights lease to construct an additional 4 stories of parking on TriMet’s garage, as well as an additional 4 stories of office or 6 stories of residential use above The Oregon Clinic.

The terms of the air rights lease over The Oregon Clinic grants the building owner rights that may complicate any redevelopment project, including first right to develop one additional floor of commercial space and approval of all architectural plans, contractors, and subcontractors.<sup>4</sup> The initial term of the air rights lease is 99 years, renewable for 20-year terms. Upon termination of the lease, any development becomes property of the medical office building owner.

In 2017, The Oregon Clinic sold the medical office building to Multi-Employer Property Trust (MEPT), a private equity real estate equity fund based in Bethesda, Maryland. It is unclear how this change in ownership affects the parking and redevelopment agreements originally negotiated with The Oregon Clinic, including the rights of mortgage holders on MEPT’s assets. Another uncertainty is whether The Oregon Clinic/MEPT will accept a one-to-one replacement of current surface parking spaces rather than meeting their maximum allocation. MEPT may also have a different perspective on additional vertical development over the medical office building.

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<sup>4</sup> Note: ECONorthwest was only able to review an unsigned draft version of the air rights lease agreement between Prosper Portland and The Oregon Clinic. The terms described here may differ from any final agreement that may have been executed by those parties.

## 4. Market Review and Key Demand Assumptions

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### Key Findings

Based on analysis of market trends, ECONorthwest sees the strongest demand for new construction in the Gateway area would be for medium-density, primarily residential development.

- Multifamily rents in Gateway have been steadily increasing but are lower than average rents in Portland. Market rents on 2- and 3-bedroom apartments in Gateway are lower than what is affordable to households earning 100 percent of Median Family Income, which is currently \$106,500.
- Multifamily vacancy rates in Gateway have declined substantially since 2009 and remain about 1.5 percentage points lower than Portland's average rate of about 6 percent.
- There is limited demand for market-rate speculative office construction to take advantage of Gateway Plan District entitlements.
- Gateway's retail market is dominated by national credit tenants like Fred Meyer, Kohl's, and Office Depot who pay higher rents associated with anchor tenant destinations located close to high traffic volume streets and large supplies of surface parking. These retailers skew the Gateway average market rent higher than supportable rents for smaller, neighborhood-serving retail businesses that could occupy the ground floor in new mixed-use development.

### Market Context

To understand conditions of the real estate market in Gateway, ECONorthwest analyzed data from two sources. CoStar is a leading commercial real estate information company with the most comprehensive database of commercial real estate transactions in the United States. It provides information on commercial real estate prices and trends.

The number of market observations in Gateway is relatively limited, especially for multifamily residential. Because of the sample size, rent and vacancy trend data for Gateway is sensitive to fluctuations caused by changes in one or two retail and office tenants, or new multifamily construction. We examined rent and vacancy data between 2009 and the first quarter of 2022 to capture steadier long-term trends in the market.

Across the residential, office, and retail markets, rents in Gateway are lower than Portland as a whole. Residential prices are steadily, though slowly, trending upwards. Lower commercial vacancy rates in Gateway are likely due to the large share of stable medical office and national retail tenants in the area rather than an indicator of stronger submarket demand.

### Residential Market Prices

To understand the potential market interest in TOD in Gateway, we collected multifamily rental data and compared it to the citywide market.

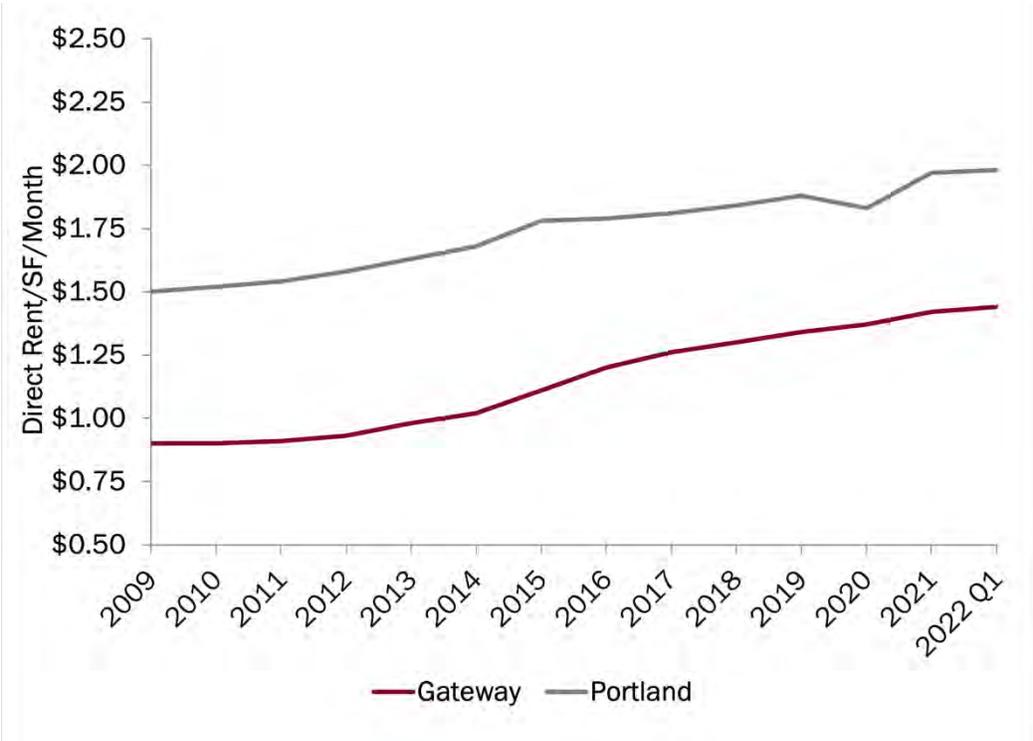
#### Multifamily Rental

Multifamily rental prices have been steadily increasing in Gateway over the study period. Since 2009, multifamily rents have increased by 60 percent, or \$0.54 per square foot to reach an average of \$1.44 per square foot in 2022. These rents lag the citywide average multifamily rent of \$1.98 per square foot. Given the limited observations for newer construction multifamily development in Gateway, these rental market observations broadly reflect older lower cost multifamily rental housing that is present throughout the area. We also analyzed individual listings across a range of rental platforms for smaller, but newer, residential rental properties in the area which indicates that new construction studio and 1-bedroom apartments in the area could potentially rent between \$2.00 and \$2.15 per square foot.

Multifamily vacancy rates have declined substantially since 2009. Vacancy rates have seen moderate increases from below 3 percent in 2020 up to 4.5 percent in 2022. However, vacancy rates in Gateway remain lower than Portland’s average vacancy rate which is currently around 6 percent.

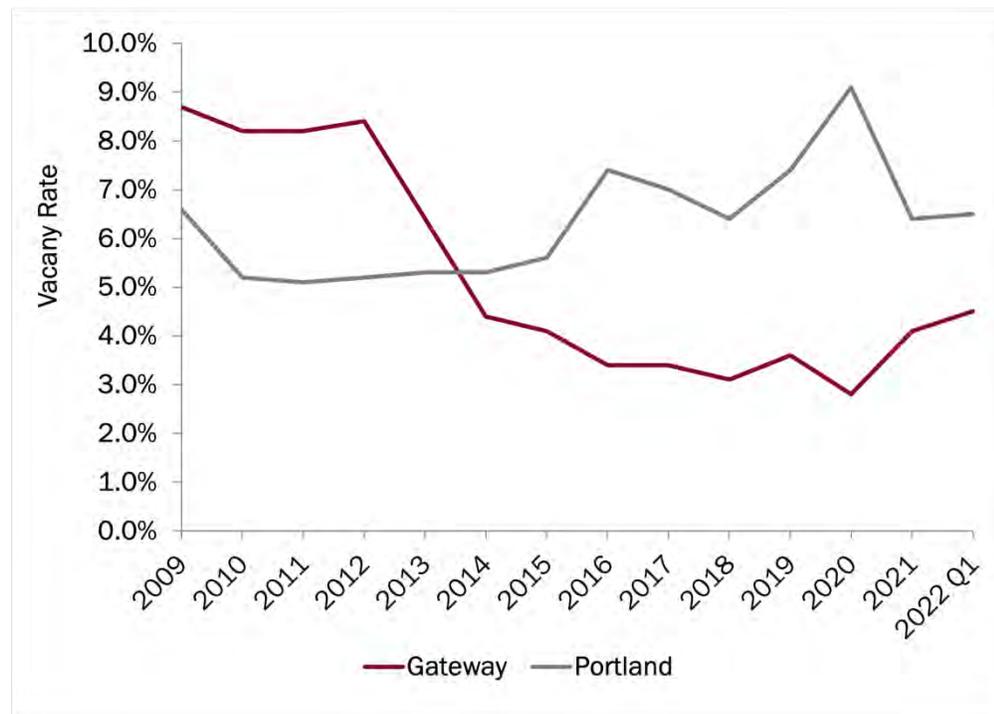
**Exhibit 2. Monthly Multifamily Rent per Square Foot, 2009 through 2022**

Source: CoStar



### Exhibit 3. Multifamily Vacancy, 2009 through 2022

Source: CoStar



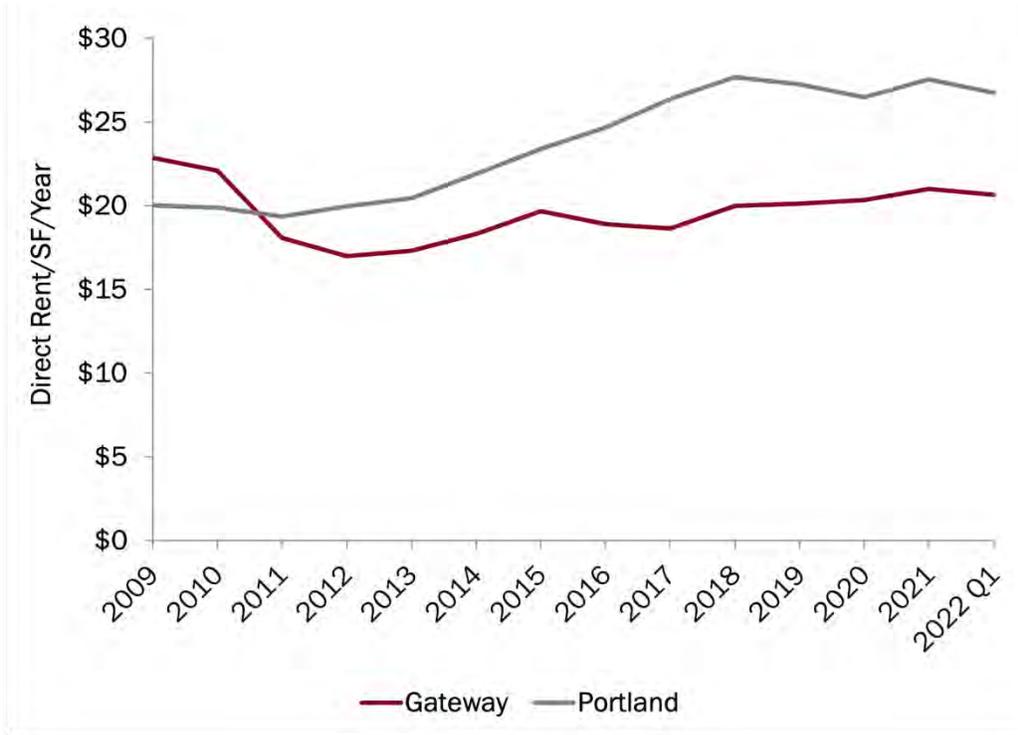
### Office Market Prices

Overall office rents have been slowly increasing in Gateway since 2009 to reach an **average of \$20 per square foot in 2022**. However, office rents in Gateway have yet to fully recover from the decline that occurred because of the 2008 financial crises—they are still about \$2 lower per square foot as compared to 2009. These rents also lag the citywide average office rent of almost \$27 per square foot.

Office vacancy rates have declined since 2009 and are substantially lower than the average Portland office vacancy rate in 2022. Given that there has been no new office space constructed since 2009, this decrease in vacancy indicates a better utilization of the existing office space in Gateway. The vacancy is also substantially lower than the rest of Portland, which has seen a lot of new office construction that has struggled to lease up given the increase in remote workers and uncertainty of in-person limitations due to the COVID-19 pandemic. Notably, office vacancy rates have remained relatively stable during the period of the pandemic while other office clusters across the City of Portland have seen relatively large increases in vacancy rates. Offices in Gateway are dominated by medical uses—The Oregon Clinic, Providence, and Kaiser Permanente all have locations in the area—which has seen more stable tenancy relative to other uses.

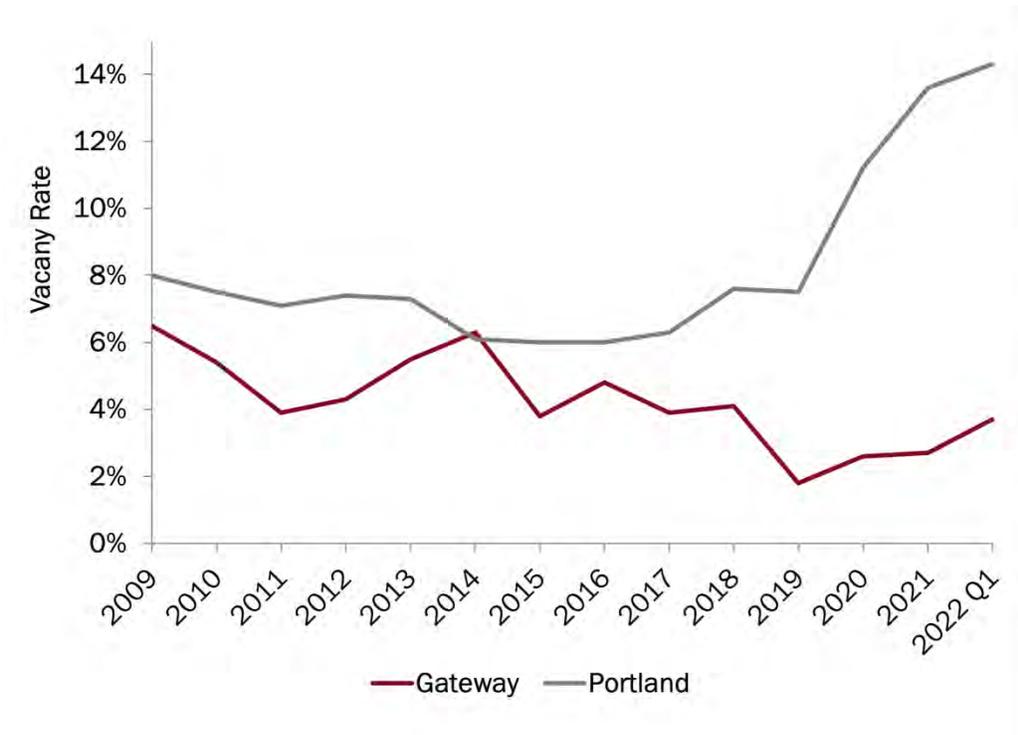
**Exhibit 4. Annual Office Rent per Square Foot, 2009 through 2022**

Source: CoStar



**Exhibit 5. Office Vacancy, 2009 through 2022**

Source: CoStar



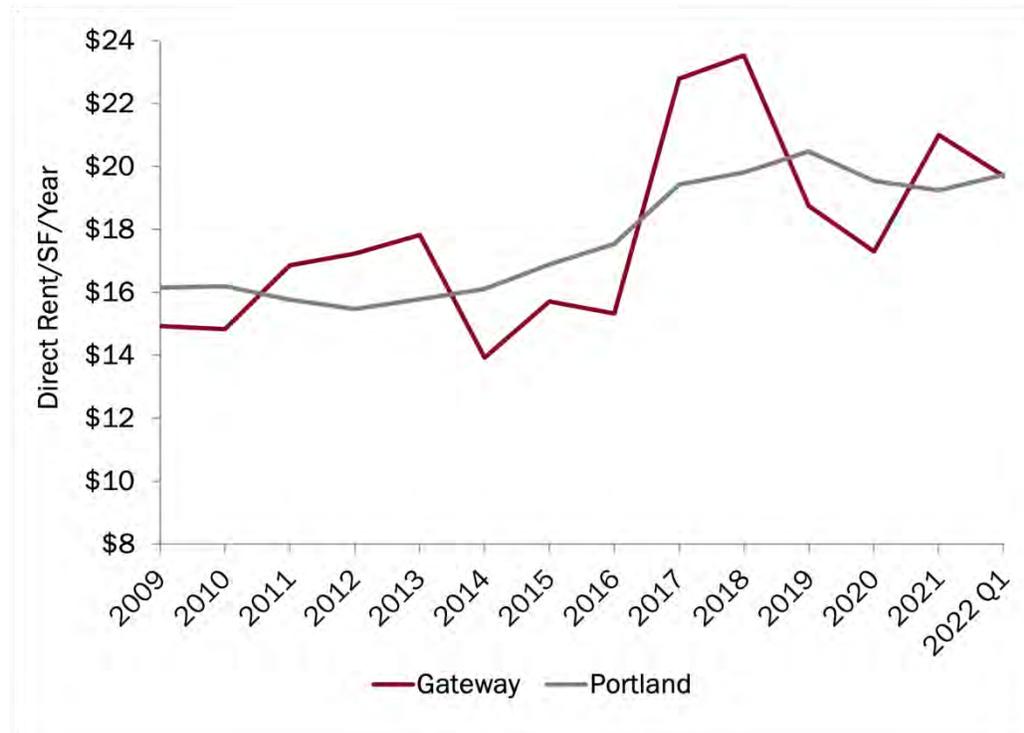
## Retail Market Prices

Average retail rents have been slowly increasing in Gateway over the study period to reach an **average of \$20 per square foot in 2022**—an increase of almost \$5 per square foot over the study period. The current average retail rent in Gateway is similar to the citywide average, however, Gateway has seen greater volatility in retail rents and the parity with the rest of Portland is uncertain going forward. There has been no new retail construction in Gateway since 2009, so the rent observations are based on existing spaces turning over and signing new leases. The composition of predominantly strip and regional center retail located in the Gateway area means that retail tenants are mostly national credit tenants like Fred Meyer, Kohl's, Ross, Office Depot, GNC, and Wingstop. These types of businesses are more likely to pay higher rents associated with anchor tenant destinations (e.g., Fred Meyer and WinCo) and located in regional retail centers and strip centers close to high traffic volume streets and large supplies of surface parking. These retailers skew the Gateway average market rent higher than supportable rents for smaller, neighborhood-serving retail businesses that could occupy the ground floor in new mixed-use development.

The volatility in rents is matched by the volatility in vacancy rates, but generally the vacancy rate for retail in Gateway has been slightly lower than the citywide average. The current retail vacancy rate in Gateway is almost 3 percent as compared to the citywide average of a little over 4 percent.

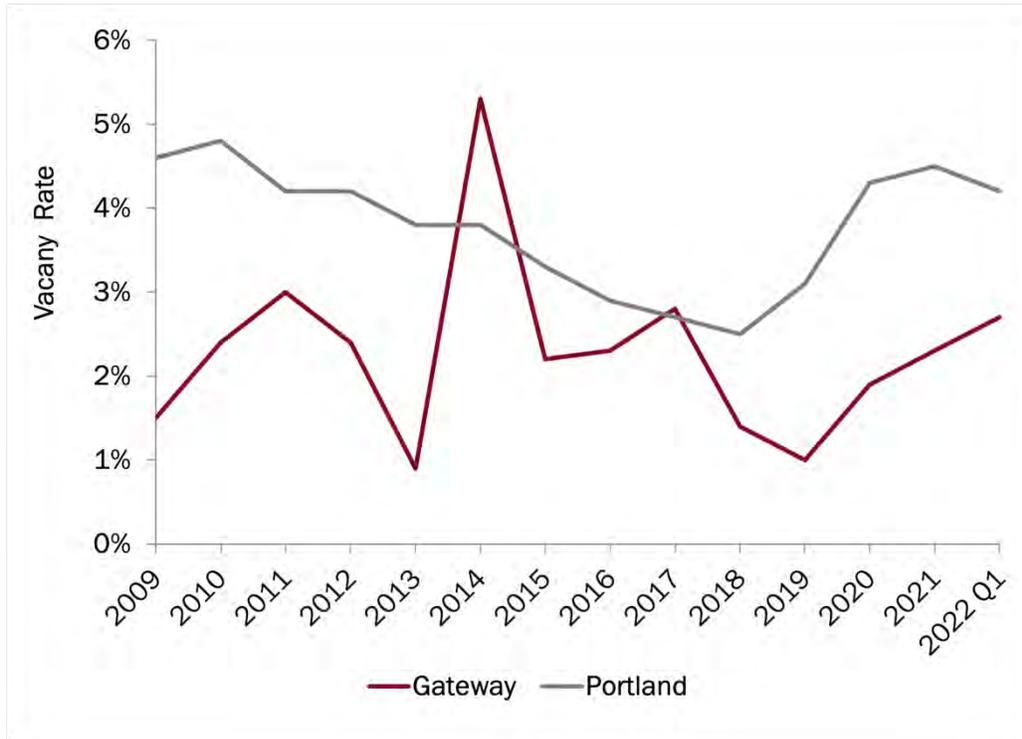
### Exhibit 6. Annual Retail Rent per Square Foot, 2009 through 2022

Source: CoStar



## Exhibit 7. Retail Vacancy, 2009 through 2022

Source: CoStar



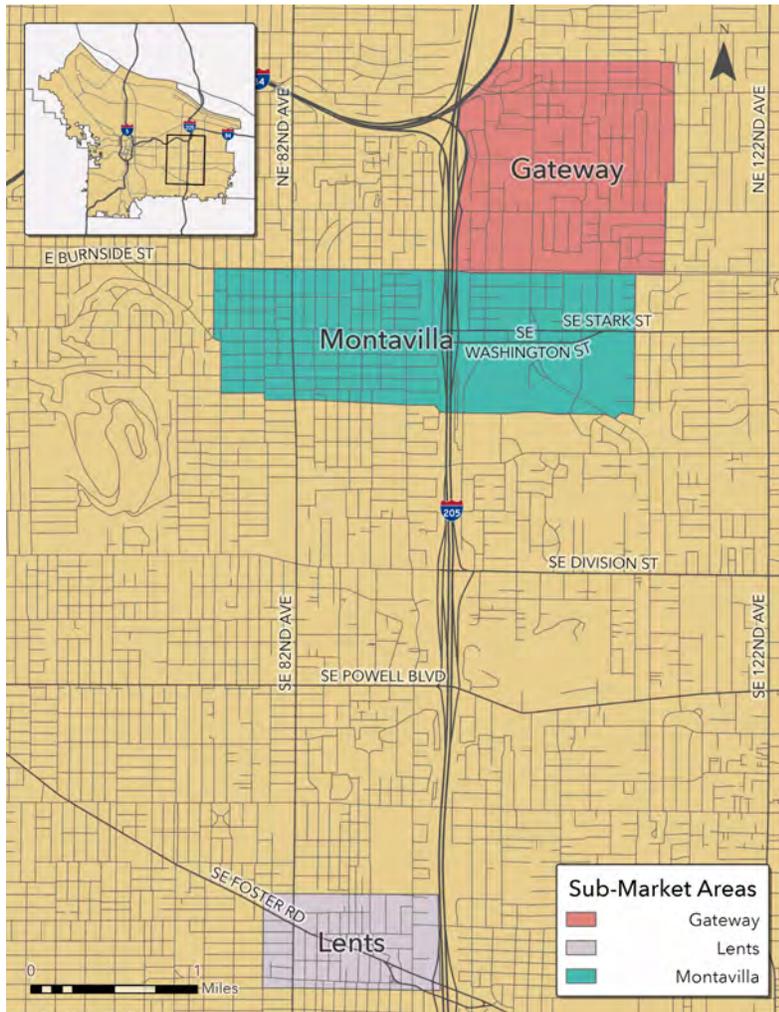
## Comparable Submarket Analysis

Due to the limited development activity in Gateway, ECONorthwest used a comparable analysis approach to understand real estate trends and potential in the area. We selected two East Portland submarkets—Montavilla and Lents—with similar residential development patterns, transportation infrastructure, and retail and office amenities.

For the purposes of our analysis, the submarket area boundaries extend beyond the neighborhood boundaries as defined by the City of Portland. Exhibit 8 shows the submarket areas for Gateway, Montavilla, and Lents. We used these custom boundaries in Montavilla to capture observations east of I-205 to compare with neighborhoods closer to the Gateway Transit Center. These defined areas also allowed us to include continuous commercial corridors along SE Stark and SE Washington Streets in Montavilla, and SE Foster Road in Lents that extend beyond the City-defined neighborhoods.

## Exhibit 8. Comparison Submarket Area Maps

Source: ECONorthwest



### Residential Development Trends

All three submarket areas have seen only a handful of new multifamily developments over the last 12 years. The majority of the new multifamily developments in each area have been fully affordable along with a few mixed-income developments with affordable units offered through Portland Housing Bureau sources or tax abatement programs.

Although the Montavilla and Lents comparison areas have lower height limits than in Gateway, the observations show the market delivering much lower density than what is allowed next to the Gateway Transit Center. New residential development across the comparison areas has been either low-rise wood frame construction, or mid-rise podium building types with parking ratios of less than one space per unit. Average rent across the comparison areas is below \$2 per square foot, including in recently constructed buildings.

Ground-floor commercial uses have been observed in developments along high-traffic corridors, such as at SE Foster Road and SE 92nd Avenue in Lents. The shortage of observations

for high-density mixed-use residential will create challenges for developers to make the case that area rents can support taking advantage of Gateway Plan District code maximums.

### Gateway - Residential

Gateway has seen only one market-rate multifamily development in the last decade. Most multifamily development in the area has been regulated affordable housing, with four medium-density projects between 60 and 159 units delivered since 2014.



#### The Rose

- 9700 NE Everett Ct
- 1.02 acres
- 90 units
- 88 DU/A
- Year built - 2015
- Market Rate/Affordable
- Development type: mid-rise
- Surface parking, 0.64 spaces/unit
- Effective rent: \$1.81/sf
- Avg unit size: 621 sf



#### Gateway Plaza

- 9910 NE Glisan St
- 0.62 acres
- 45 units
- 72.5 DU/A
- Year built - 2004
- Market Rate
- Development type: low-rise stick
- Podium parking, 0.78 spaces/unit
- Effective rent: \$1.17/sf
- Avg unit size: 893 sf

### Montavilla - Residential

The Montavilla comparison area has also seen a small increase in new multifamily development in the last ten years. In the observations available in CoStar, there was one new market-rate multifamily project in the comparison area, a redevelopment project that replaced a small detached home with side-by-side fourplexes. A large senior living complex was also constructed in the comparison area within the last five years.



### SE Washington Plexes

- 7706-7726 SE Washington St
- 0.18 acres
- 8 units
- 44 DU/A
- Year built - 2017
- Market Rate
- Development type: low-rise, stick-built
- No parking
- Effective rent: \$2.05/sf
- Avg unit size: 927 sf

### Lents - Residential

The Lents comparison area has seen a mix of new multifamily development over the last several years, concentrated at the intersection of SE Foster Road and SE 92nd Avenue. In the observations available in CoStar, there were three new market-rate and market-rate/affordable multifamily projects in the comparison area. The market/affordable examples are high-density with tuck-under podium and surface parking. Another example is a high-density infill project of stacked flats with no added parking.



### Lents Commons

- 9109 SE Foster Rd
- 0.63 acres
- 54 units (48 market)
- 86 DU/A
- Year built - 2018
- Market/Affordable
- Development type: low-rise stick-built over podium ground-floor commercial
- Surface + tuck under parking, 0.54 spaces/unit
- Effective rent: \$1.60/sf
- Avg unit size: 802 sf



### Oliver Station

- 9202 SE Foster Rd
- 2.4 acres
- 145 units (19 market)
- 60.5 DU/A
- Year built - 2018
- Market/Affordable
- Development type: mid-rise stick-built over podium
- Surface + tuck under parking, 0.89 spaces/unit
- Effective rent: \$1.89/sf
- Avg unit size: 874 sf



### SE Ellis

- 8852 SE Ellis St
- 0.2 acres
- 10 units
- 50 DU/A
- Year built - 2019
- Market Rate
- Development type: low-rise stick-built
- No parking
- Effective rent: \$1.63/sf
- Avg unit size: 920 sf

## Office Development Trends

Few new office developments have occurred in the comparison areas. The observations tend toward small-scale professional and medical office space. There is very limited speculative development and no large-scale speculative office development. We estimate average annual rents at \$24 per square foot for these different office types across the comparison areas. Based on these limited observations, there is likely less demand for office uses to take advantage of Gateway Plan District entitlements than residential uses given current market conditions.

### Gateway - Office

Gateway hasn't seen any office development in the last two decades except for The Oregon Clinic in 2007. Most of the office development in the area was built in the 1960s through mid-1990s and is predominantly medical office space. The lack of new construction observations for office will create challenges for any developer interested in building office as they will need to make the case to financial partners that rents from comparable areas will be relevant for new development in Gateway.

## Montavilla - Office

The Montavilla comparison area has seen some new construction office in various physical formats over the last two decades. In the observations available in CoStar, there was one development for professional office with a seemingly build-to-suit component for a bank and an infill development on two single family lots.



### Riverview Community Bank

- 9415 SE Stark St
- 0.21 acres
- RBA: 10,768 SF
- Year built - 2003
- Parking Ratio: 2.9/1,000 sf
- Estimated Rent: \$23 - \$28/sf
- Last Lease: Jul 2020
- Last Lease: \$25/sf



### SE Ash St

- 9800 SE Ash St
- 0.10 acres
- RBA: 5,100 SF
- Year built - 2008
- Parking Ratio: 0.4/1,000 sf
- Estimated Rent: \$22 - \$27/sf

## Lents - Office

The Lents comparison area has seen some new construction office in various physical formats over the last two decades. In the observations available in CoStar, there were two seemingly speculative developments for professional office and one build-to-suit for the Asian Health Center.



#### Lents Town Center

- 8901 SE Foster Rd
- 1.03 acres
- RBA: 21,806 SF
- Year built - 2007
- Parking Ratio: 3.6/1,000 sf
- Estimated Rent: \$27 - \$32/sf
- Last Lease: Aug 2008
- Last Lease: \$18/sf



#### SE Woodstock Blvd

- 8517 SE Woodstock Blvd
- 0.03 acres
- RBA: 1,289 SF
- Year built - 2010
- No Parking
- Estimated Rent: \$20 - \$24/sf

### Retail Development Trends

New retail construction in the comparison areas has been modest and limited primarily to strip retail construction with some limited infill and active ground-floor neighborhood retail. The observations show the highest rents—estimated between \$22 and \$27 per square foot—for strip retail with anchor tenants, as well as parking ratios that are generally far above the code maximums in Gateway. The Gateway Transit Center’s location on lower volume traffic streets and facing a surface parking side of the Gateway Shopping Center retail destination is a challenging environment to command comparable rents for ground floor retail along NE 99<sup>th</sup> Avenue, NE Multnomah Street, and NE Pacific Street.

## Gateway - Retail

Gateway has not seen any retail development in the last two decades. Most of the retail development in the area was built in the 1940s through mid-1990s. The lack of new construction observations for retail will create challenges for any developer interested in building retail as they will need to make the case to financial partners that rents from comparable areas will be relevant for new development in Gateway.

## Montavilla - Retail

The Montavilla comparison area has also seen the most retail development of the comparison areas over the last two decades. Multiple of the new construction observations were strip retail centers with national tenants, but there were also a couple of infill retail developments and retrofits of older buildings.



### Plaza 205

- 10300-10312 SE Washington St
- 0.51 acres
- RBA: 12,881 SF
- Year built - 2003
- Parking Ratio: 7.7/1,000 sf
- Estimated Rent: \$22 - \$27/sf
- Last Lease: Jul 2021



### Montavilla Creative Office/Retail

- 8502-8508 SE Stark St
- 0.11 acres
- RBA: 5,000 SF
- Year built - 2004
- Parking Ratio: 1.0/1,000 sf
- Estimated Rent: \$15 - \$18/sf
- Last Lease: Sept 2021
- Last Lease: \$30/sf

## Lents - Retail

The Lents comparison area has seen limited new retail development over the last two decades. In the observations available in CoStar, the retail was concentrated to the ground floor of one

multifamily development. There was also a small amount of professional services / retail on the ground floor of the Lents Town Center below the office.



### Woodstock Crossing Apartments

- 9236 SE Woodstock
- 0.11 acres
- RBA: 4,077 SF
- Year built - 2014
- Parking Ratio: 8.0/1,000 sf
- Estimated Rent: \$18 - \$22/sf

## Developer Interviews

We also spoke with two developers with experience working on large-scale residential and mixed-use development—including in Gateway—to provide additional perspective on current dynamics of cost and demand in the market area.

Gateway has a need for additional quality housing at a range of prices, especially for family-sized units of two or more bedrooms. Most new residential development in Gateway in the last five years has been regulated affordable housing. Engagement with local community members around some of those recent developments suggests a strong interest in adding new market-rate housing to the neighborhood's residential mix. **Market rents on 2- and 3-bedroom apartments in Gateway are lower than what is affordable to households earning 100 percent of Median Family Income**, which is currently \$106,500.

Developers feel that current construction costs make podium and concrete construction not viable without significant subsidy to meet market rents. Partnering with major local and regional employers for mixed-income housing that leverages employer access to credit for tax-exempt bond financing may be one option to pursue, modeled on in-progress developments in Oregon and Idaho.

The demand for market-rate retail in the Gateway area is minimal. Offering subsidized ground-floor commercial space for nonprofits and service providers, with an emphasis on childcare, youth development, and local entrepreneurship (such as a maker space or business incubator) would be a valuable opportunity for Gateway.

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Median Family Income (MFI). Every year the U.S. Housing and Urban Development (HUD) produces a median family income to determine affordability thresholds for a given metro area (sometimes these geographies are HUD-specific). Affordable housing projects' income limits, rent limits, loans, and other characteristics will be based on this MFI (e.g., units affordable to households earning 30% of MFI or 50% of MFI). The term Area Median Income is the term used more generally in the industry. If the term Area Median Income (AMI) is used in an unqualified manner, this reference is synonymous with HUD's MFI.

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## 5. Feasibility Analysis and Results

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To inform a strategy to bring TOD to the 2.1-acre parcel at NE 99<sup>th</sup> Avenue and NE Pacific Avenue, ECONorthwest completed an economic analysis that reflects a developer’s decision-making process and return on cost equation. The purpose of this TOD feasibility analysis is to evaluate the financial viability of each scenario as well as the components of each scenario to understand the drivers of value and cost. The findings from this analysis will inform ECONorthwest’s **Delivery Strategy** for joint development at the Gateway Transit Center to attract developer proposals that meet shared goals between TriMet and Prosper Portland for residential density, increased transit use and access, and local economic development.

### Development Scenarios and Assumptions

Our market analysis of the Gateway area showed the **strongest demand would be for medium-density, primarily residential development**. Drawing on these observations, ECONorthwest created two development scenarios for the 2.1-acre parcel at NE 99<sup>th</sup> Avenue and NE Pacific Avenue. In addition to conclusions of the market analysis and the site-specific zoning and development standards noted in Section 3, several other assumptions informed these development scenarios:

- Redevelopment of 1111 South will **maintain the mutual access easement with The Oregon Clinic**, currently used as a circular driveway for the Clinic’s primary south-facing entrance. Though this use reduces the buildable area of the site, preserving shared access with the Clinic is a gesture of partnership with a potential long-term neighbor and provides additional pedestrian access and sightlines between Gateway Transit Center and the neighborhood to the east.
- Honoring the existing parking lease between The Oregon Clinic and Prosper Portland will require a **shared parking model** between new development on 1111 South and TriMet’s structured parking garage at NE 99<sup>th</sup> and NE Multnomah Avenue.<sup>5</sup>
- Residential development in Gateway will include **demand for on-site tenant parking**. The current average parking ratio at multifamily developments in Gateway is 1.43 spaces per unit. Housing built in Gateway within the last decade—most of which is regulated affordable housing—has an average ratio of 0.47 spaces per unit. From our conversations with developers working in the submarket and review of recent permit activity in Gateway, ECONorthwest **assumed a target parking ratio of 0.75 spaces per unit** for market-rate residential development.

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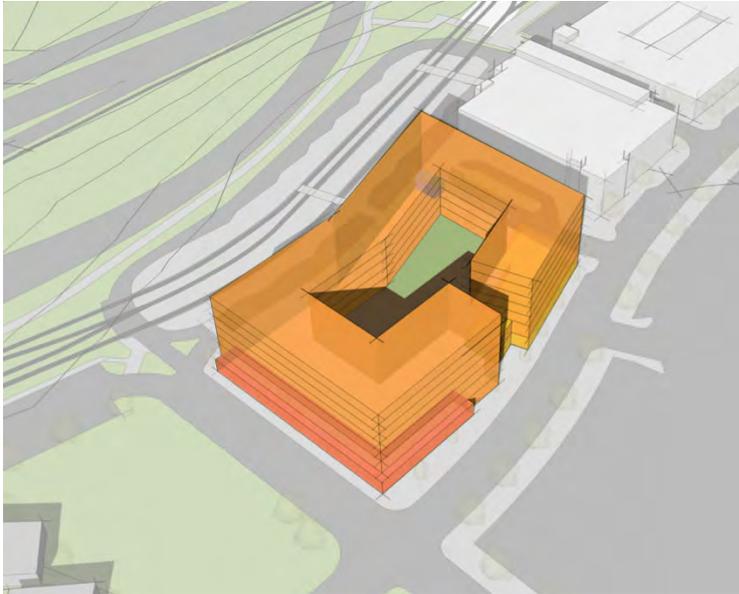
<sup>5</sup> For base feasibility purposes, we have assumed the terms of The Oregon Clinic’s parking lease will continue to be met after redevelopment. ECONorthwest will discuss alternative parking arrangements—including renegotiating the lease—in the joint development delivery strategy.

These development scenarios offer two building programs and a two-phase option to evaluate the effects of different scales of development on financial feasibility. Salazar Architect completed a **massing study** of the two development scenarios to provide more specificity on the number of units, the mix of unit types and average square footage, parking ratios, non-residential uses, and total leasable area. Exhibit 11 summarizes the details of each scenario.

### Scenario 1: Full-Site Podium Building

#### Exhibit 9. Scenario 1 Massing

Source: Salazar Architect



Scenario 1 considers a single building across the two-acre site with five floors of wood frame residential over two podium floors of structured parking with ground-floor retail space. The C-shaped design is oriented toward the Gateway neighborhood to the east and offers a private courtyard for residential tenants on the third floor.

The structured parking in this scenario offers enough spaces to meet assumed residential and retail demands, with **some surplus parking stalls that could be used by The Oregon Clinic** to meet their overall parking needs per their lease with Prosper Portland.

## Scenario 2: Phased Wood Frame and Podium Buildings

### Exhibit 10. Scenario 2 Massing

Source: Salazar Architect



Scenario 2 considers a phased approach with two buildings each taking up approximately half of the two-acre site. In the first phase, a five-story wood frame residential building would be built on the southern half of the site with ground-floor retail space and a public courtyard oriented toward NE Pacific Street to the south. During this first phase, the remaining one acre would be reconfigured as surface parking for residential tenants.

In the second phase, the surface parking lot would be replaced by five floors of wood frame residential over two podium floors of structured parking with ground-floor retail space along NE 99<sup>th</sup> Avenue. A small courtyard strip between the two buildings would serve as private common space for residential tenants, with potential for patio space available for retail tenants.

The structured parking in this scenario would be shared between residential tenants across both buildings. The effective parking ratio is lower than ECONorthwest's assumptions for market-rate residential parking demand, leaving **no surplus spaces for use by The Oregon Clinic**.

### Exhibit 11. Summary of Massing Scenarios

Source: ECONorthwest, Salazar Architect

		Scenario 1 Full-Site Podium	Scenario 2 Phased, 2 Buildings
Uses	Residential	360 units	286 units
	Unit Mix (0-3br)	135/175/50/0	35/165/75/10
	Retail	6,154 sq. ft.	6,080 sq. ft.
Parking	Residential	270 stalls (0.75 per unit)	191 stalls (0.67 per unit)
	Retail	18 stalls (3.00 per 1,000 sq. ft.)	18 stalls (3.00 per 1,000 sq. ft.)
	The Oregon Clinic	75 stalls	0 stalls
	Total On-Site Parking	363 stalls	209 stalls

## Financial Feasibility Analysis

ECONorthwest used the details from this massing study to build a financial pro forma model. Real estate professionals regularly use pro formas to model the revenues and costs of potential developments, evaluate their returns, and understand sources of funding needed for the project to move forward.

Our pro forma model for the 1111 South considered the building types of the scenarios, the code requirements (e.g., Inclusionary Housing), development incentives (e.g., property tax abatements, fee waivers), and the various conditions of the submarket (e.g., rents, operating and construction costs, and investment return requirements).

The two development scenarios are subject to the **City of Portland’s Inclusionary Housing policy**. We analyzed each of the options for meeting the on-site set aside requirements in the Gateway Plan District:

- **Affordable at 80 percent of MFI:** 20 percent of units or 20 percent of bedrooms
- **Affordable at 60 percent of MFI:** 10 percent of units or 10 percent of bedrooms

Meeting the set aside requirements with a percentage of bedrooms is governed by a “reconfiguration” formula that encourages the creation of larger affordable units rather than more affordable studios. Our pro forma accounts for the blend of market-rate and restricted rents for each scenario.

In addition to these base assumptions, we also modeled **two alternate feasibility scenarios** for each of the proposed building programs. As discussed in Section 2, the Gateway Plan District has height and density entitlements comparable to Portland’s Central City Plan District, because of its designation as a “regional center” in Portland’s Comprehensive Plan. The City’s current Inclusionary Housing policy has the same set aside requirements in the Central City and Gateway, but applies **different incentives under the Multiple-Unit Limited Tax Exemption Program (MULTE) between the two Plan Districts:**

- In the Central City, a 10-year property tax abatement **applies to all residential units** in a development with on-site affordable units compliant with the Inclusionary Housing code.
- In Gateway, a 10-year property tax abatement **applies only to the affordable units (60 or 80 percent MFI)** in a development.

ECONorthwest modeled how a full residential tax exemption, similar to the Inclusionary Housing Central City incentive, would affect development feasibility at 1111 South to understand alternative ways of filling feasibility gaps, including potential policy changes. The

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Inclusionary Housing (IH). The City of Portland’s Inclusionary Housing policy requires all buildings with 20 or more units to include affordable units on-site, to fund the construction of affordable units off-site, or pay a fee-in-lieu. On-site set asides options are set for two levels of affordability: 80 percent MFI or 60 percent MFI. The City offers incentives to support compliance with the IH policy, including tax exemptions, density bonuses, and system development charge waivers.

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ten-year tax exemption on all residential units is a powerful financial incentive to support both development feasibility and lower MFI units in Gateway.

A second alternate feasibility scenario considered the effect of offering the **ground-floor retail spaces at affordable rents** to community-serving businesses and organizations, both to meet community demand and to address the softer retail market in the Gateway area. Current observations in Gateway show a market retail rent of approximately \$20 per square foot per year. ECONorthwest's conversations with Portland-area nonprofit organizations suggest that an affordable rent on commercial space is \$15 per square foot per year. Although this affordable rent is 25 percent below market, commercial rents in general are lower than residential rents on a per square foot basis. That is, residential rents effectively subsidize commercial spaces that are required in mixed-use zones. ECONorthwest modeled both affordable and market rents for each scenario to understand how the reduction in rents would impact development feasibility, and what sources might be needed for community-serving ground-floor uses.

There are many possible financial metrics that can be utilized to calculate the financial feasibility. In this case, a **return on cost metric** was used to calculate the feasibility of each development scenario. The return on cost metric estimates net cash flow after a property is stable, compared to the cost of construction.

To compare the financial feasibility across different building programs, ECONorthwest used a **residual land value analysis**. Residual land value is a measure of what a developer is able to pay for land, given expected construction and operating costs, and revenue. In other words, it is the budget that developers have remaining for land after all the other development constraints have been accounted for. It is a useful metric for assessing how code changes and potential development incentives interact to impact development feasibility. A project is considered financially feasible if the residual value is greater than the in-place value, which can be considered \$0 for vacant land. If the residual value is negative, the project might require subsidies to proceed.

While this analysis focuses on the residual land value, we also compared the residual land value of both development prototypes to an estimate of the current market value of the site—between \$2.8 million and \$4.7 million.<sup>6</sup> Prosper Portland's current policy for developing the land it owns—a policy shaped by community feedback and endorsed by Prosper Portland's Board of Directors—is to sell land at market rate. This estimate helps clarify the scale of additional public and private sources that will be needed to support future redevelopment of 1111 South.

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<sup>6</sup> We estimated the market value of 1111 South by comparing prices from the last three years of large (between 1 and 5 acres) parcel sales in Gateway and other neighborhoods in East Portland. This estimate is a range that does not account for differences in zoning, development capacity, and other factors. A more robust comparative analysis would be needed to provide an estimate of land value for the purposes of disposition.

# Results

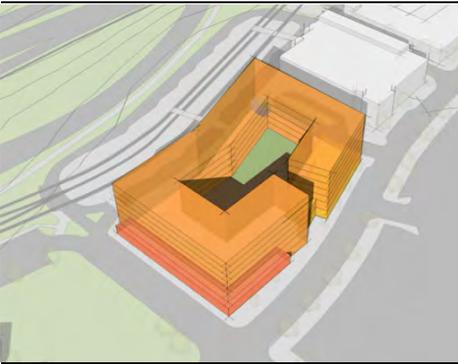
Both development scenarios evaluated are generally feasible for development in the market today. The feasibility results are extremely sensitive to residential rent assumptions, Inclusionary Housing program incentives, and land costs and if market conditions shift, development feasibility could be more challenging.

- Both scenarios show the strongest feasibility results when meeting the Inclusionary Housing requirements at 80 percent of MFI. But reaching deeper affordability goals would be possible with additional sources.
- Both scenarios include ground-floor retail spaces, though these will likely need to be at affordable rents, both to meet community demand and to address the softer retail market in the Gateway area.
- Any development scenario with affordable retail and affordable residential units at 60 percent of MFI would require public subsidy. A variety of local and state funding sources exist to fill the gap on affordable housing projects.
- The potential for accessing development incentives for Inclusionary Housing available in the Central City Plan District would substantially improve the feasibility of both scenarios, especially for deeply affordable units at 60 percent of MFI.

## Financial Feasibility of Scenario 1: Full-Site Podium Building

### Exhibit 12. Massing Scenario 1

Source: ECONorthwest, Salazar Architect



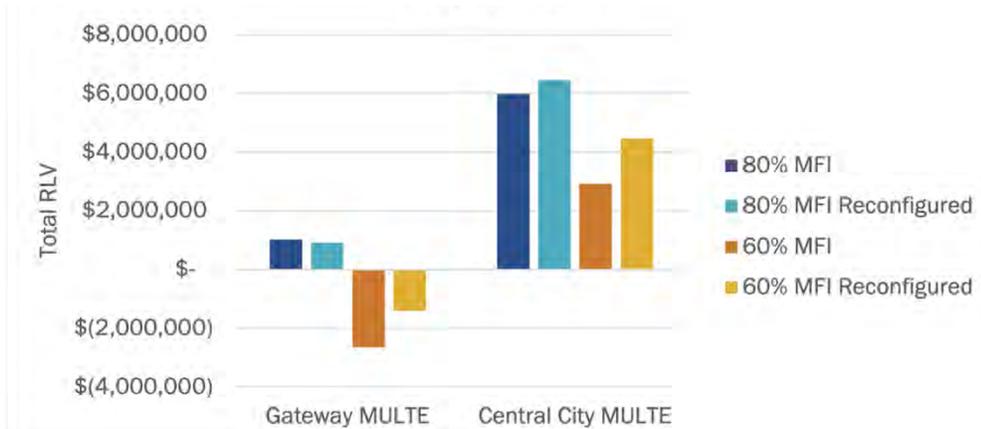
		Scenario 1 Full-Site Podium
Uses	Residential	360 units
	Unit Mix (0-2BR)	135/175/50
	Retail	6,154 sq. ft.
Parking	Residential	270 stalls (0.75 per unit)
	Retail	18 stalls (3.00 per 1,000 sq. ft.)
	The Oregon Clinic	75 stalls
	Total On-Site Parking	363 stalls

A full-site development at Gateway is feasible for meeting the Inclusionary Housing requirements at 80 percent of MFI, either as a percentage of units, or reconfigured as a percentage of bedrooms (Exhibit 13). One consideration with Scenario 1 is the impact of bringing 360 new units to market in an area that has seen modest residential development over the past decade. We have assumed a slightly higher stabilized vacancy rate of 7 percent across all scenarios, but the Gateway market may take longer to absorb this many new units, which would impact the feasibility assumptions we have modeled.

Exhibit 13 also models the feasibility of Scenario 1 if the MULTE tax abatements in Gateway Plan District were to match those available in the Central City by applying to all residential units. If all residential units received a 10-year tax abatement, the value of development would **increase by \$4.96–5.88 million**. This increase in value would allow Inclusionary Housing options at the deeper affordability of 60 percent MFI to be feasible.

**Exhibit 13. Comparison of Total Residual Land Value by Tax Abatement Program, Scenario 1**

Source: ECONorthwest

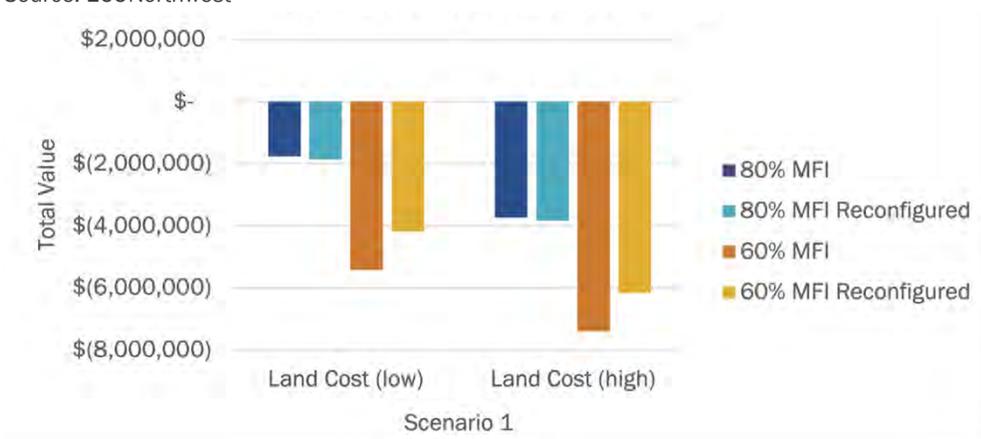


Factoring in affordable rents for the ground floor retail reduces the total development value by \$583,000, which does not substantially impact the project feasibility when assuming the Inclusionary Housing program requirements are met with 80 percent of MFI units. A development scenario with affordable retail and affordable residential units at 60 percent of MFI would require public subsidy.

Exhibit 14 shows the total development value after factoring in the estimated market cost of land assuming the MULTE incentives available in the Gateway Plan District. The set of bars to the left models the lower estimate of land cost (\$2.8 million) and the set of bars to the right models the higher estimate of land cost (\$4.7 million). The cost of land is a challenge for the development feasibility for these scenarios.

**Exhibit 14. Comparison of Total Value After Land Cost, Scenario 1, Gateway MULTE**

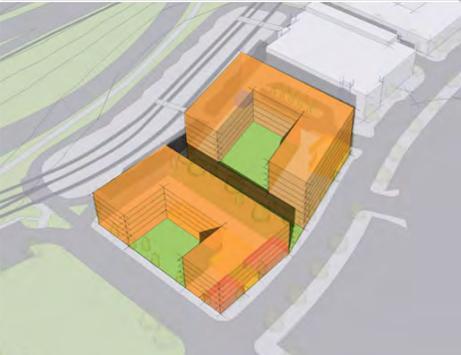
Source: ECONorthwest



## Financial Feasibility of Scenario 2: Phased, Wood Frame and Podium Buildings

### Exhibit 15. Massing Scenario 2

Source: ECONorthwest, Salazar Architect



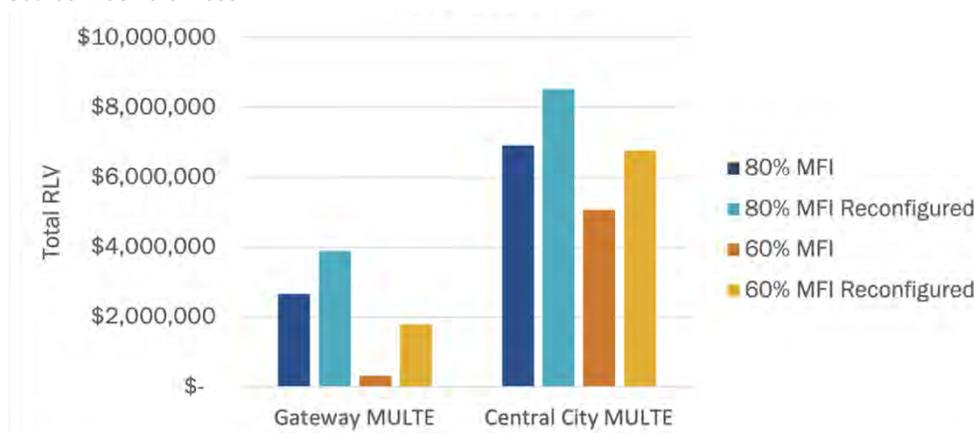
		Scenario 2 Phased, 2 Buildings
Uses	Residential	286 units
	Unit Mix (0-3BR)	35/165/75/10
	Retail	6,080 sq. ft.
Parking	Residential	191 stalls (0.67 per unit)
	Retail	18 stalls (3.00 per 1,000 sq. ft.)
	The Oregon Clinic	0 stalls
	Total On-Site Parking	209 stalls

The phased development in Scenario 2 is the most feasible development scenario. Development scenario 2 is feasible across all options for meeting Portland’s Inclusionary Housing policy, either as a percentage of units, or reconfigured as a percentage of bedrooms (Exhibit 16). However, the overall scenario feasibility is driven by the value generated by the wood frame development in Phase 1. The Phase 2 podium development on one acre is not feasible on its own with the combination of requirements and incentives in the Gateway Plan District. Phase 2 is also infeasible in a market scenario that does not have Inclusionary Housing requirements.

Exhibit 16 also models the feasibility of Scenario 2 if the MULTE tax abatements in Gateway Plan District were to match those available in the Central City by applying to all residential units. If all residential units received a 10-year tax abatement, the value the combined phases of development would **increase by \$4.24–4.97 million** across the Inclusionary Housing options.

### Exhibit 16. Comparison of Total Residual Land Value by Tax Abatement Program, Scenario 2

Source: ECONorthwest

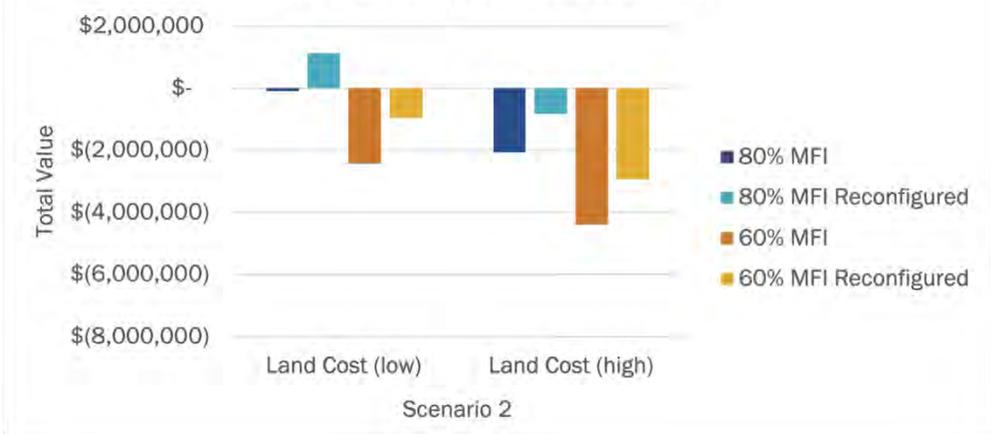


Factoring in affordable rents for the ground floor retail reduces the development value by approximately \$563,000. This gap makes the project infeasible for meeting the 60 percent affordability targets for Inclusionary Housing but does not substantially impact the feasibility of other options.

Exhibit 17 shows the total development value after factoring in the estimated market cost of land assuming the MULTE incentives available in the Gateway Plan District. The set of bars to the left models the lower estimate of land cost (\$2.8 million) and the set of bars to the right models the higher estimate of land cost (\$4.7 million). The cost of land is a challenge for the development feasibility for these scenarios.

**Exhibit 17. Comparison of Total Value After Land Cost, Scenario 2, Gateway MULTE**

Source: ECONorthwest



**Comparative Financial Feasibility Scenario: Half-Site Tower Building**

In addition to the scenarios supported by the massing study, ECONorthwest modeled the feasibility of a tower development on 1-acre of 1111 South. The purpose of this analysis was to estimate the real estate feasibility of a development that would approach the maximum height allowed in the Gateway Plan District. We modeled a 16-story building with four levels of structured parking.

**Exhibit 18. Comparative Tower Scenario**

Source: ECONorthwest

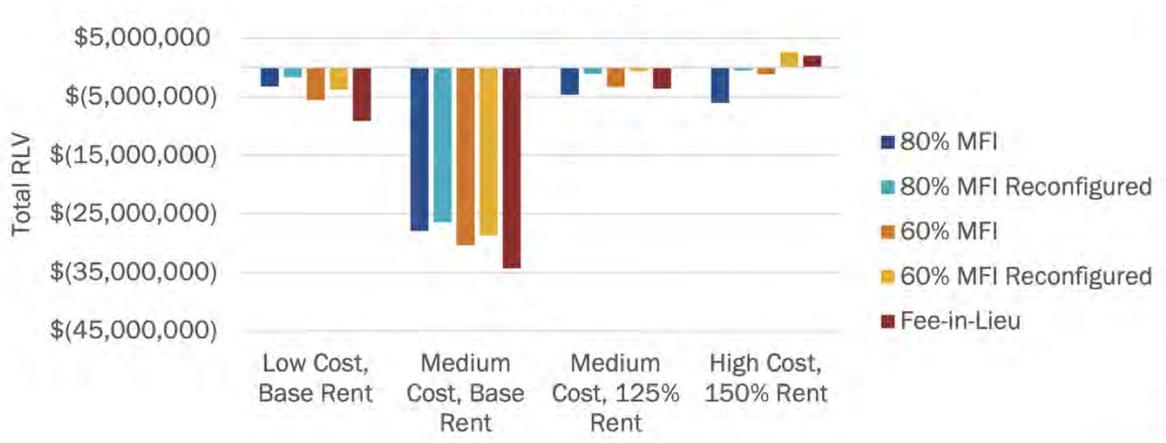
		<b>16-Story Tower</b>
Uses	Residential	372 units
	Unit Mix (0-3BR)	48/204/108/12
	Retail	3,356 sq. ft.
Parking	Residential	279 stalls (0.75 per unit)
	Retail	10 stalls (3.00 per 1,000 sq. ft.)
	The Oregon Clinic	152 stalls
	<b>Total On-Site Parking</b>	<b>441 stalls</b>

This scenario does not have the level of architectural detail as Scenarios 1 and 2. We based the unit count and mix on the floor plates of the podium building in the second phase of Scenario 2, which has a more efficient layout than a tower development that would require additional core structural elements. The feasibility estimates are therefore more generous than an actual tower development, which would have fewer leasable square feet per floor.

We conducted sensitivity analysis on construction costs and rents. Costs ranged from our base assumptions for wood frame and podium construction (“low cost”) to current market rates for tower construction (“high cost”), which are about 53 percent higher. We also tested a range of rents, including our estimate of current market rents (“base rent”), a 25 percent increase, and a 50 percent increase. The results of this analysis show that rents must be about 50 percent higher than the current market for tower development to be feasible, including the option to meet Inclusionary Housing requirements by paying in-lieu fees (Exhibit 19).

**Exhibit 19. Total Residual Land Value for Tower Development**

Source: ECONorthwest



## 6. Implications of Feasibility Analysis

Market conditions in Gateway today are more conducive to the dense, activated, transit-oriented neighborhood envisioned in the Gateway Plan District than at any time in recent years. However, shifting interest rates and capital markets might create challenges for development feasibility in the near term. Therefore, achieving catalytic development on 1111 South will likely require leveraging both private and public sources in order to serve diverse households, provide public benefits, and satisfy the long-term parking agreement for The Oregon Clinic.

Below is a summary of recent shifts in private capital markets and a discussion of the role that public funding can play to support TOD at the Gateway Station in the near term. Specific recommendations for the most appropriate funding sources and development partners will be identified in the Delivery Strategy.

### Changing Capital Markets

Private sources of money for real estate generally fall into two buckets: equity and debt. Typically, debt makes up the majority of the sources of money needed to build a development project (e.g., 60 percent to 85 percent) and does so at a lower cost, or rather a lower interest rate.

This is because the source of debt is generally guaranteed to be paid back and is therefore a less risky investment. Equity tends to make up a smaller share of the sources of money but is not guaranteed to be repaid and is therefore a more expensive source of money. That is, the interest (i.e., the equity return) is higher given that the investment is riskier.

Unfortunately, changes in market demand for real estate along with rising interest rates have reduced the guarantee that a project can cover the debt payments, which has resulted in lending institutions becoming more risk averse. To reduce their risk, banks issuing debt for a real estate project have typically reduced the total amount they are willing to loan on a project (e.g., what might have been 60 percent to 85 percent of the sources of money has now dropped to 50 percent) to guarantee the loan is paid back, or chosen to not lend money for projects at all.

This is particularly challenging for projects that are under construction or recently built. Generally, debt falls into two categories: construction loans and permanent loans. The construction loans tend to have higher interest rates given that the project is not complete and there is no asset for the bank to repossess if needed. Once the project is leased and a stable income is demonstrated, the developer can convert the debt to a permanent loan with more favorable terms. However, the issues identified above have substantially impacted this process—the changes in market demand and interest rates have resulted in challenges obtaining favorable permanent debt, or permanent debt at all. These conditions have created a backlog of active projects experiencing challenges with financing, which is hindering interest in investment in future-planned projects as well.

In addition to the investment challenges already identified, Portland has fallen out of favor as a real estate investment market. The Urban Land Institute (ULI) identifies development market prospects every year in their Emerging Trends in Real Estate report. As recently as 2019, Portland was ranked 21<sup>st</sup> out of the top 79 markets to watch for overall real estate prospects.<sup>7</sup> However, by 2022, Portland's ranking had dropped to 49<sup>th</sup> out of 80 markets<sup>8</sup>, and the ULI outlook for 2023 has Portland ranked 56<sup>th</sup> out of 80.<sup>9</sup> This change in ranking is indicative of the changing sentiment toward Portland specifically relative to other market opportunities.

It is unknown how long these capital market and interest rate challenges will persist. It is likely that when interest rates decrease, development projects can refinance to more favorable terms, but the challenges of these next few years might reduce the speed at which developers and financing partners resume the rate of development activity that Portland has seen in recent years. Fortunately for Gateway, public sources of money could help catalyze development.

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<sup>7</sup> [https://americas.uli.org/wp-content/uploads/2019/10/Emerging\\_Trends\\_in\\_Real\\_Estate\\_2019.pdf](https://americas.uli.org/wp-content/uploads/2019/10/Emerging_Trends_in_Real_Estate_2019.pdf)

<sup>8</sup> <https://knowledge.uli.org/-/media/files/emerging-trends/2022/emerging-trends-in-real-estate-united-states-and-canada---2022.pdf?rev=2d5130961f914eff9753853b7964a441&hash=21B6EA6032BE2371E09E3FB9E009EB00>

<sup>9</sup> [https://knowledge.uli.org/-/media/files/emerging-trends/2023/emerging-trends\\_uscanada-2023.pdf](https://knowledge.uli.org/-/media/files/emerging-trends/2023/emerging-trends_uscanada-2023.pdf)

## Public Sources of Capital

When private sources are not sufficient to address the development funding needed for the project, public sources might be needed to help fill the financial feasibility gap. There are a variety of potential sources of public funds to support development in Gateway.

- **Gateway Regional Center Urban Renewal Area (Prosper Portland):** In June 2001, the City of Portland approved the Gateway Regional Center Urban Renewal Plan and \$164 million in tax-increment financing (TIF) to support transit- and pedestrian-oriented development. Prosper Portland currently has a maximum remaining budget of \$94 million remaining TIF funds available in Gateway, and no longer has a mandatory deadline for allocating those dollars. Since 2006, TIF spending in the City requires a **45 percent set-aside citywide for affordable housing**, to be allocated to the Portland Housing Bureau to build or preserve units affordable to households earning 80 percent or less of MFI. TIF could also support redevelopment of 1111 South by subsidizing affordable commercial rents, improving street and pedestrian connectivity, and contributing to a shared parking model.
- **Transit-Oriented Development Grants (Metro):** Since 1998, Metro has provided \$35 million in grants to support residential, commercial, and mixed-use TOD throughout the Portland region. The program currently offers approximately \$5.5 million in funding each year. Metro’s strategic plan for these grants focuses on infill development, TOD-supportive infrastructure, and other site improvements. The results of ECONorthwest’s feasibility analysis in Gateway suggest that redevelopment of 1111 South could be a strong candidate for Metro’s competitive criteria to increase transit ridership, create new market comparables, and catalyze private investment.
- **City of Portland Housing Bond:** In 2016, voters authorized a \$258 million bond for the City of Portland to invest in preserving and building new affordable housing citywide. By the end of 2021, there were about \$59 million in bond funds remaining.<sup>10</sup> The funding framework requires all units to be affordable to households earning 60 percent or less of MFI, with specific set-asides for units affordable at 30 percent of MFI and for permanent supportive housing. The Housing Bond also has location priorities related to transit-connected and high-opportunity areas, as well as anti-displacement goals that guide investment decisions. Since 2018, Housing Bond funds can be invested in private projects, but are generally reserved for fully affordable developments.
- **Metro Affordable Housing Bond:** Voters approved a regional \$653 million housing bond in 2018, of which \$211 million was allocated to the City of Portland. Metro’s bond funds can be used for units affordable to households earning up to 80 percent of MFI. By the end of 2021, Portland had approximately \$104 million remaining in uncommitted

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<sup>10</sup> [https://www.portland.gov/sites/default/files/2022/2021\\_bondannualreport\\_final\\_040122-update.pdf](https://www.portland.gov/sites/default/files/2022/2021_bondannualreport_final_040122-update.pdf)

bond funds.<sup>11</sup> All Portland projects that have received Metro bond funds have been fully affordable developments.

- **Oregon Housing and Community Services (OHCS) Programs:** Oregon’s housing finance agency offers grant funding and tax credit programs for affordable housing. The Local Innovations and Fast Track (LIFT) program is a competitive zero-interest loan that prioritizes housing for underserved communities, family-sized units, and innovative development that lowers overall costs. Oregon Affordable Housing Tax Credits (OAHTC) is a state-funded tax credit provided for affordable housing loans where a lender has reduced the interest rate by up to 4 percent. The program contains a stipulation that the credit be used exclusively to reduce rents for tenants for a twenty-year term. OHCS financing focuses on providing deeper affordability by allowing projects to serve households earning less than 60 percent of MFI.
- **Low-Income Housing Tax Credits:** The Low-Income Housing Tax Credit (LIHTC) program is a federally established program that encourages investment in affordable housing through tax incentives; both for-profits and nonprofits are eligible, as well as private investors. LIHTC is the largest source of funding for affordable housing in the country and provides a mechanism for private-public partnership. OHCS administers the competitive process for allocating 9 percent and 4 percent tax credits; demand for the tax credits generally outstrips the available funding. The market for the price of tax credits is subject to drastic changes based on national policy. LIHTC rules mandate a greater set-aside and deeper affordability than is required by Portland’s Inclusionary Housing policy, and in practice, fully affordable projects are the best candidates for LIHTC funding.

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<sup>11</sup> [https://www.portland.gov/sites/default/files/2022/2021-metro-bond-progress-report\\_city-of-portland.pdf](https://www.portland.gov/sites/default/files/2022/2021-metro-bond-progress-report_city-of-portland.pdf)

## 7. Pro Forma Assumptions

Operating Revenue and Cost			
Variable	Assumption	Unit of Measure	Notes
<u>Rent</u>			
Studio Apartment	\$ 2.50	Per square foot, monthly	
1-br Apartment	\$ 2.50	Per square foot, monthly	
2-br Apartment	\$ 1.85	Per square foot, monthly	
3-br Apartment	\$ 1.70	Per square foot, monthly	
Ground Floor Retail (Market Rate)	\$ 20.00	Per square foot, annualized	Observed Gateway average, 2019-2022 Q1 = \$19.19
Ground Floor Retail (Affordable)	\$ 15.00	Per square foot, annualized	
<u>Vacancy Rate</u>			
Apartment (low)	7%	Percent	
Apartment (high)	7%	Percent	
Retail	10%	Percent	
Parking	5%		
<u>Operating Expenses</u>			
Podium Apartment	15%	of gross revenue	
Wood-Frame Apartment	10%	of gross revenue	
Retail	0%	of gross revenue	
Surface Parking	\$0	Per stall per year	
Structured Parking	\$750	Per stall per year	
<u>Property Tax</u>			
Property Tax Rate	2.3%	of assessed value	County tax area 712
Changed Property Ratio	0.364		multifamily use
Tax Abatement (discount rate)	7%		
<u>Parking Revenue</u>			
Surface	\$ -	Per stall, monthly	
Structure	\$ 100	Per stall, monthly	
<u>Return on Cost (target rate)</u>			
Podium	4.75%		
Wood-Frame	5.00%		
<b>Construction Costs</b>			
Variable	Assumption	Unit of Measure	Notes
<u>Hard Construction Costs</u>			
<b>Wood Frame</b>			
Residential	\$ 210.00	Per square foot	
Lobby	\$ 210.00	Per square foot	
Retail (incl. TI)	\$ 200.00	Per square foot	

<b>Podium</b>			
Residential	\$ 245.00	Per square foot	
Lobby	\$ 245.00	Per square foot	
Retail (incl. TI)	\$ 200.00	Per square foot	
<b>Parking</b>			
Surface Parking	\$ 7,700	Per stall	
Podium Parking	\$ 55,000	Per stall	
<u>Soft Costs</u>	25%	Percent of hard costs	
Reduction for IH Policy (i.e., exemptions from Affordable Housing Construction Excise Tax and SDCs for affordable units)	1%	Percent of hard costs	
<u>Contingency</u>	5%	Percent of hard + soft costs	
<u>Developer Fee</u>	5%	Percent of total development cost	
<u>Land Acquisition (low)</u>	\$ 30.35	Per square foot	
<u>Land Acquisition (high)</u>	\$ 51.91	Per square foot	
<b>Residential Assumptions</b>			
<b>Variable</b>	<b>Assumption</b>	<b>Unit of Measure</b>	<b>Notes</b>
<u>Unit Mix (Wood Frame)</u>			
Studio	11.5%	Percent of all units	
1 Bedroom	61.5%	Percent of all units	
2 Bedroom	23.1%	Percent of all units	
3 Bedroom	3.9%	Percent of all units	
	100%		
<u>Unit Mix (Small Podium)</u>			
Studio	12.8%	Percent of all units	
1 Bedroom	54.6%	Percent of all units	
2 Bedroom	28.9%	Percent of all units	
3 Bedroom	3.7%	Percent of all units	
	100%		
<u>Unit Mix (Full-Site Podium)</u>			
Studio	37.5%	Percent of all units	
1 Bedroom	48.6%	Percent of all units	
2 Bedroom	13.9%	Percent of all units	
3 Bedroom	0.0%	Percent of all units	
	100%		
<u>Affordable Housing</u>			
Fee-in-Lieu costs	\$ 27.00	\$ / sq ft	

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# Appendix B

## Gateway Transit Center Massing Study

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June 16, 2023

Prepared for:

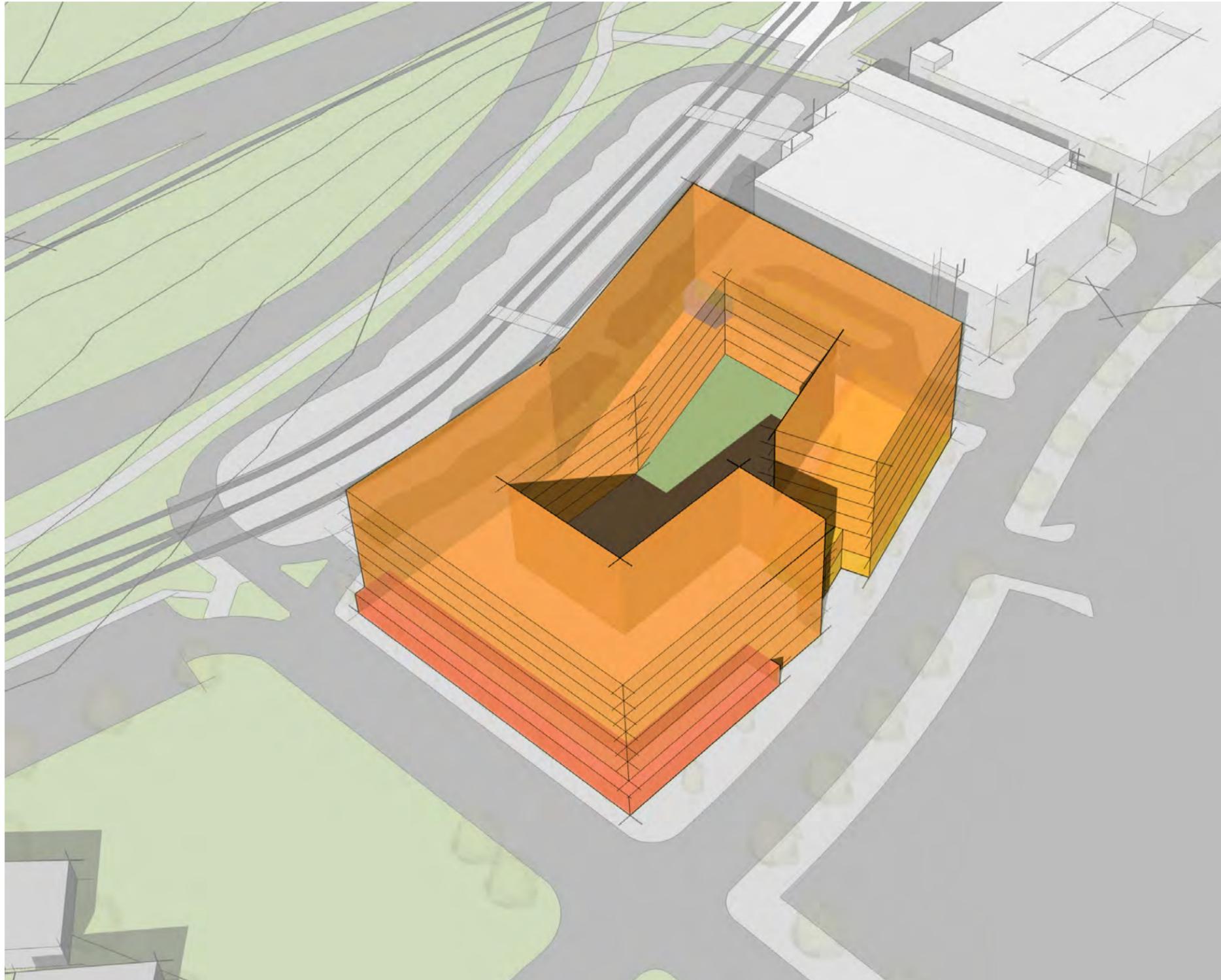


Final Report

**ECONorthwest**  
ECONOMICS • FINANCE • PLANNING

**SALAZAR**  
**ARCHITECT**

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Aerial View from the Southeast

# Option 1

## Podium + 5

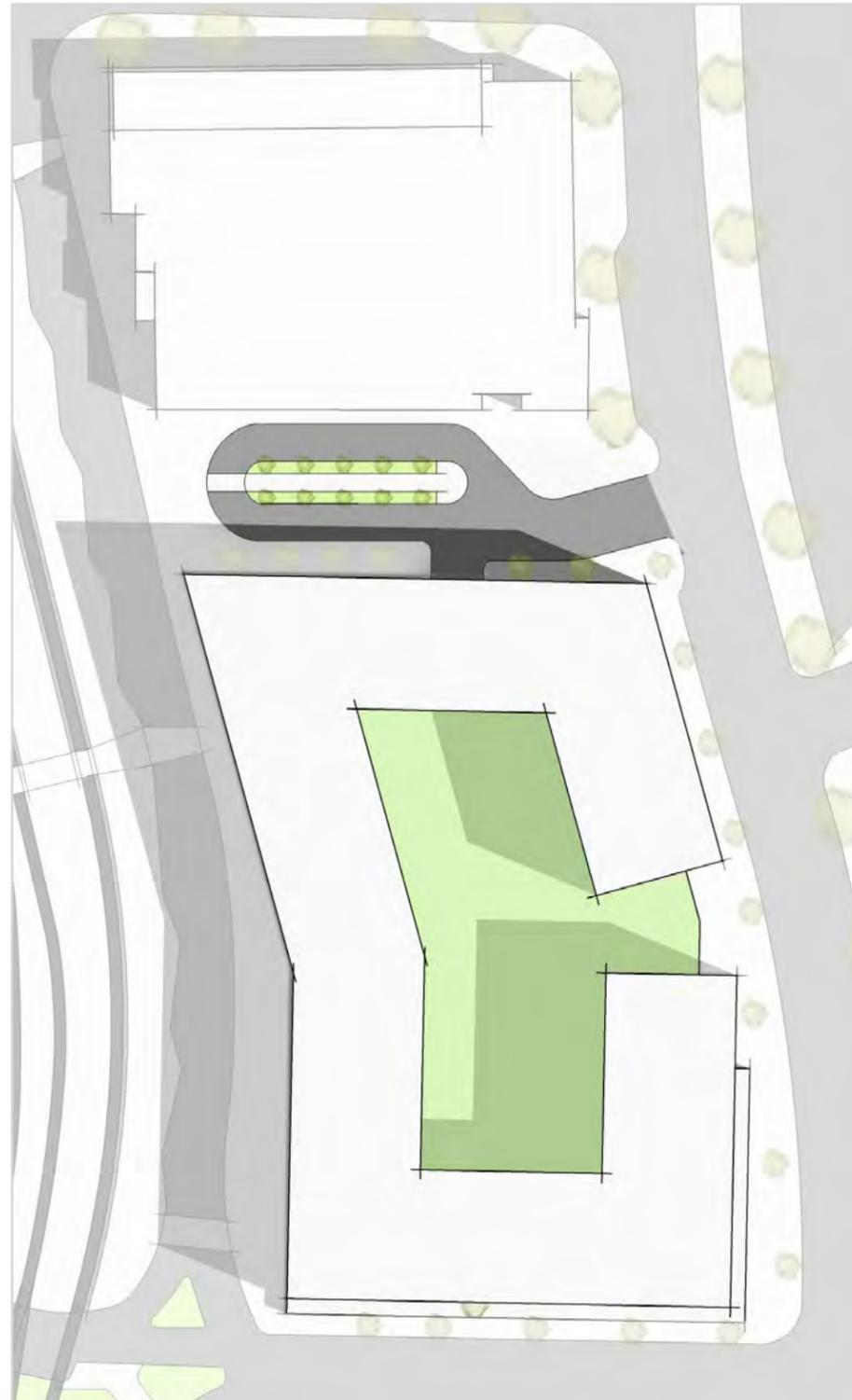
SINGLE PHASE



Aerial View from the Northwest



Site Plan



Roof Plan

# Option 1

## Podium + 5

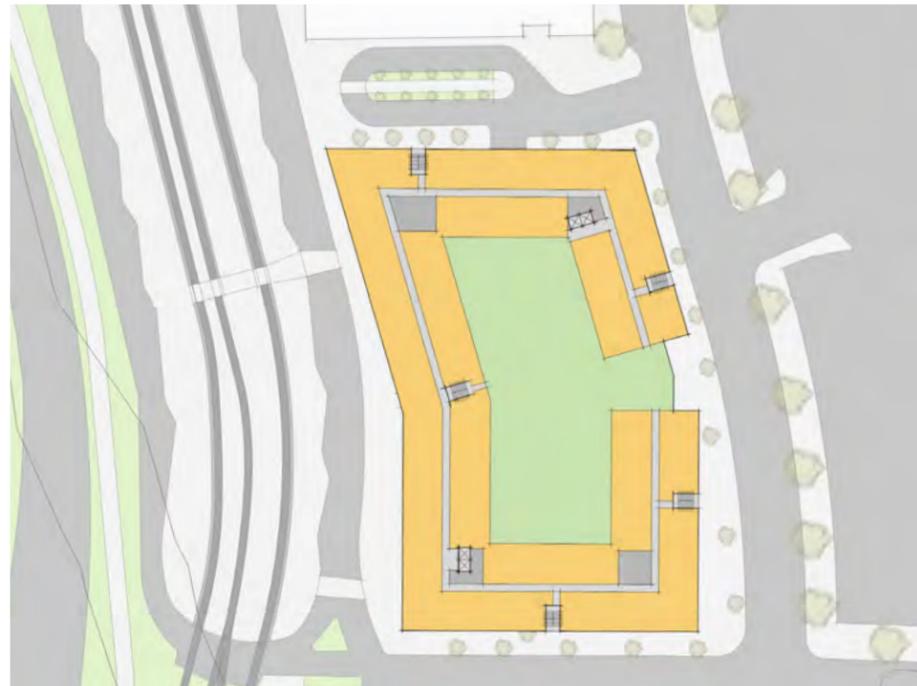
SINGLE PHASE



Level 1



Level 2



Level 3 - Typical

# Option 1

## Podium + 5

### FLOOR PLANS

#### Retail

Area	Assumed Pkg
6,154	0

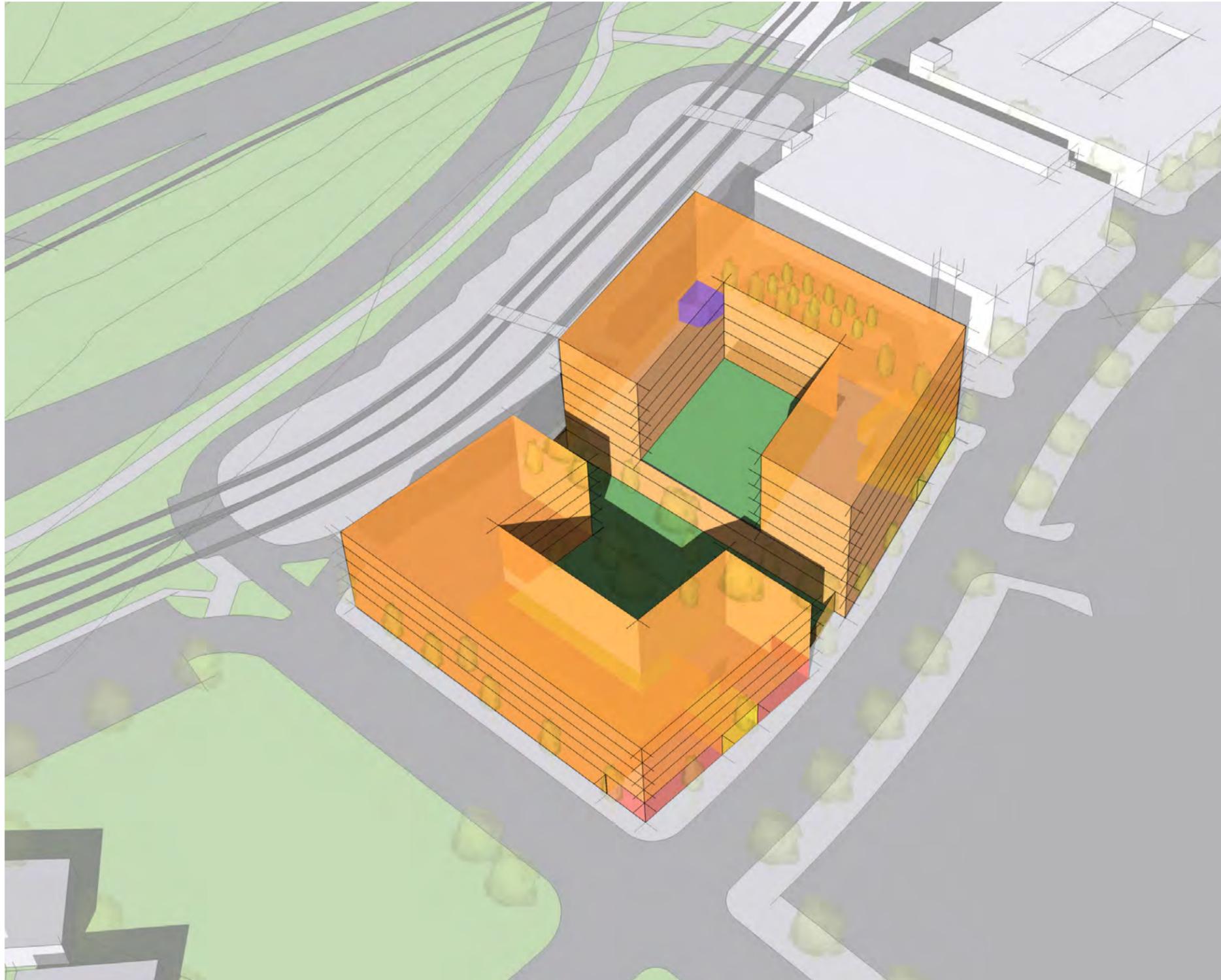
#### Residential

Area	Unit Count
	0
	0
43,206	72
43,206	72
43,206	72
43,206	72
43,206	72
216,030	360

#### Parking Provided

Retail	Residential	Total Parking
	147	147
	216	216
0	363	363
		1.01

-  Building Entry
-  Residential
-  Amenity/Back of House
-  Leasable
-  Operator Office
-  Mechanical



Aerial View from the Southeast

# Option 2

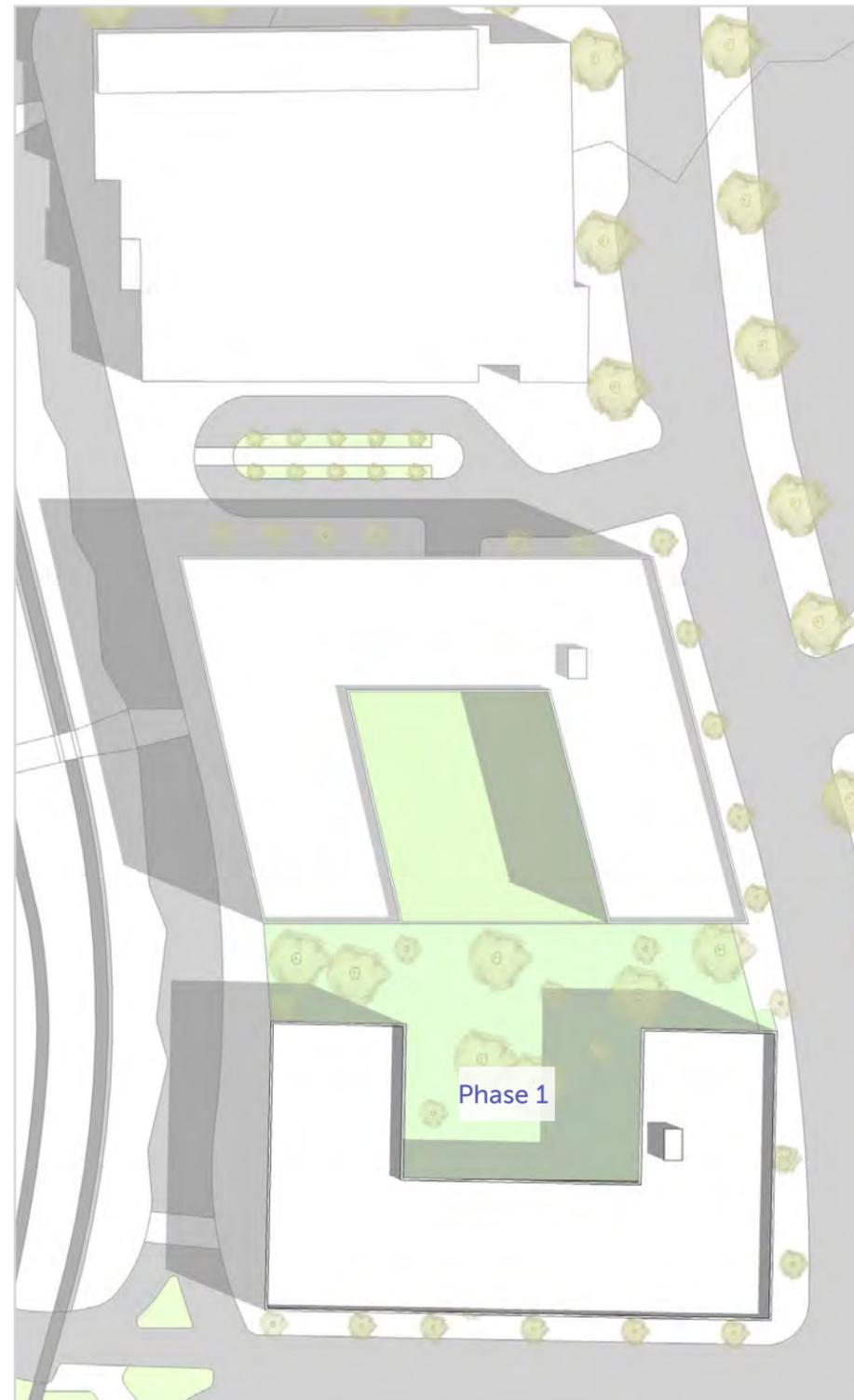
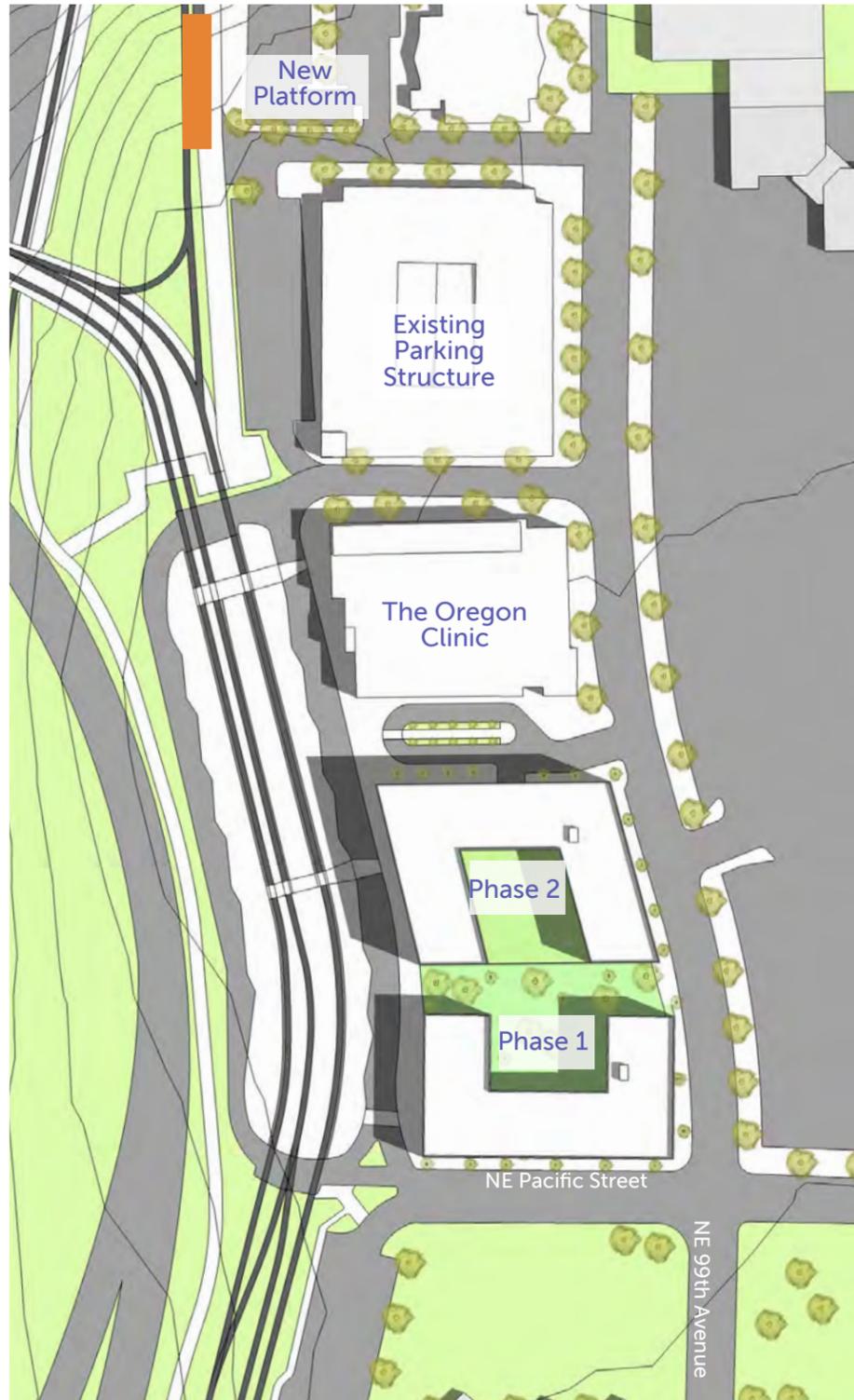
## TWO PHASED

PHASE ONE



Aerial View from the Northwest





# Option 2

## TWO PHASED

PHASE ONE

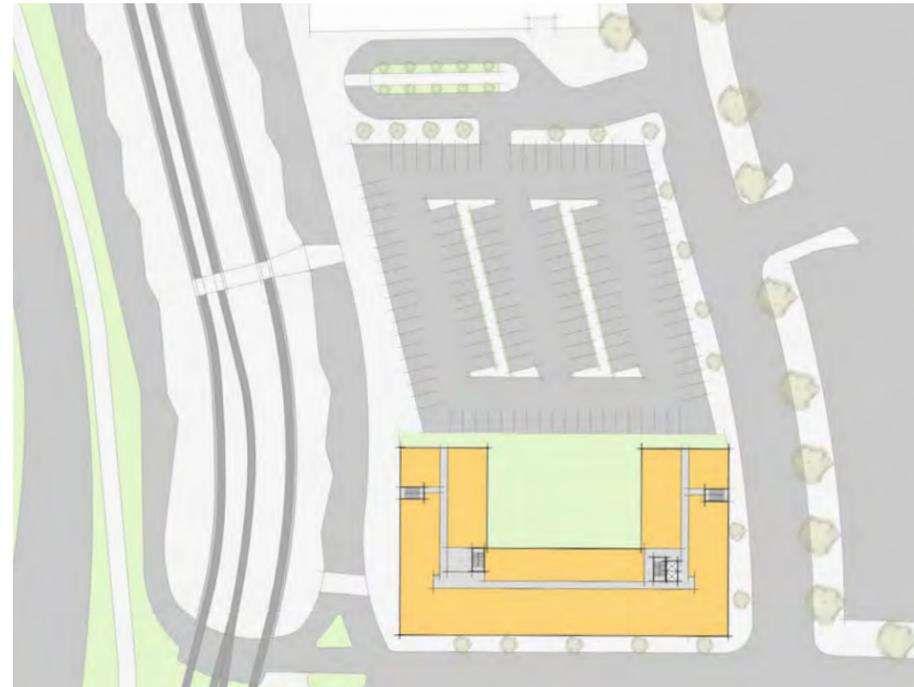
Site Plan

Roof Plan





Level 1



Levels 2-5

# Option 2

## TWO PHASED

### PHASE ONE

#### Retail

Level	Area	Assumed Pkg
1	2724	0

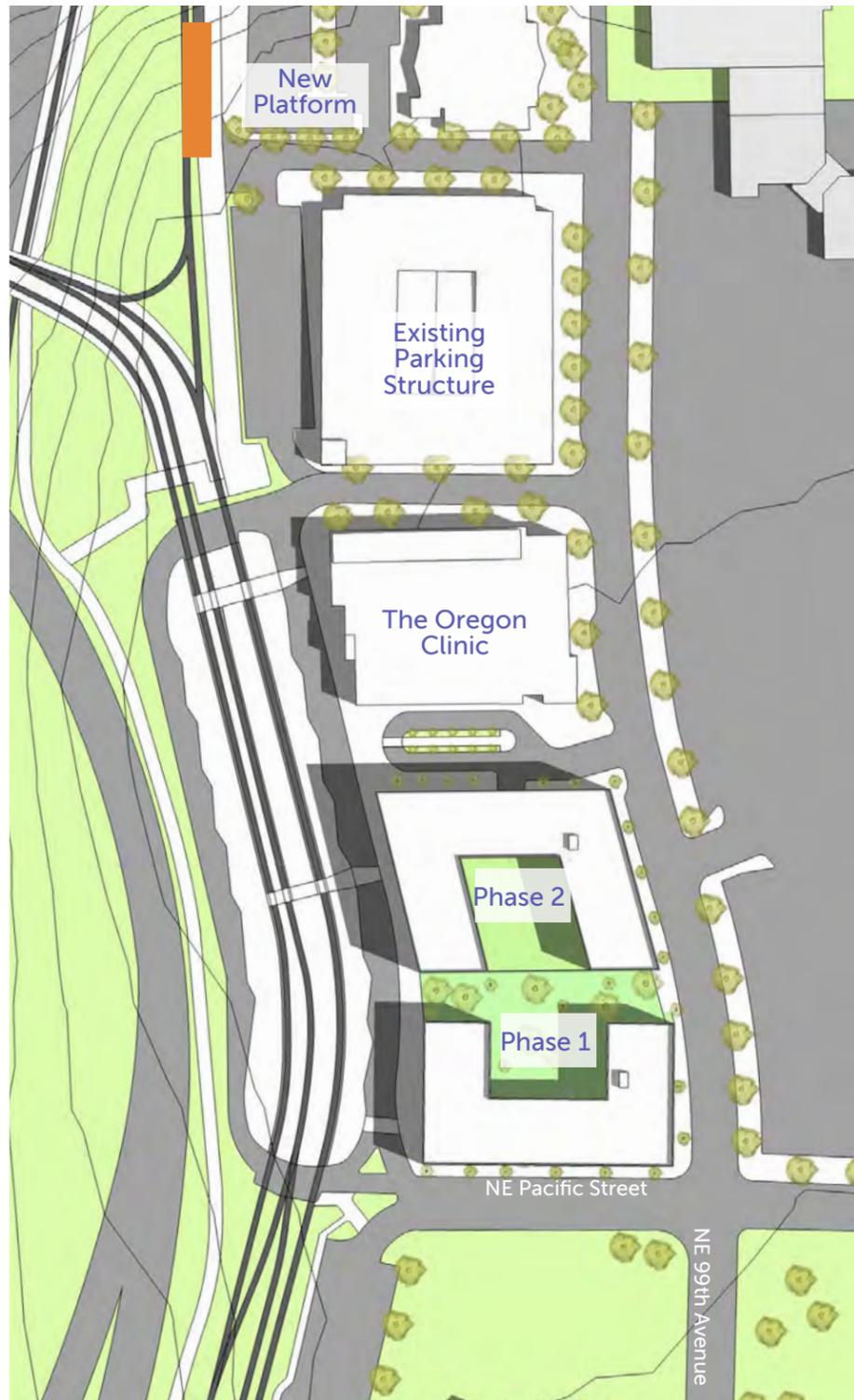
#### Residential

Level	Area	Unit Count
1	11898	18
2	19329	28
3	19329	28
4	19329	28
5	19329	28
	89214	130

#### Parking Provided

Level	Retail	Residential	Total Parking
1	0	123	122
Parking Ratio (Residential)			0.94

-  Building Entry
-  Residential
-  Amenity/Back of House
-  Leasable
-  Operator Office
-  Mechanical



Site Plan



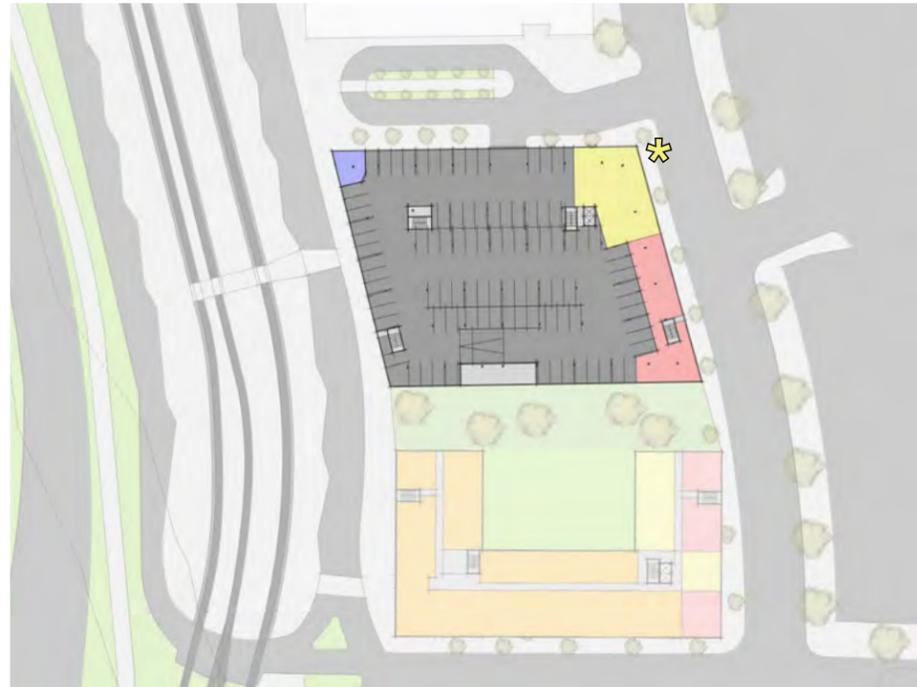
Roof Plan

# Option 2

## TWO PHASED

PHASE TWO





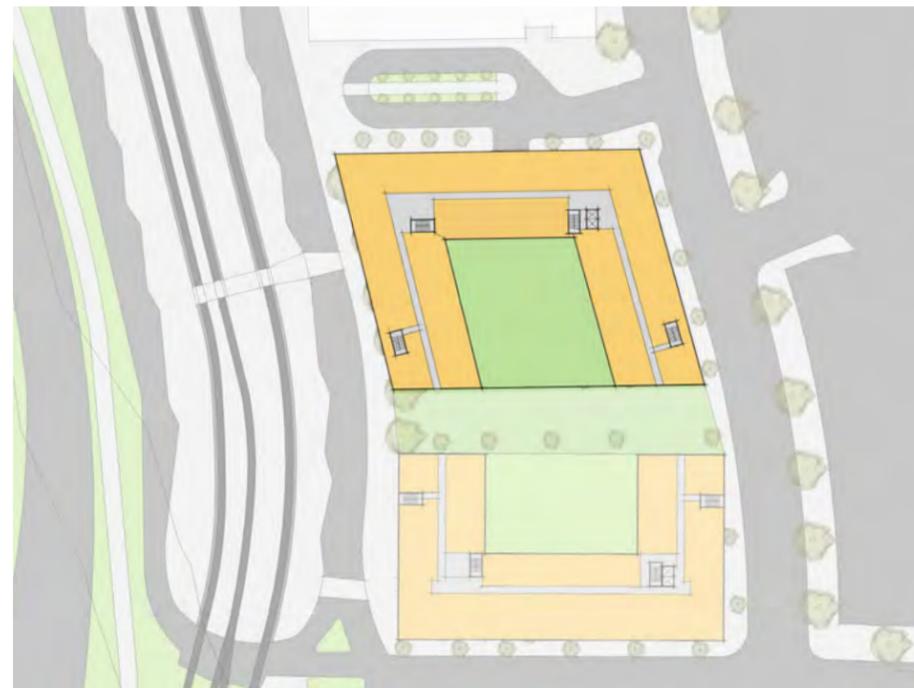
Level 1



Level 2



Level 3 - Podium - Courtyard



Levels 4-7

# Option 2

## TWO PHASED

### PHASE TWO

#### Retail

Level	Area	Assumed Pkg
1	3356	0

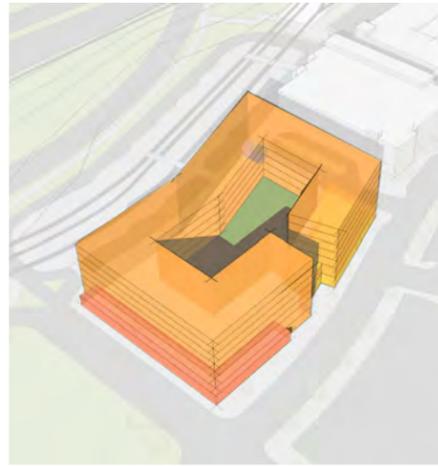
#### Residential

Level	Area	Unit Count
1		
2		
3	23398	31
4	23398	31
5	23398	31
6	23398	31
7	23398	31
	116990	156

#### Parking Provided

Level	Retail	Residential	Total Parking
1		95	95
2		114	114
	0	209	209
Parking Ratio (Residential)			1.3

-  Building Entry
-  Residential
-  Amenity/Back of House
-  Leasable
-  Operator Office
-  Mechanical



UNITS	STUDIO	1 BR	2 BR	TOTAL UNITS	SF					
					RESIDENTIAL	CIRC. & MECH.	PARKING	SUPPORT SPACE*	RETAIL **	GSF
L1				0		3,753	54,278	10,280	6,154	74,465
L2				0		1,897	70,282			72,179
L3	27	35	10	72	43,206	8,002				51,208
L4	27	35	10	72	43,206	8,002				51,208
L5	27	35	10	72	43,206	8,002				51,208
L6	27	35	10	72	43,206	8,002				51,208
L7	27	35	10	72	43,206	8,002				51,208
<b>TOTAL</b>	<b>135</b>	<b>175</b>	<b>50</b>	<b>360</b>	<b>216,030</b>	<b>45,660</b>	<b>124,560</b>	<b>10,280</b>	<b>6,154</b>	<b>402,684</b>
MIX	37.50%	48.61%	13.89%	100%						
TARGET MIX	35.00%	50.00%	15.00%							

EFFICIENCY, SF, TOTAL			EFFICIENCY, TYP UNIT FLOORS			EFFICIENCY, LEVEL 1		
GSF	UNITS/LEASEABLE		FL GSF	PER FL		FL GSF	UNITS/LEASEABLE	
278,124	222,184	<b>79.9%</b>	51,208	43,206	<b>84.4%</b>	20,187	6,154	<b>30.5%</b>

PARKING		
# SPACES	SPACE PER UNIT	
L1	147	
L2	216	
<b>TOTAL</b>	<b>363</b>	<b>1.01</b>

\* INCLUDES: LOBBY, MAIL ROOM, UTILITIES, MULTI-PURPOSE, PARCEL ROOM, COMMUNITY ROOM, BIKE PARKING, RESIDENT SERVICES, MGMT OFFICES, TRASH ROOM  
 \*\* INCLUDES TRIMET DRIVER ROOM



UNITS	STUDIO	1 BR	2 BR	3 BR	TOTAL UNITS	SF				
						RESIDENTIAL	CIRC. & MECH.	SUPPORT SPACE*	RETAIL	GSF
L1	3	12	2	1	18	11898	3780	4708	2724	23110
L2	3	17	7	1	28	19329	3781			23110
L3	3	17	7	1	28	19329	3781			23110
L4	3	17	7	1	28	19329	3781			23110
L5	3	17	7	1	28	19329	3781			23110
<b>TOTAL</b>	<b>15</b>	<b>80</b>	<b>30</b>	<b>5</b>	<b>130</b>	<b>89214</b>	<b>18904</b>	<b>4708</b>	<b>2724</b>	<b>115550</b>
MIX	11.54%	61.54%	23.08%	3.85%	100%					
TARGET MIX	10.00%	55.00%	30.00%	5.00%						

EFFICIENCY, SF, TOTAL			EFFICIENCY, TYP UNIT FLOORS			EFFICIENCY, LEVEL 1		
GSF	UNITS/LEASEABLE		FL GSF	PER FL		FL GSF	UNITS/LEASEABLE	
115550	91938	<b>79.6%</b>	23110	19329	<b>83.6%</b>	23110	14622	<b>63.3%</b>

PARKING		
# SPACES	# PER UNIT	
<b>122</b>	<b>0.94</b>	

\* LOBBY, MAIL ROOM, UTILITIES, MULTI-PURPOSE, PARCEL ROOM, COMMUNITY ROOM, BIKE PARKING, RESIDENT SERVICES, MGMT OFFICES, TRASH ROOM



UNITS	STUDIO	1 BR	2 BR	3 BR	TOTAL UNITS	SF					
						RESIDENTIAL	CIRC. & MECH.	PARKING	SUPPORT SPACE*	RETAIL **	GSF
L1							1799	28606	3161	3356	36922
L2							1276	35646			36922
L3	4	17	9	1	31	23398	3672				27070
L4	4	17	9	1	31	23398	3672				27070
L5	4	17	9	1	31	23398	3672				27070
L6	4	17	9	1	31	23398	3672				27070
L7	4	17	9	1	31	23398	3672				27070
<b>TOTAL</b>	<b>20</b>	<b>85</b>	<b>45</b>	<b>6</b>	<b>156</b>	<b>116990</b>	<b>21435</b>	<b>64252</b>	<b>3161</b>	<b>3356</b>	<b>209194</b>
MIX	12.84%	54.59%	28.90%	3.67%	100%						
TARGET MIX	10.00%	55.00%	30.00%	5.00%							

EFFICIENCY, SF, TOTAL			EFFICIENCY, TYP UNIT FLOORS			EFFICIENCY, LEVEL 1		
GSF	UNITS/LEASEABLE		FL GSF	PER FL		FL GSF	UNITS/LEASEABLE	
144942	116990	<b>80.7%</b>	27070	23398	<b>86.4%</b>	8316	3356	<b>40.4%</b>

PARKING		
# SPACES	# PER UNIT	
<b>209</b>	<b>1.34</b>	

\* INCLUDES: LOBBY, MAIL ROOM, UTILITIES, MULTI-PURPOSE, PARCEL ROOM, COMMUNITY ROOM, BIKE PARKING, RESIDENT SERVICES, MGMT OFFICES, TRASH ROOM  
 \*\* INCLUDES TRIMET DRIVER ROOM

# Summary

## Option 1

SINGLE PHASE

## Option 2

PHASE ONE

## Option 2

PHASE TWO



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# Appendix C

## Gateway Transit Center Access Study

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June 16, 2023

Prepared for:



Final Report



# Gateway Transit Center Mobility Studies Appendix

## Purpose:

- Mobility enhancements are an important part of successful ETOD, including at legacy stations like Gateway. Over the decades since the initial light rail investment, other multimodal improvements have also been implemented making for a robust level of transportation amenities/facilities if still incomplete/imperfect.
- Our team's mandate was to explore the possibility of a key and transformative "missing" connection that could unlock access and connectivity to the MAX station and otherwise document the work of other initiatives and plans underway or recently completed that complement and support the station areas as well.
- Therefore in these exhibits you will find a re-presentation of the key projects PBOT is planning and programming within these station areas and the occasional partner (ODOT or other) project.

- There are also a handful of new explorations and ideas that we've explored and documented – a more delineated E/W connection through the Fred Meyer site at Gateway; and a potential revised N/S route that brings active modes closer to the neighborhood activities (and away from 205).
- Our goal was to contribute mobility planning and documentation that would align TriMet's study with current and proposed projects so that each agency's work and published plans are mutually supportive, AND to identify promising and powerful mobility investments that could support the redevelopment of station adjacent sites.

## Contents:

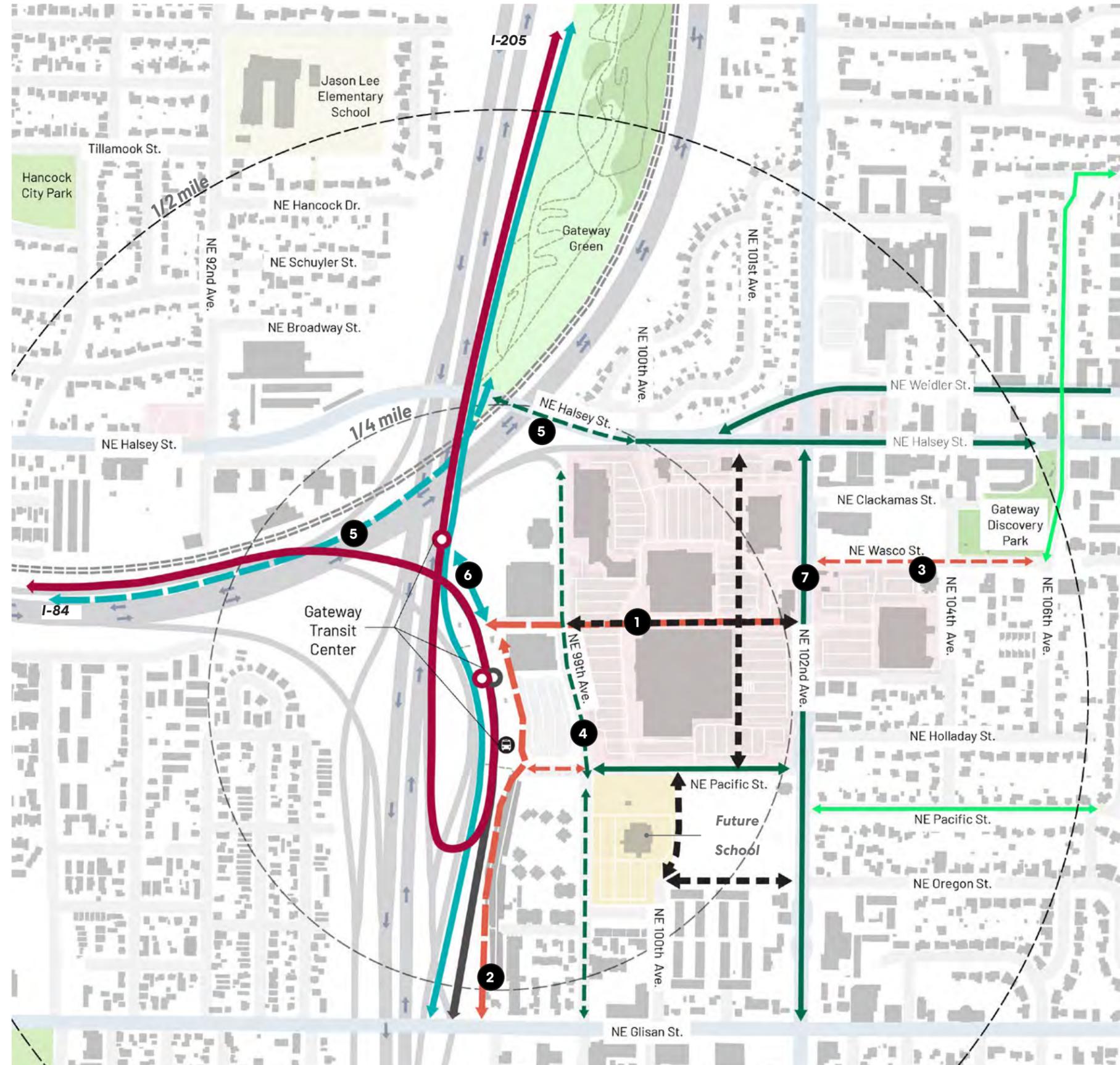
- 01 Future & Proposed Near Term Connections Summary
- 02 Near Term Investments Summary Map
- 03 Summary Plan
- 04 E/W Ped/Bike Connection Studies
  - Perspectives
  - Precedents
  - Impacts by option
  - Sections
  - Plans
- 05 N/S Ped/Bike Connection Studies (99th and off-street paths)
  - 99th Plans
  - Off-street Plans
  - Off-street Sections

# Future & Proposed Near Term Connections Summary

-  TriMet MAX Red Line
-  TriMet MAX Green & Blue Lines
-  Proposed ped/bike connections to Gateway Transit Center
-  Future new street (by others)<sup>5</sup>
-  Existing or under construction multi-use path
-  Future multi-use path (by others)<sup>1</sup>
-  Existing neighborhood greenway
-  Future bike lane / protected bike lane (by others)<sup>1,2</sup>
-  Existing bike lane / protected bike lane

- 1 Proposed interim E/W ped/bike connection<sup>4</sup> in the same location as long term future full street connection that will be subject to city requirements<sup>5</sup>
- 2 Proposed N/S ped/bike connection
- 3 Proposed pavement markings and directional signs to fill gaps in bike network
- 4 Future protected bike lane (by others)<sup>2</sup>
- 5 Future bike improvements (by others)<sup>1,3</sup>
- 6 TriMet Better Red multi-use path to north station (funded, designed)
- 7 Potential enhanced ped and bike crossing (by others, requires more study)<sup>2</sup>

**Summary map of most relevant future connections (planned by others) and proposes near term E/W and N/S connections that will plug into this future mobility network and support TriMet's goals for Gateway Transit Center redevelopment and ridership.**

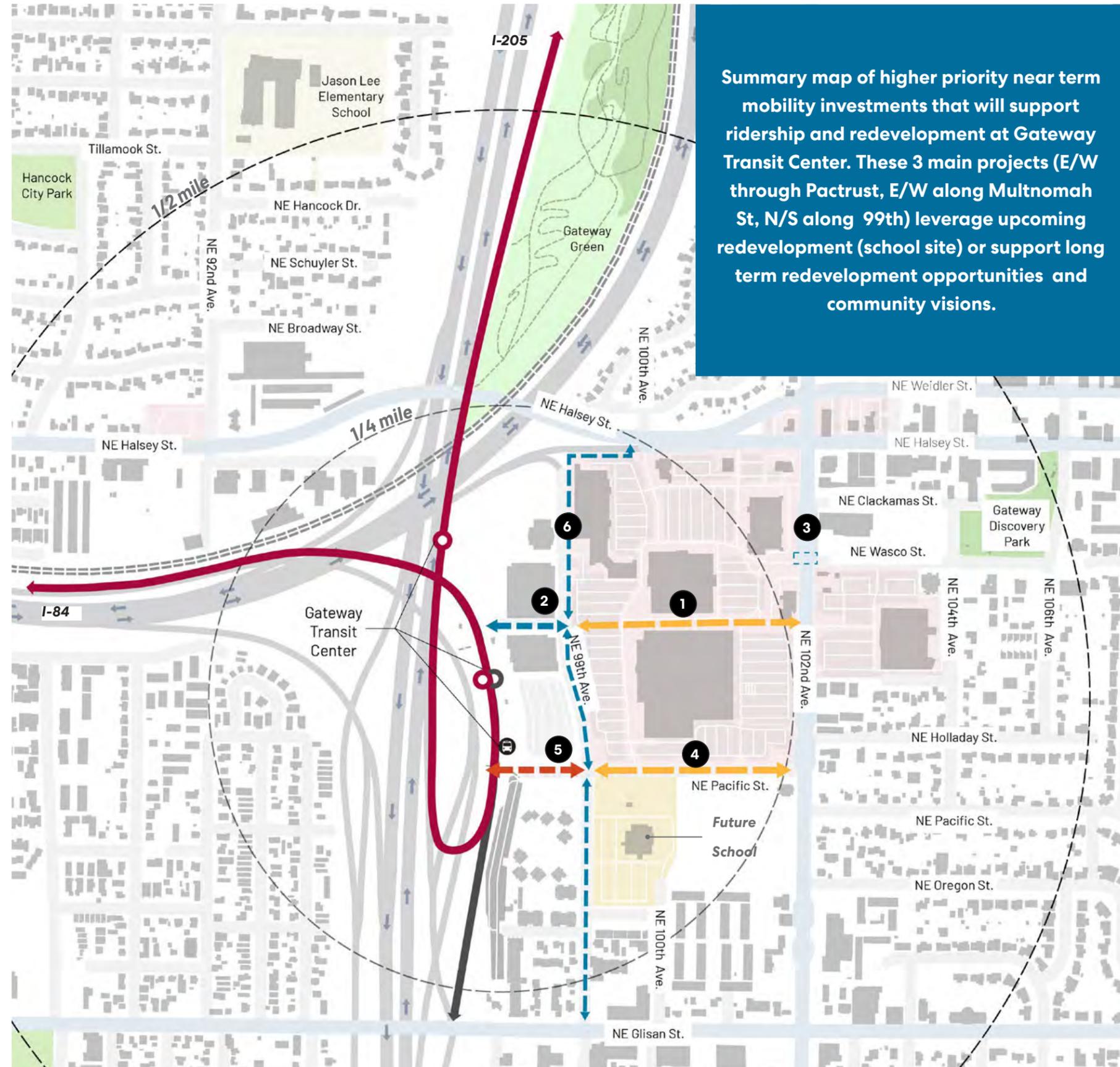


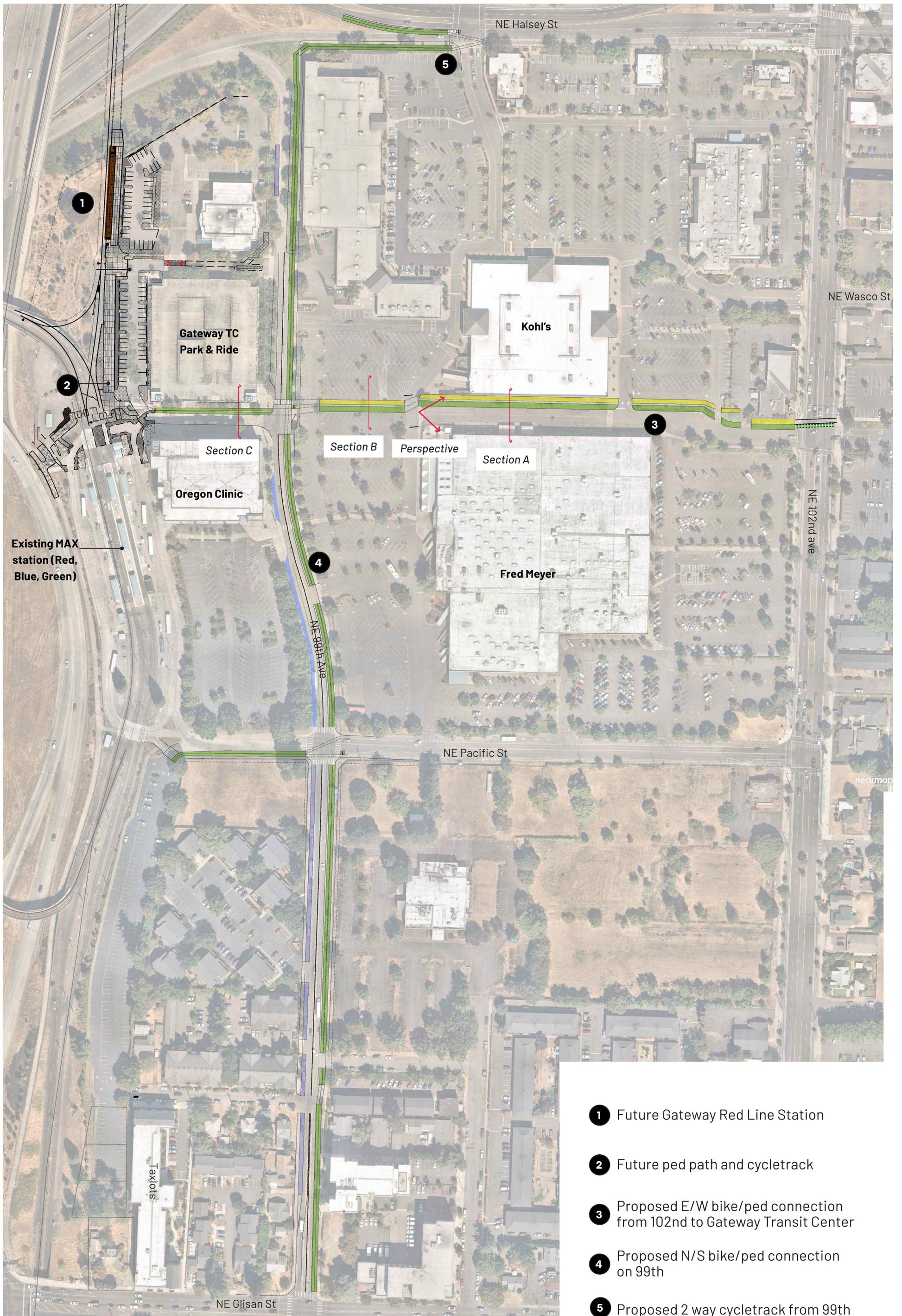
1. TriMet Redline Extension Conceptual Design Report  
 2. PBOT NE 102nd Avenue Crossings and Connections December 2019  
 3. PBOT NE Halsey at I-205 Overcrossing - Southside Two Way Cycle Track Concept  
 4. Portland Development Commission Gateway Urban Design & Market Study January 2012  
 5. City of Portland Gateway Regional Center Street Plan, Exhibit A 10/22/09 Amendment

# Recommended Near Term Investments

-  TriMet MAX Red Line
-  TriMet MAX Green & Blue Lines
-  Proposed investment by PBOT, in partnership with TriMet or private property owners
-  Proposed investment by others, in partnership with TriMet
-  Proposed investment by by TriMet

- 1 Multi-use path through Pactrust mall parking lot, using a combination of tactical or cost-effective design elements. Note: interim ped/bike improvements would not satisfy or replace the need for a full street connection, frontage improvement and right-of-way dedication.
- 2 PBOT improvements to bike/ped connection across 99th St and connection on Multnomah St to Gateway Transit Center
- 3 PBOT improvements to 102nd St crossing for bicycles at Wasco, to connect new multi-use path on Pactrust mall to Gateway Park via NE Wasco St
- 4 Full street improvements at school site on NE Pacific St by others between 99th and 102nd
- 5 TriMet to study all ages and abilities bicycle access across Pacific from 99th to multi-use path, in coordination with bus and vehicular circulation
- 6 PBOT to study 99th protected bicycle connection from Glisan to Halsey





- 1** Future Gateway Red Line Station
- 2** Future ped path and cycletrack
- 3** Proposed E/W bike/ped connection from 102nd to Gateway Transit Center
- 4** Proposed N/S bike/ped connection on 99th
- 5** Proposed 2 way cycletrack from 99th to future Halsey cycletrack

## **East/West Pedestrian & Bike Connection Studies**

# E/W Ped/Bike Connection

## Perspective - Tactical Intervention



# E/W Ped/Bike Connection

Perspective - Permanent Intervention



# E/W Ped/Bike Connection

Temporary Tactical Street Improvement - paint, wood, cones, potted plants



Paint, cones (Destination Danforth, Toronto)



Paint, wood planters (East Grand Better Block, Des Moines, IA)



Paint, light weight tree planters and furnishing (Phillips Square by KZLA, Boston, MA)



Paint (Arizona St, Santa Monica, CA)



Paint, potted plants (Salt Lake City Spin Space, UT)



Paint (Birmingham, AL)

# E/W Ped/Bike Connection

Cost Effective Street Improvement - bollards, curb stops, planters, paint



Flexible bollards (Burnside & 2nd, Portland)



Paint, rubber curbs & flexible bollards (1st St, Washington DC)



Planter boxes, painted buffer, bollard, curbs (Pike St, Seattle)



Paint, flexible bollards, wood planters (Destination Danforth, Toronto)



Paint (Edmunds St, Manzanita, OR)



Curb and painted buffer (Shoreline Dr, Alameda, CA)

# E/W Ped/Bike Connection

More Permanent Streetscape Improvement - curbs, larger planters, concrete, bollards, special paving



Special paving, large tree planters



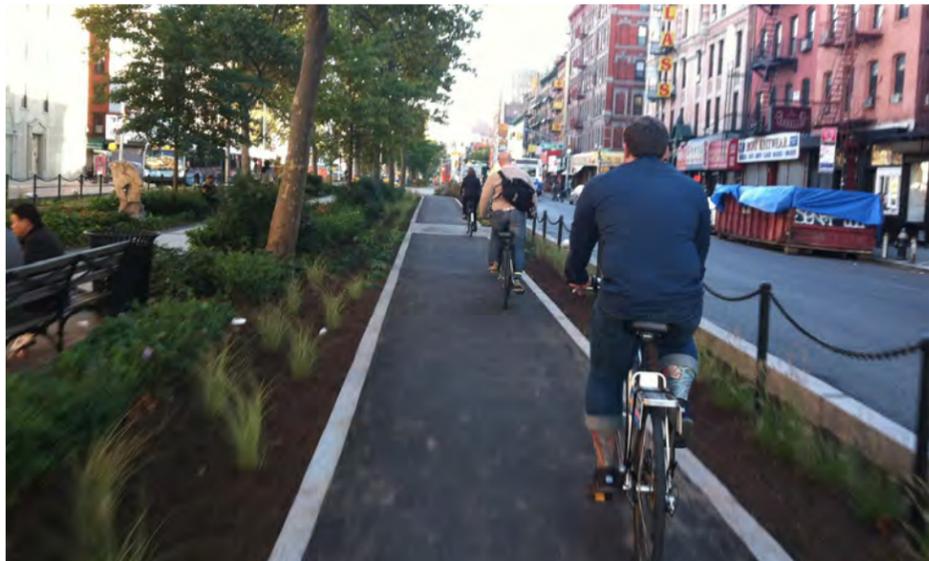
Special paving, planters, bollards (Indianapolis Cultural Trail)



Fixed bollards, planters, rocks (Sacramento Park, Cambridge, MA)



Special paving, concrete curbs, lighting, landscape (Colorado Esplanade, Santa Monica, CA)



Planters, metal bollard/chain (Manhattan)



Concrete planters (Multnomah St, Portland)

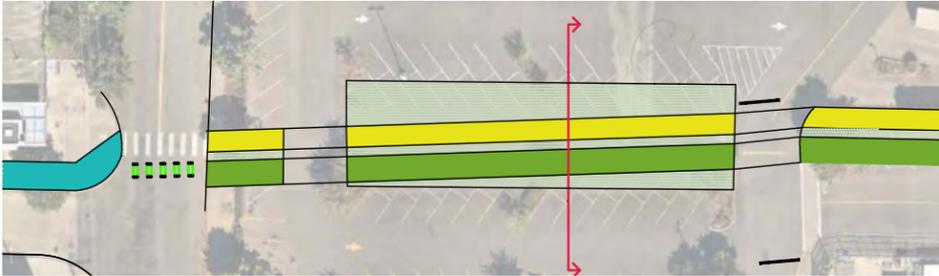
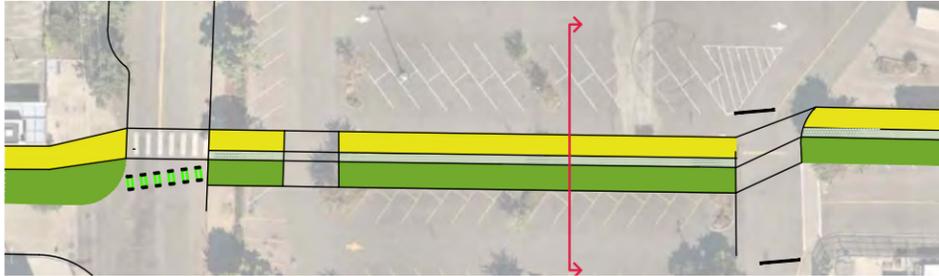
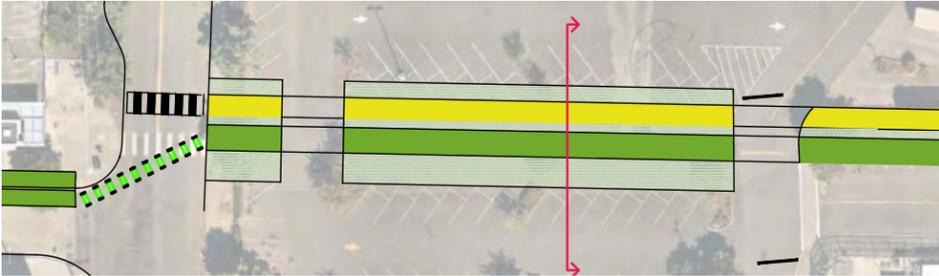
# E/W Ped/Bike Connection

## Alignment Options

E/W OPTION 1	
PARKING SPACES REMOVED	71
ASPHALT IMPACTED (SQUARE FEET)	16,660
CURBS REMOVED (LINEAR FEET)	1,305
PLANTING AREAS REMOVED (SQUARE FEET)	5,830
PARKING AISLE	REMOVED

E/W OPTION 2	
PARKING SPACES REMOVED	56
ASPHALT IMPACTED (SQUARE FEET)	12,650
CURBS REMOVED (LINEAR FEET)	1,210
PLANTING AREAS REMOVED (SQUARE FEET)	5,740
PARKING AISLE	NARROWED

E/W OPTION 3	
PARKING SPACES REMOVED	69
ASPHALT IMPACTED (SQUARE FEET)	16,190
CURBS REMOVED (LINEAR FEET)	1,200
PLANTING AREAS REMOVED (SQUARE FEET)	5,740
PARKING AISLE	REMOVED



- Symmetrical planted buffer for bikes/peds
- Straight crossings for peds/bikes in parking lot, angled bike crossing at 99th
- More impact to parking lot spaces and circulation

- No planted buffer for bikes/peds
- Angled and straight crossing for peds/bikes in parking lot, straight crossing at 99th
- Least impact to parking lot spaces and circulation

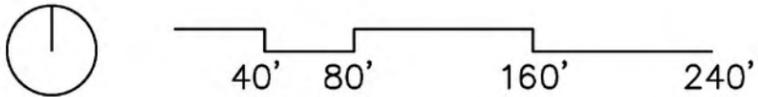
- Assymetrical planted buffer for bikes/peds
- Angled crossing for peds/bikes in parking lot, straight crossing at 99th
- More impact to parking lot spaces and circulation

# E/W Ped/Bike Connection

## Option 1 Impacts



E/W OPTION 1	
PARKING SPACES REMOVED	71
ASPHALT IMPACTED (SQUARE FEET)	16,660
CURBS REMOVED (LINEAR FEET)	1,305
PLANTING AREAS REMOVED (SQUARE FEET)	5,830
PARKING AISLE	REMOVED

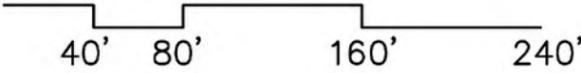


# E/W Ped/Bike Connection

## Option 2 Impacts



E/W OPTION 2	
PARKING SPACES REMOVED	56
ASPHALT IMPACTED (SQUARE FEET)	12,650
CURBS REMOVED (LINEAR FEET)	1,210
PLANTING AREAS REMOVED (SQUARE FEET)	5,740
PARKING AISLE	NARROWED



# E/W Ped/Bike Connection

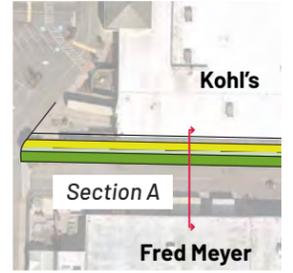
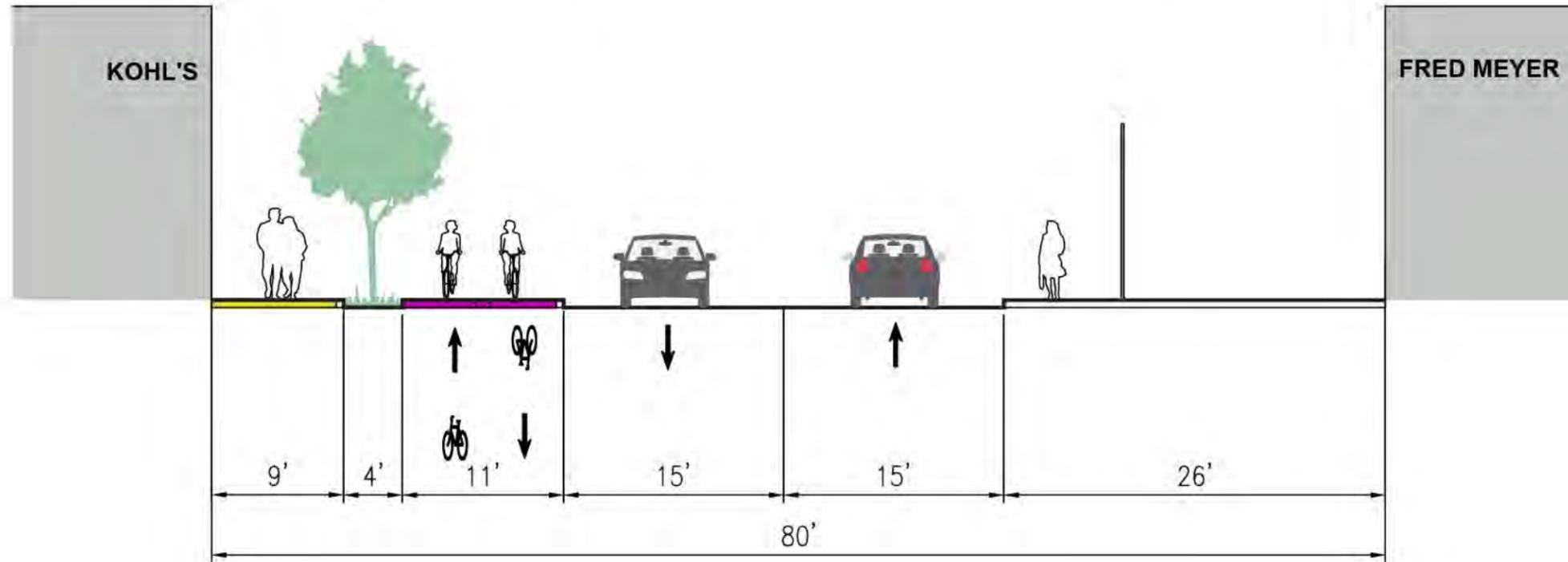
## Option 3 Impacts



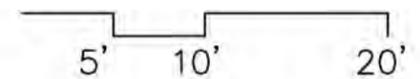
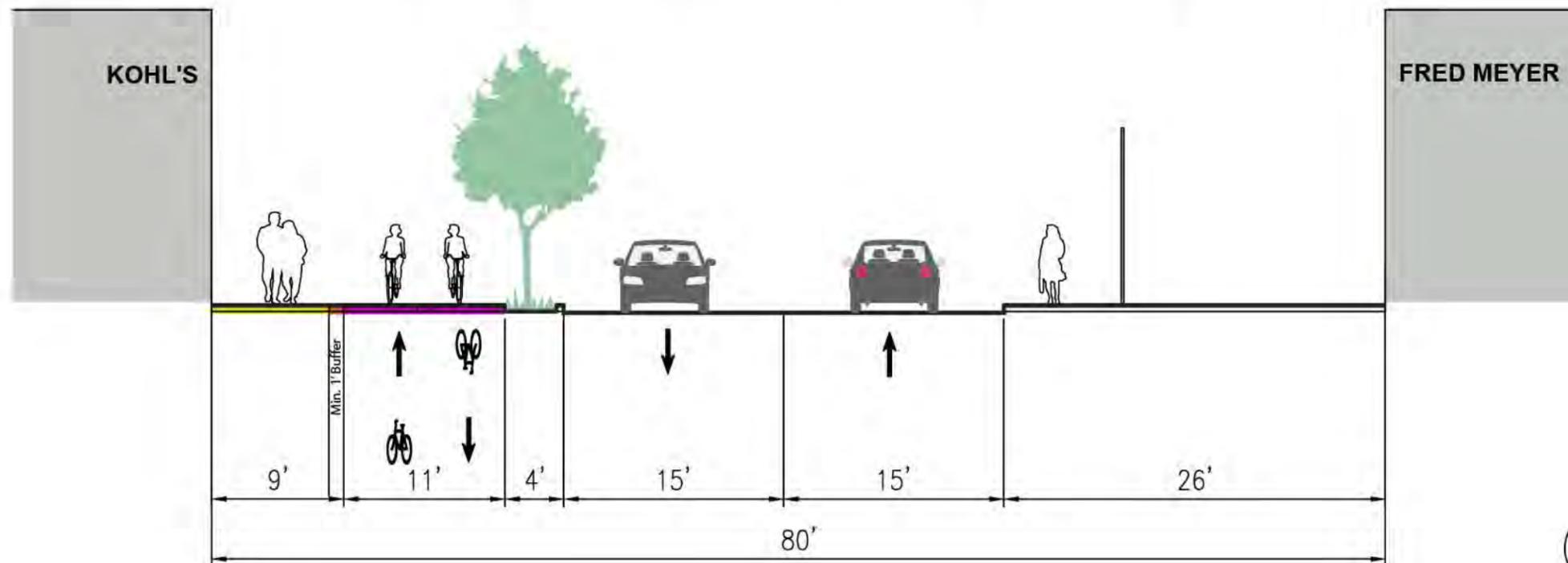
E/W OPTION 3	
PARKING SPACES REMOVED	69
ASPHALT IMPACTED (SQUARE FEET)	16,190
CURBS REMOVED (LINEAR FEET)	1,200
PLANTING AREAS REMOVED (SQUARE FEET)	5,740
PARKING AISLE	REMOVED



### OPTION 1 - PLANTER BETWEEN PED AND BIKE

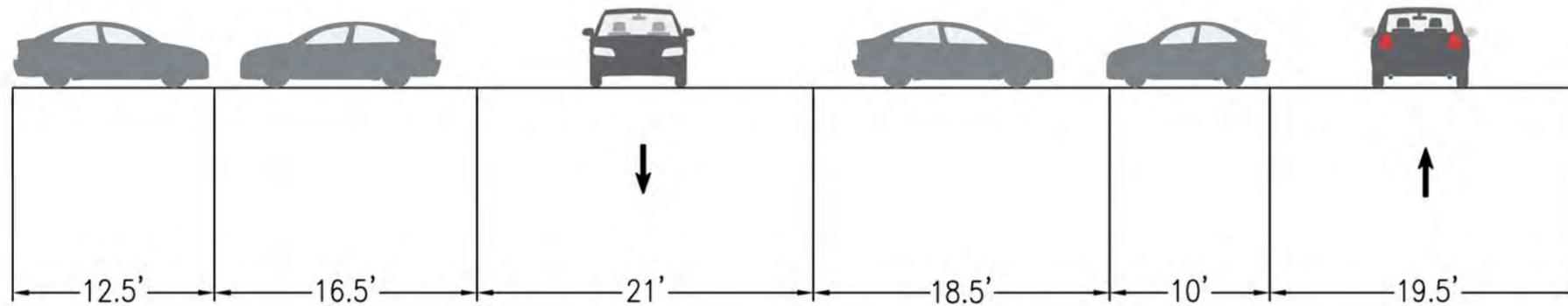


### OPTION 2 - PLANTER BETWEEN BIKE AND CAR

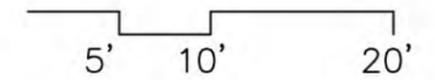
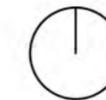




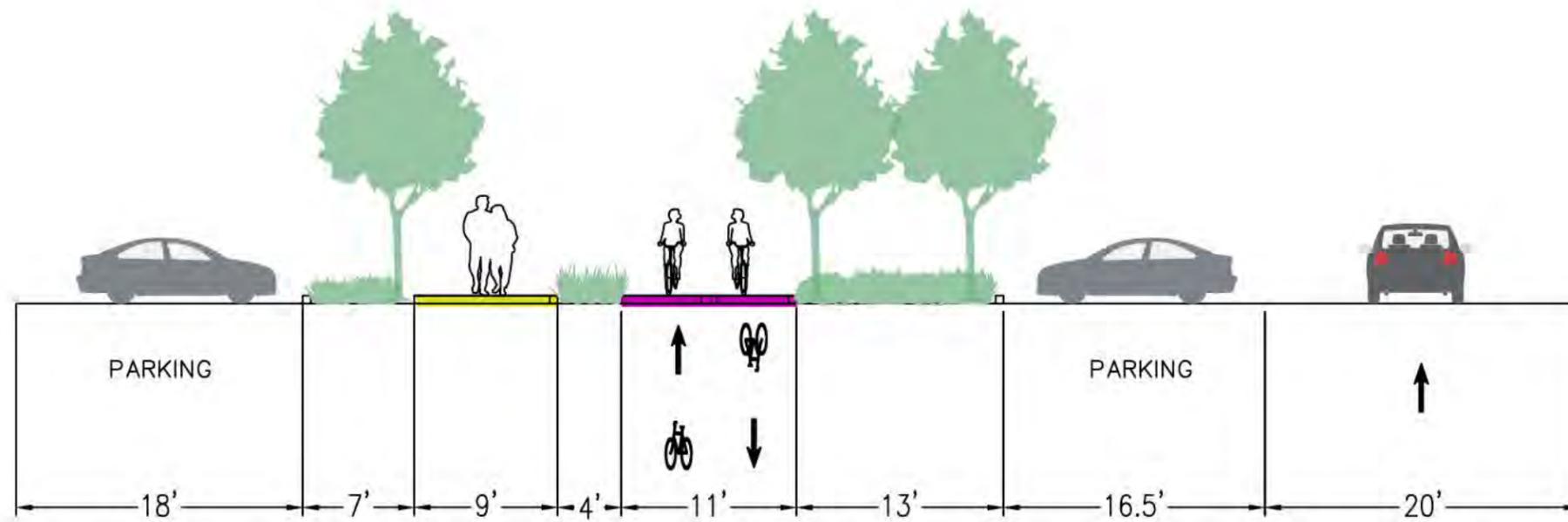
### Existing Conditions



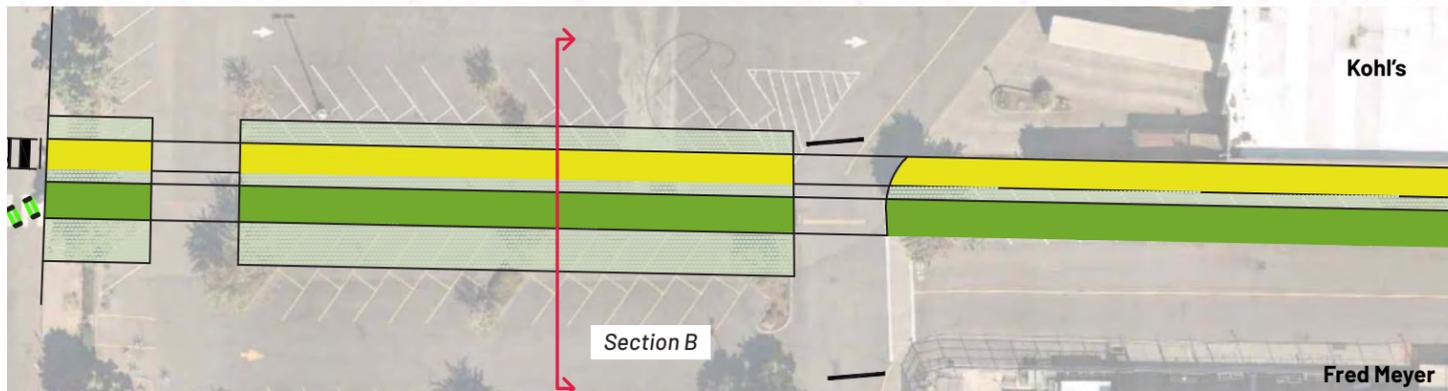
\*2 drive aisles, 60 total parking spaces



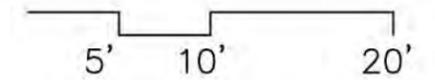
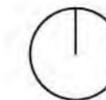
**OPTION 1 - Straight Ped/Bike Crossing,  
Eliminated Drive Aisle**



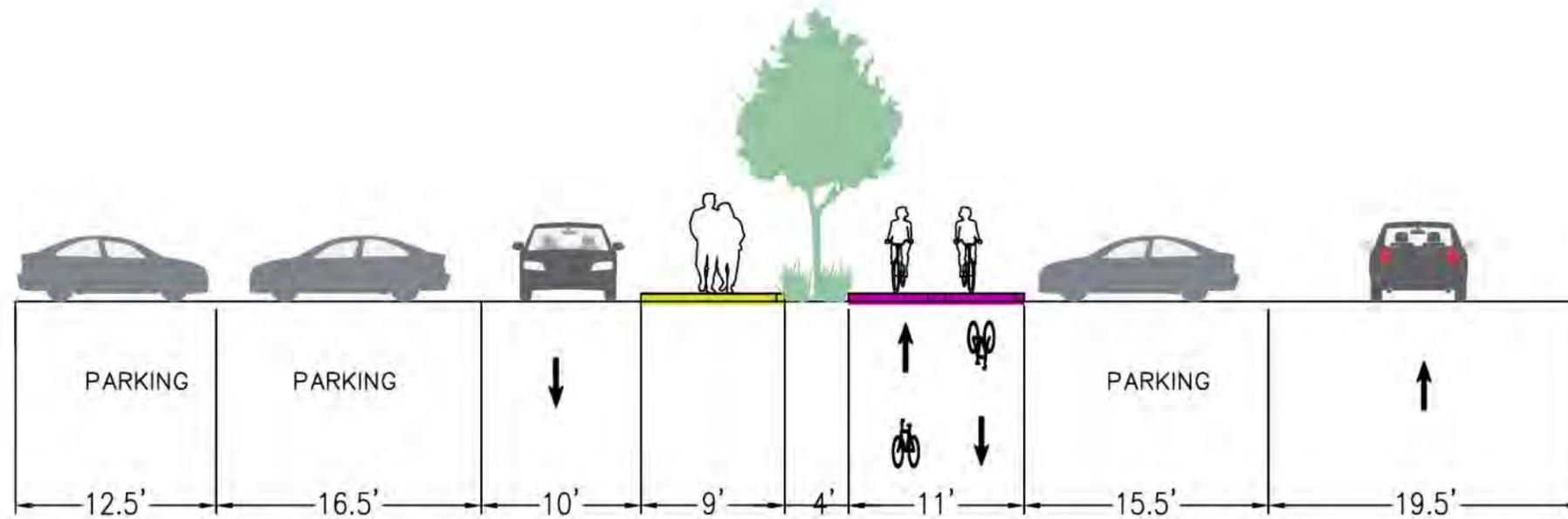
\*Generous planting areas, significant lot impact (30 spaces, 50% of total spaces in area) and 1 drive aisle



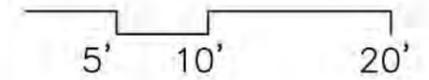
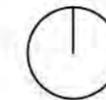
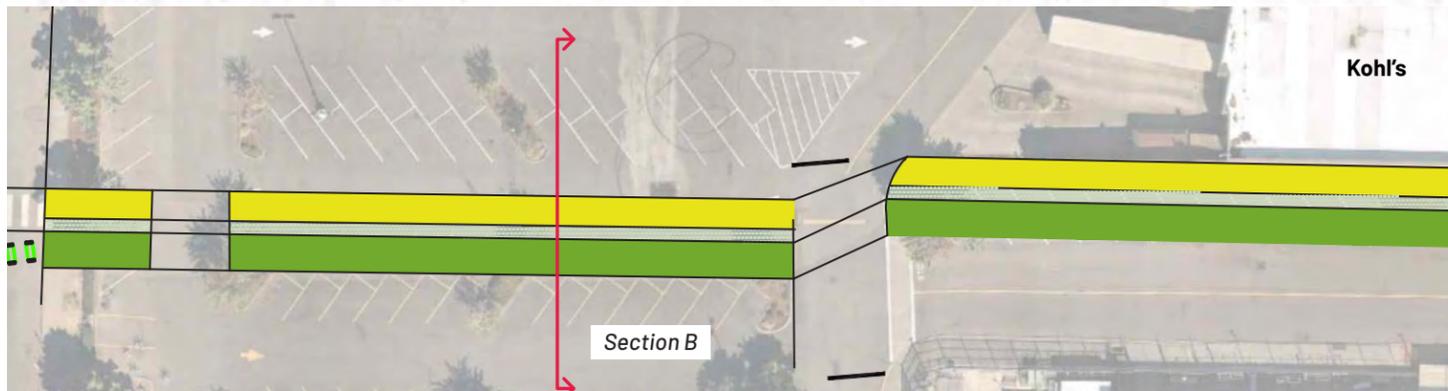
Section B



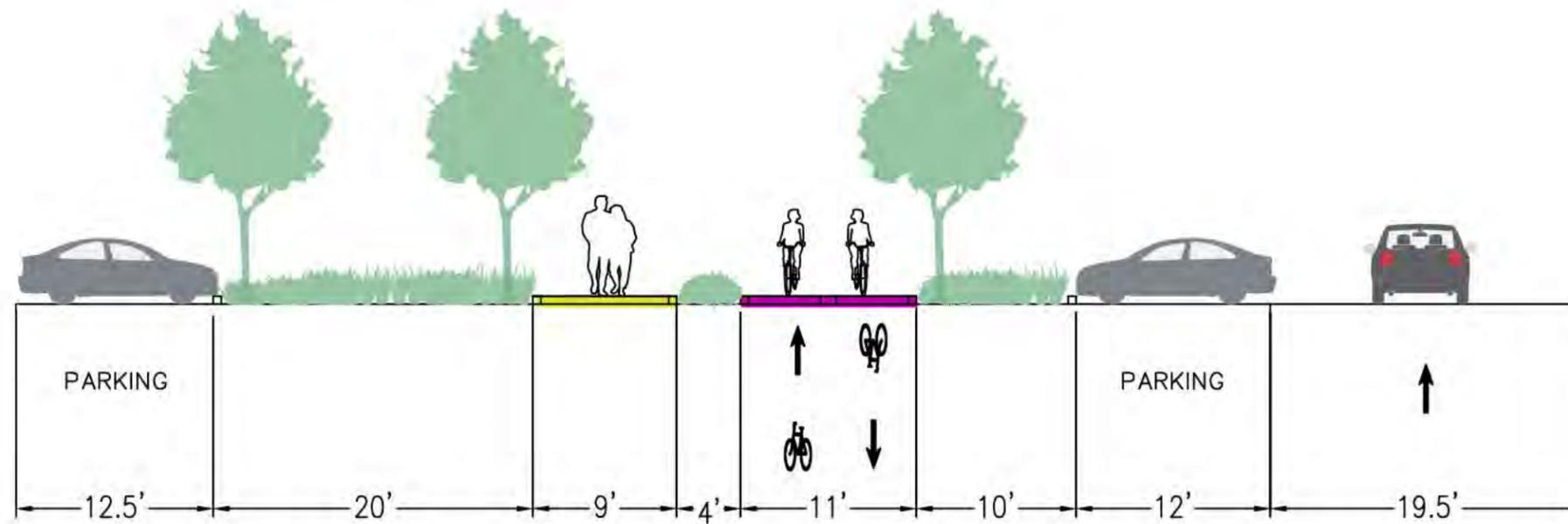
### OPTION 2 - Angled Ped/Bike Crossing, Narrowed Drive Aisle



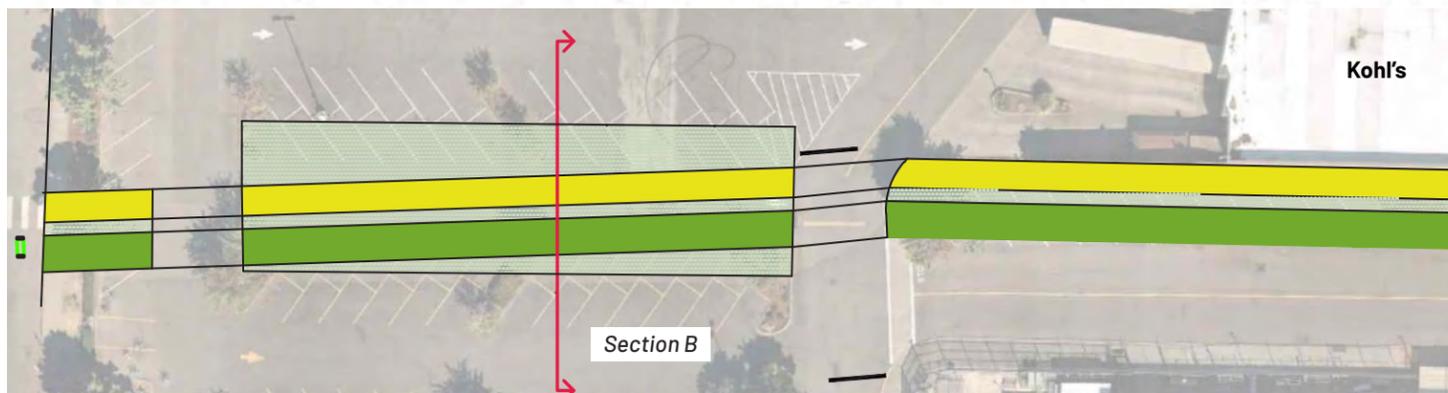
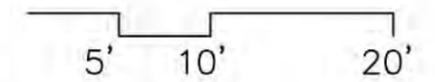
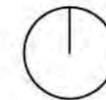
\*Lower parking lot impacts (15 spaces removed, 25% of total spaces in area), 1 drive aisle narrowed, and minimal planting areas



**OPTION 3 - Diagonal Ped/Bike Crossing,  
Eliminated Drive Aisle**



\*Most direct crossings for peds/bikes, most generous planting areas, significant lot impact (28 spaces, 47% of total spaces in area) and 1 drive aisle

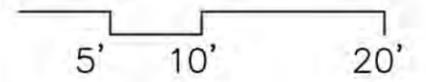
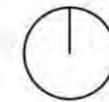
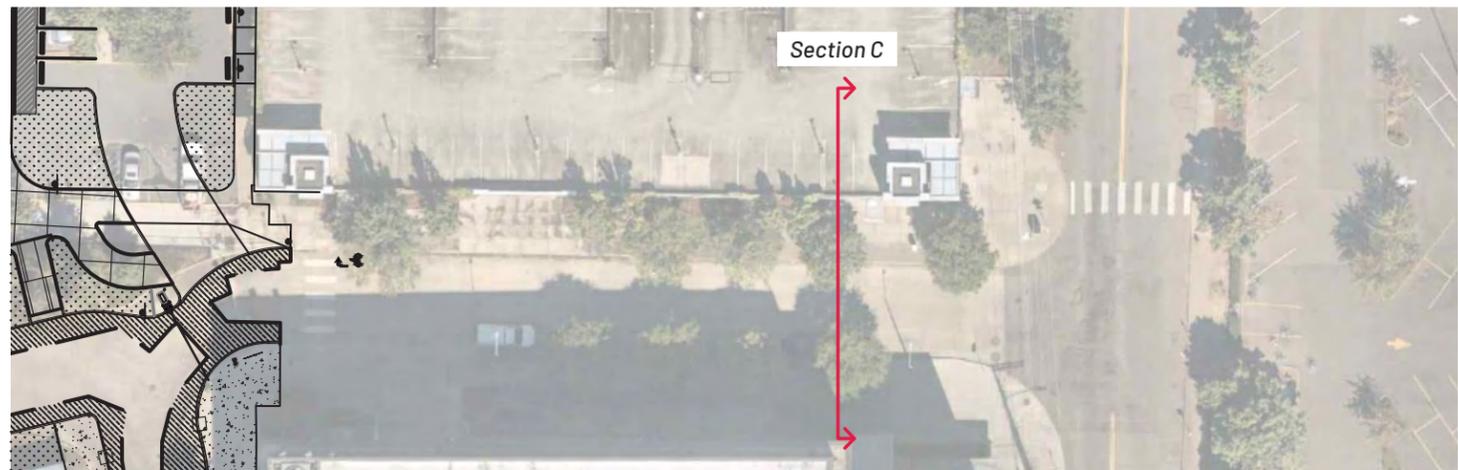
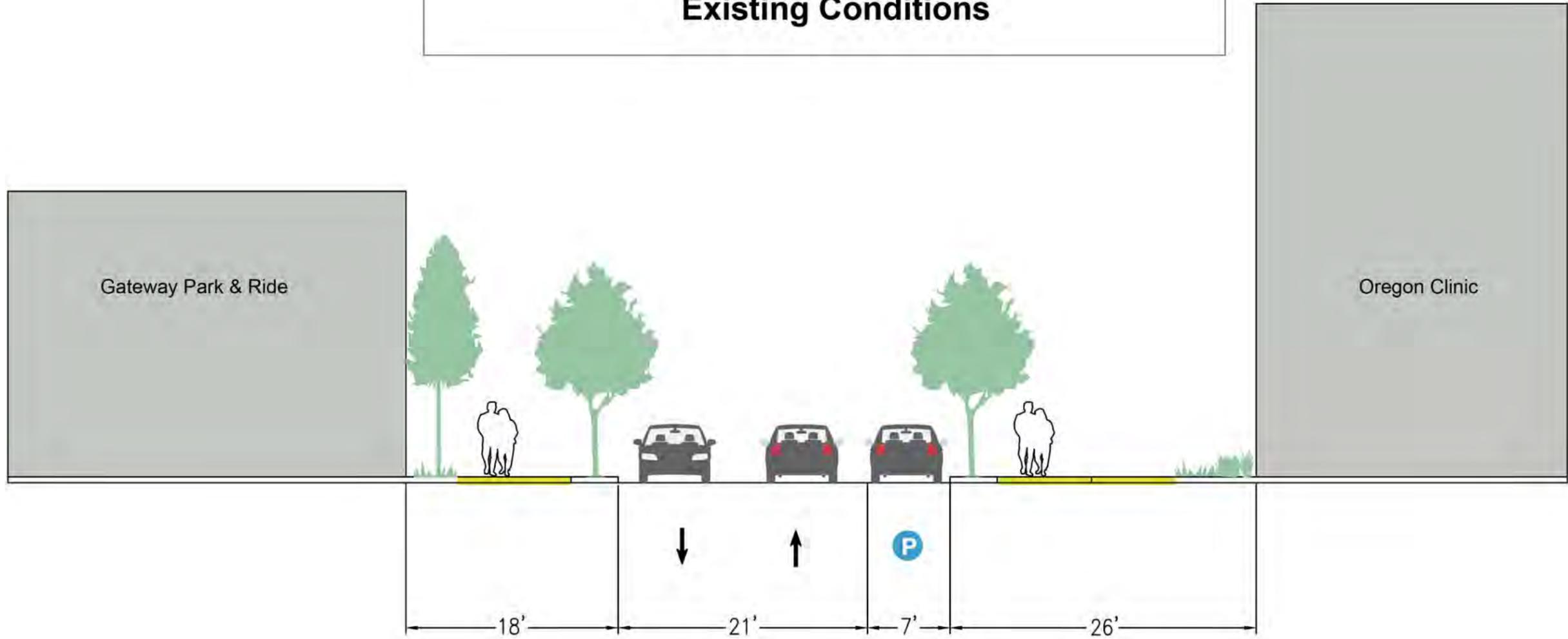




# E/W Ped/Bike Connection

## Section C

Existing Conditions

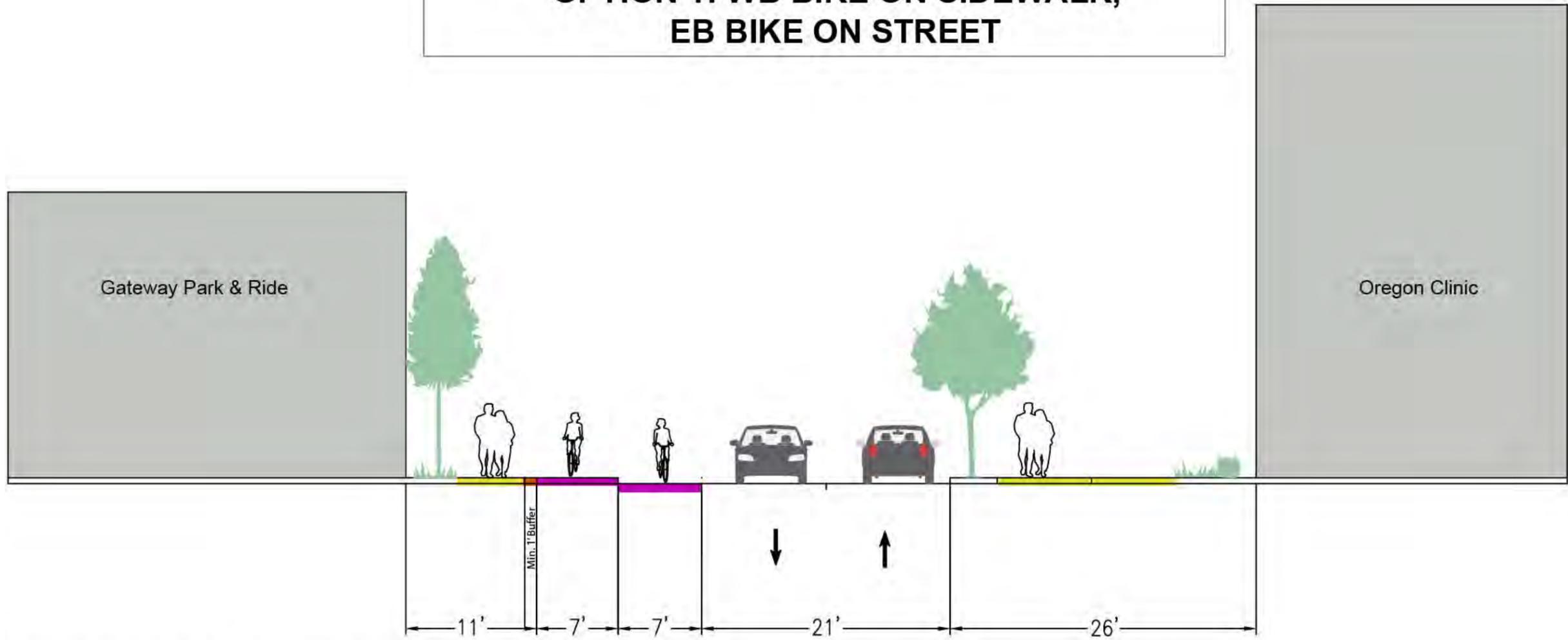




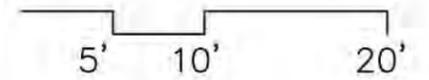
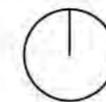
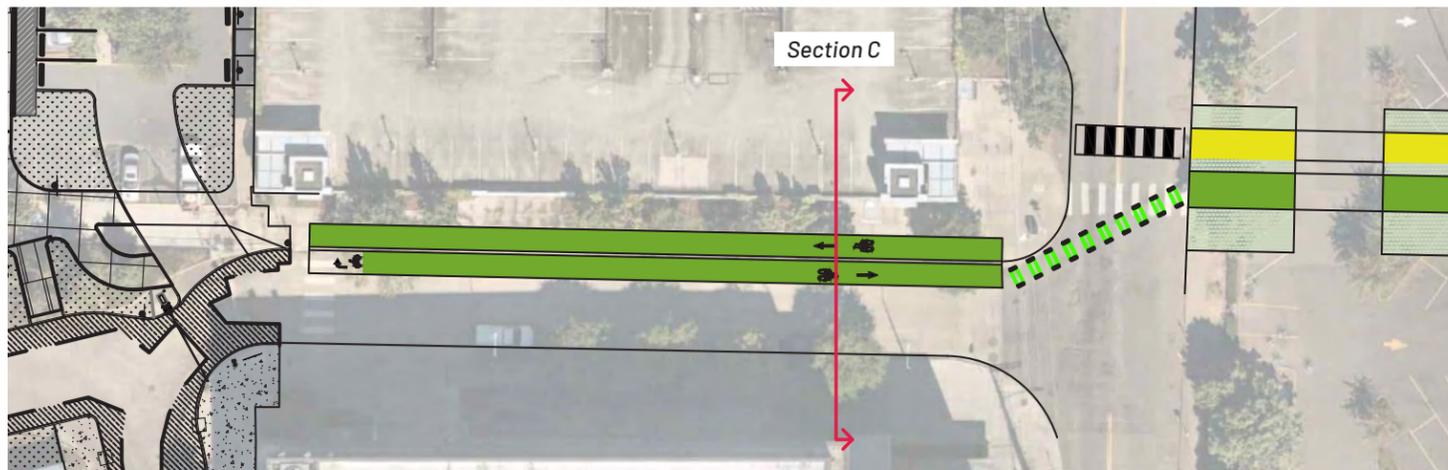
# E/W Ped/Bike Connection

## Section C

**OPTION 1: WB BIKE ON SIDEWALK,  
EB BIKE ON STREET**



\*Preserves existing north curb, removes existing trees and on-street parking

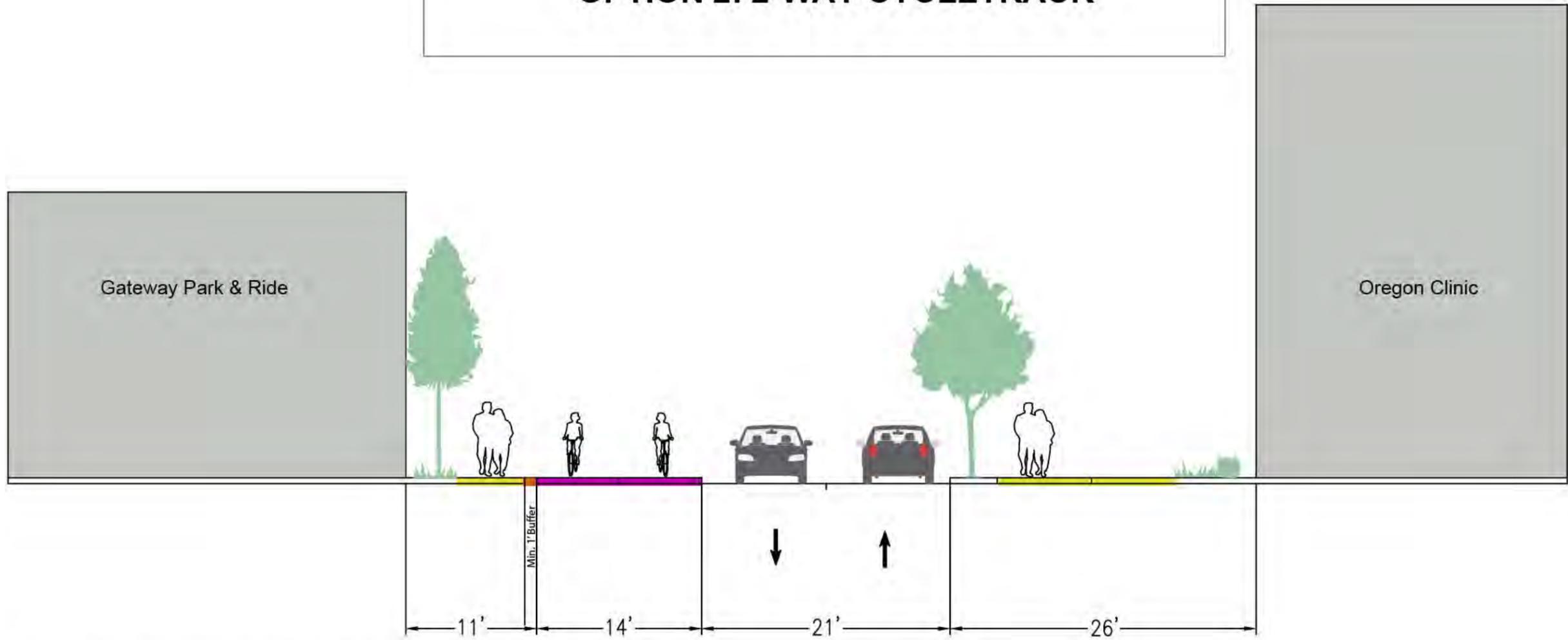




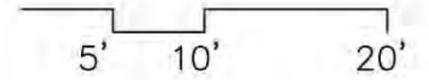
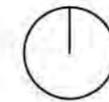
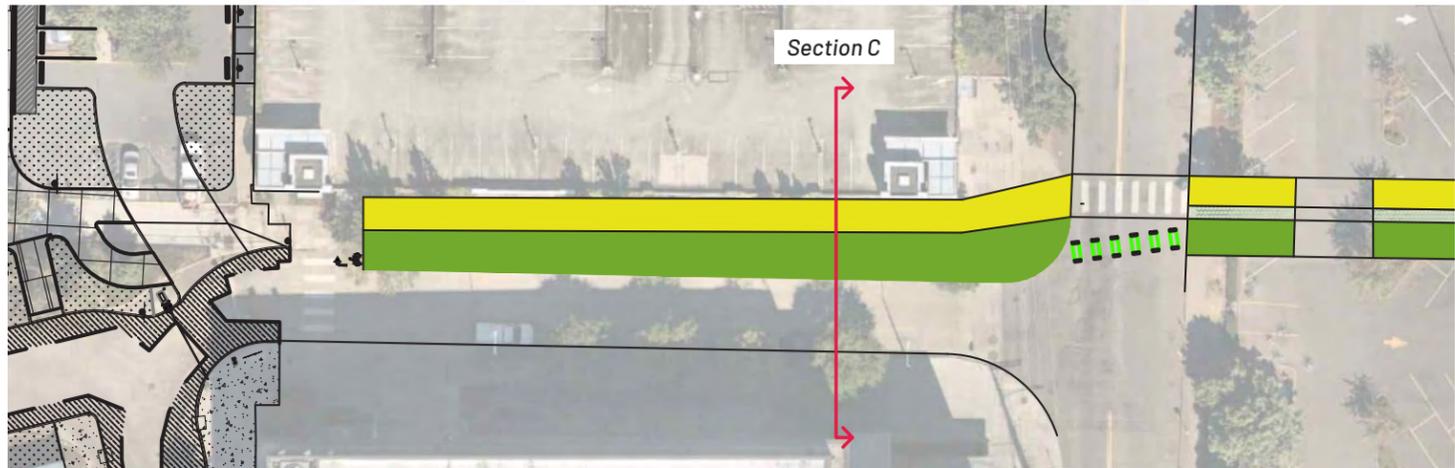
# E/W Ped/Bike Connection

## Section C

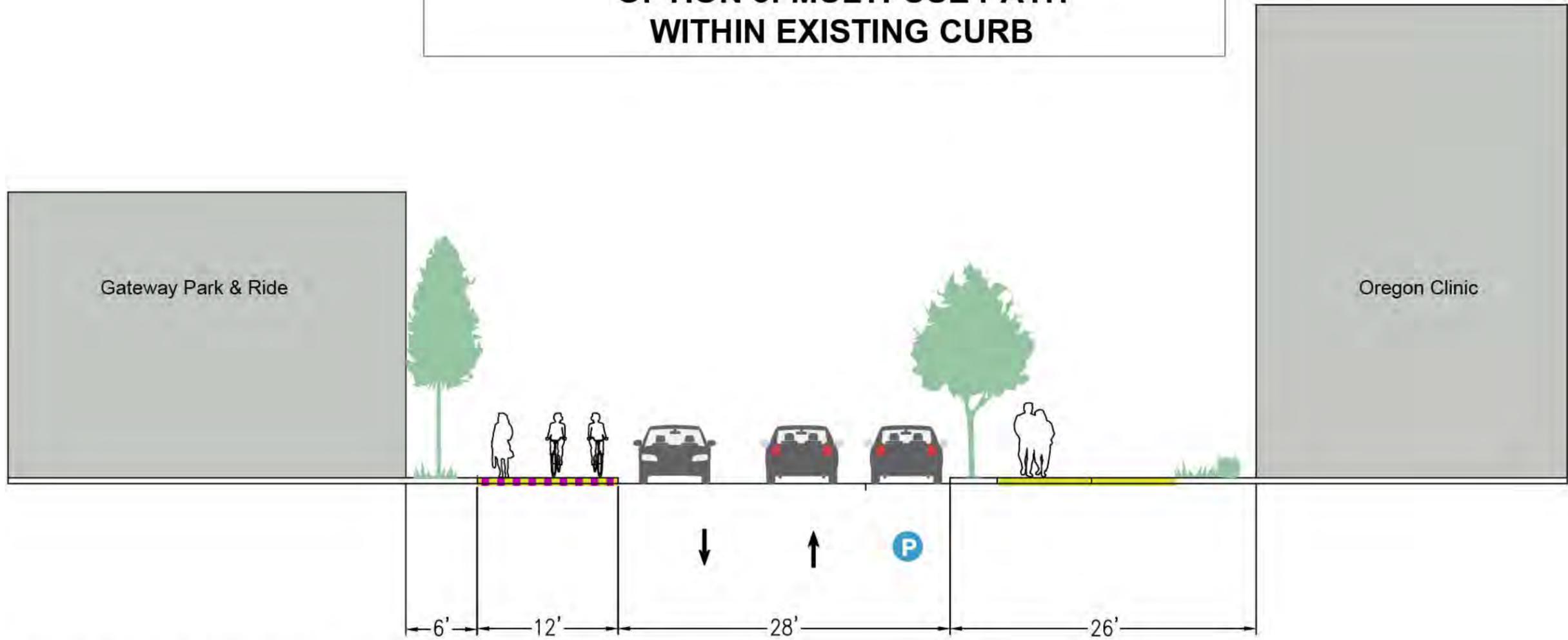
### OPTION 2: 2-WAY CYCLETRACK



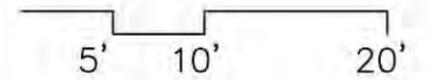
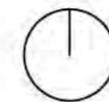
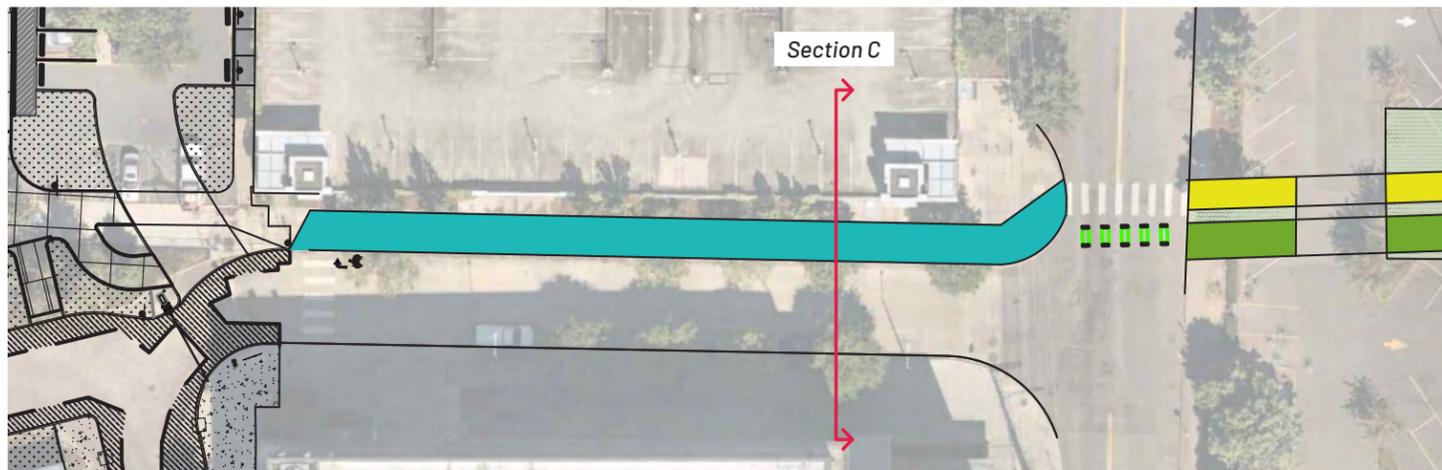
\*Rebuilds north curb, removes existing trees and on-street parking



### OPTION 3: MULTI-USE PATH WITHIN EXISTING CURB



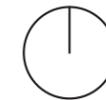
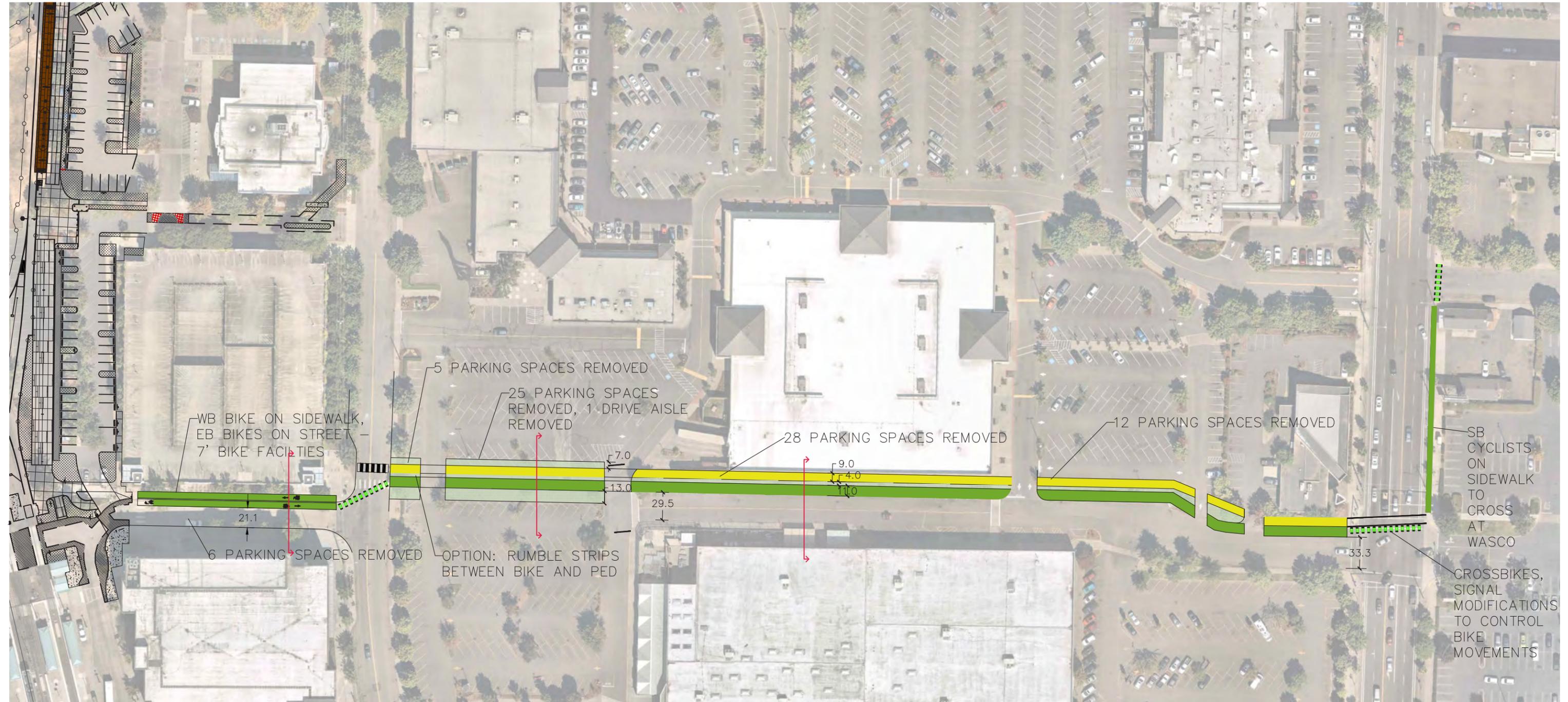
\*Preserves existing north curb and on-street parking, removes existing trees





# E/W Ped/Bike Connection

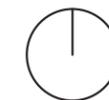
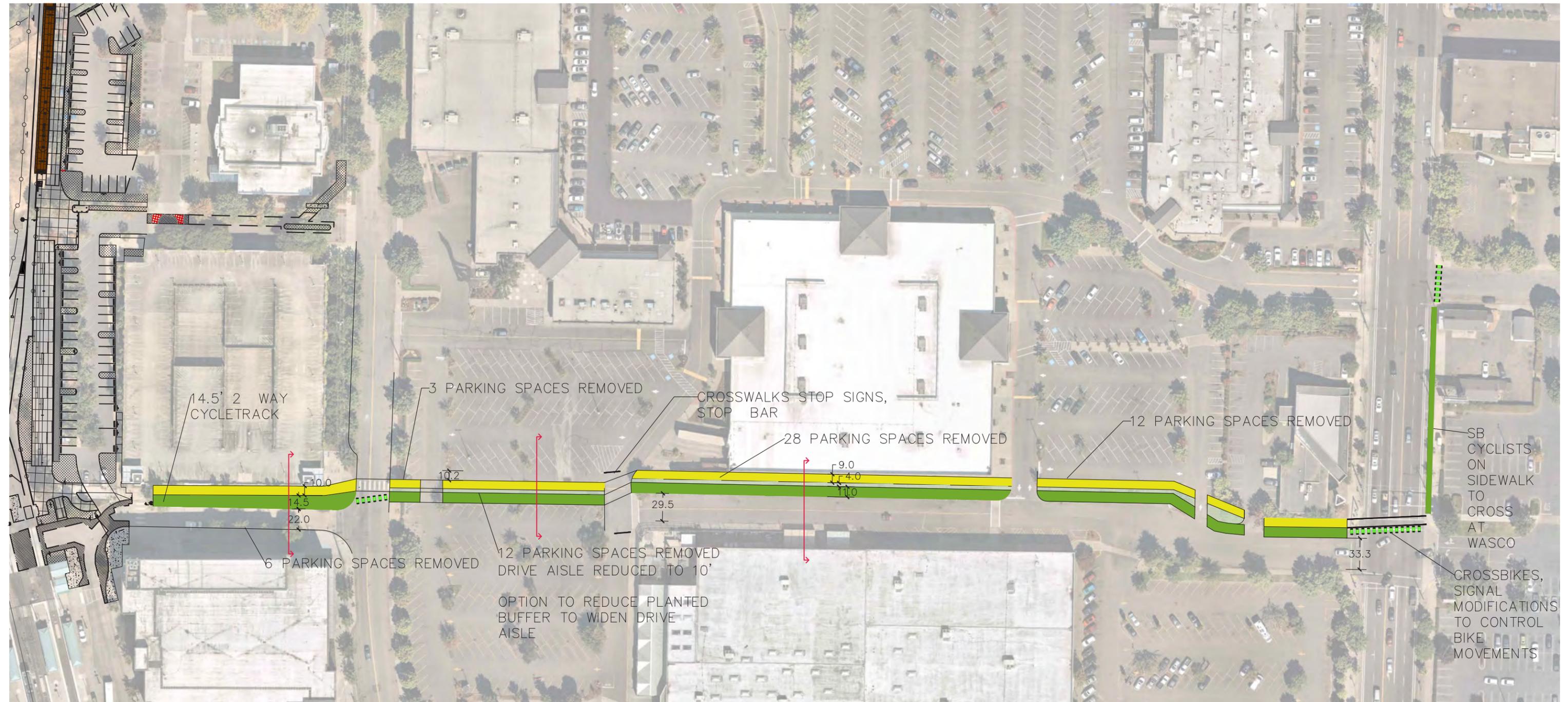
## OPTION 1





# E/W Ped/Bike Connection

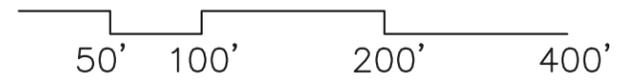
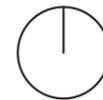
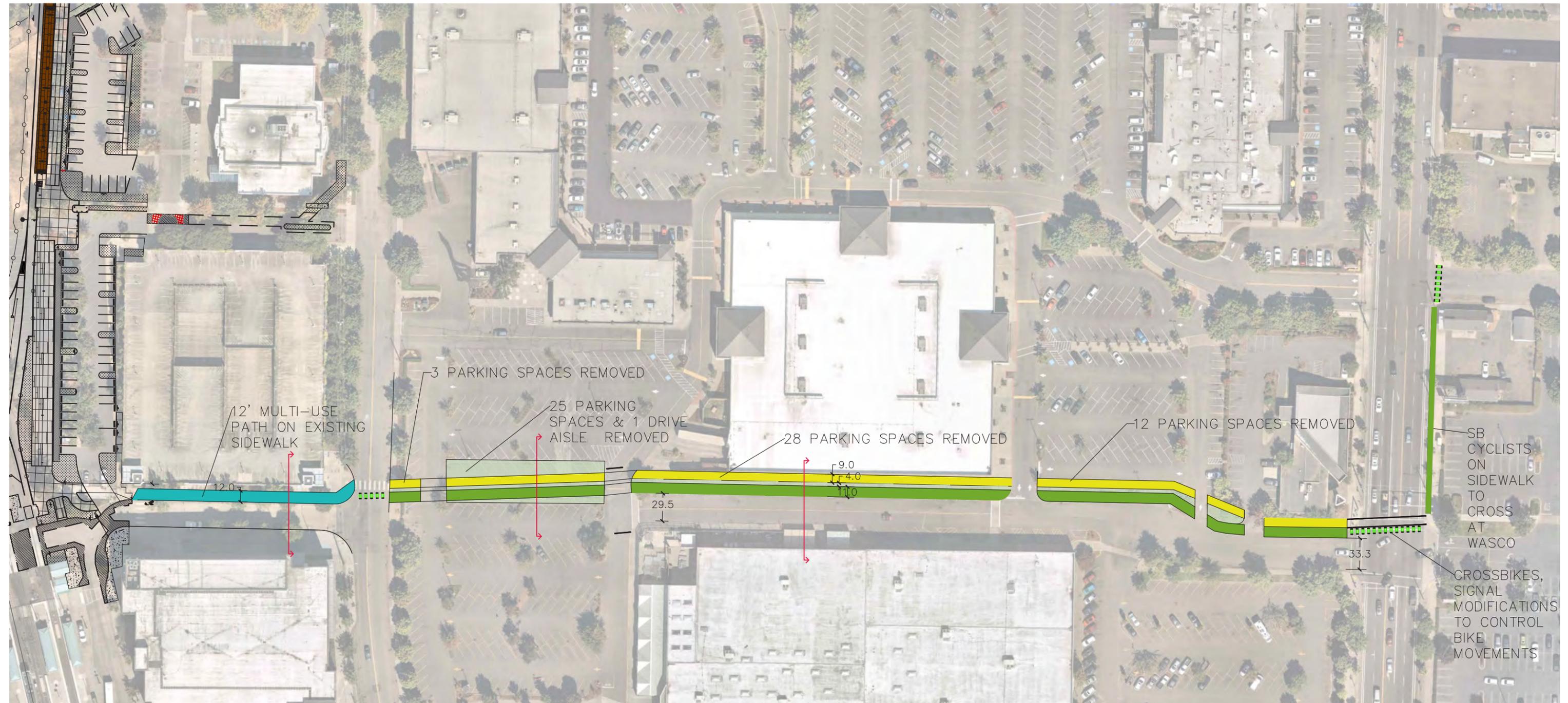
## OPTION 2





# E/W Ped/Bike Connection

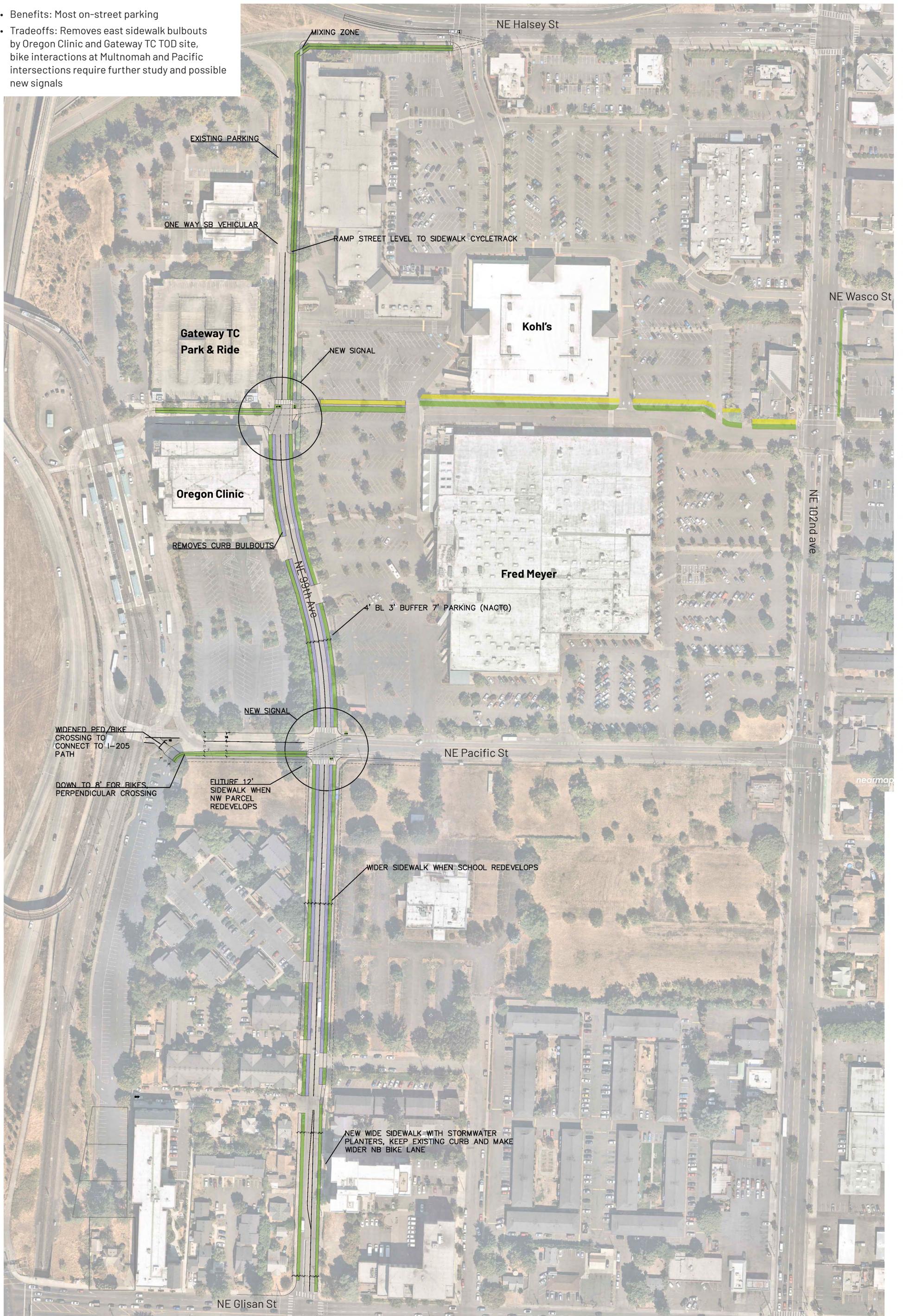
## OPTION 3



## **North/South Pedestrian & Bike Connection Studies**

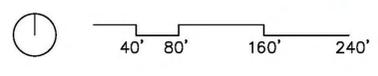
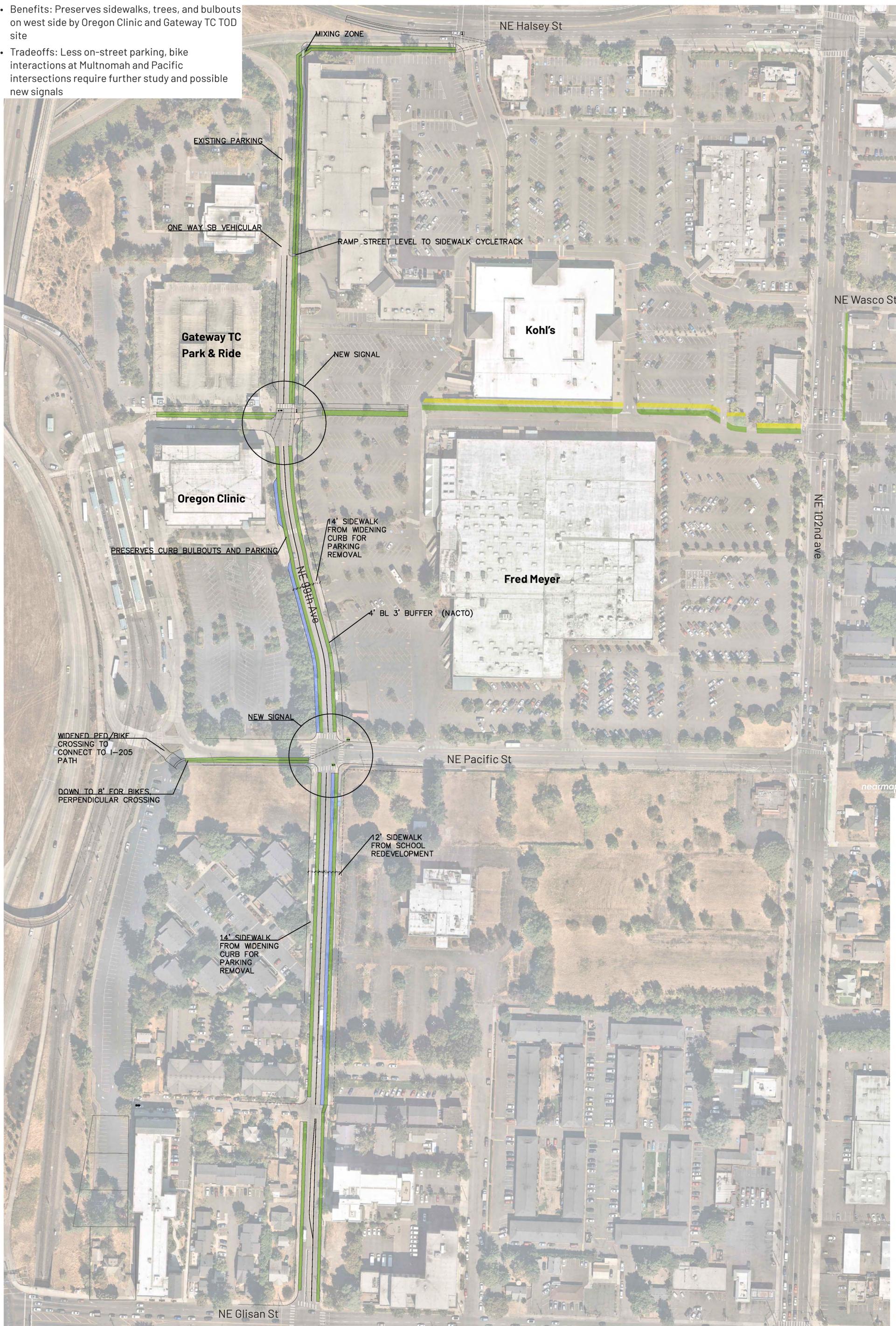
Option 1 - Symmetrical bike facility with both sides parking

- Benefits: Most on-street parking
- Tradeoffs: Removes east sidewalk bulbouts by Oregon Clinic and Gateway TC TOD site, bike interactions at Multnomah and Pacific intersections require further study and possible new signals



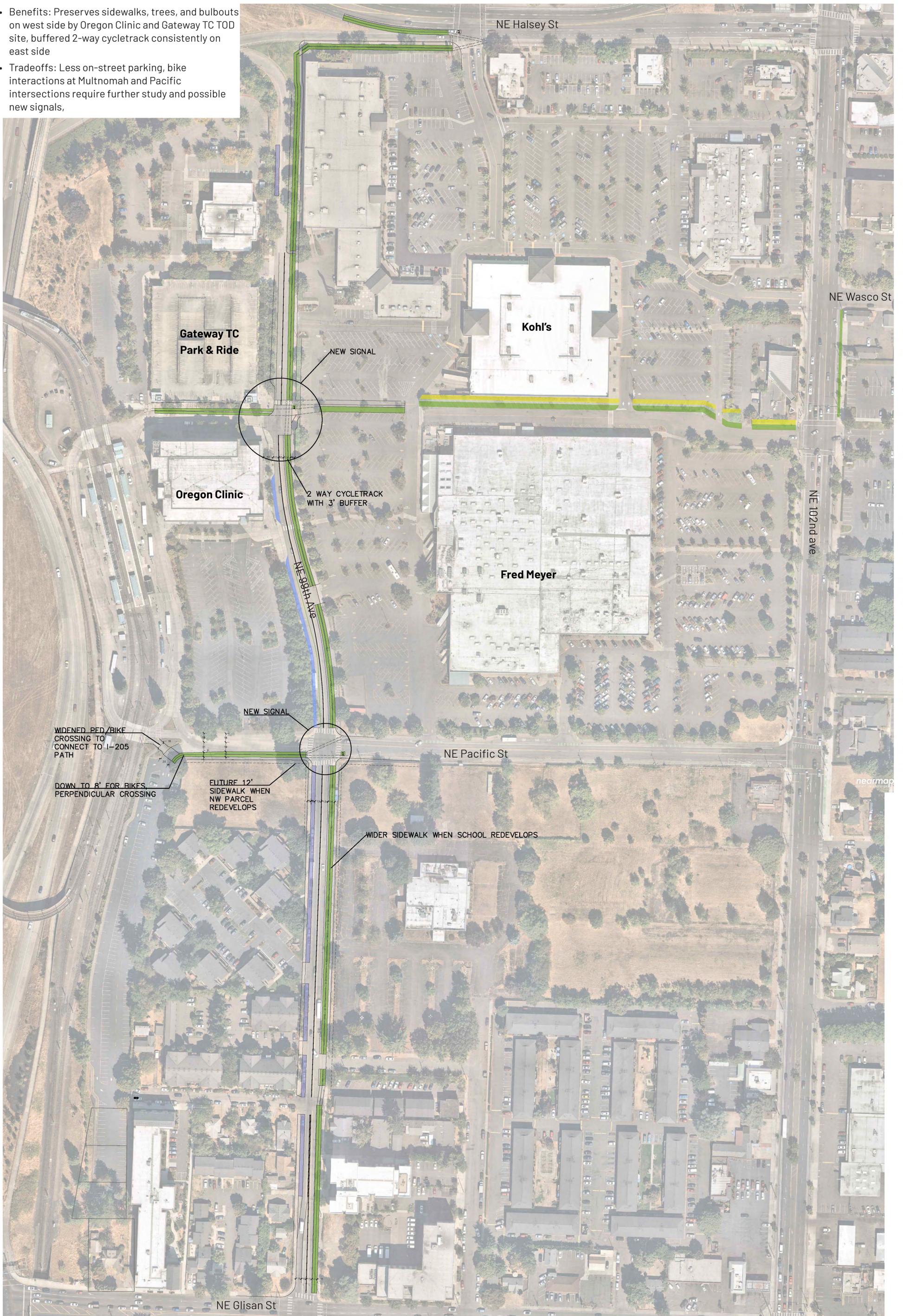
Option 2 - Symmetrical bike facility with 1 side parking

- Benefits: Preserves sidewalks, trees, and bulbouts on west side by Oregon Clinic and Gateway TC TOD site
- Tradeoffs: Less on-street parking, bike interactions at Multnomah and Pacific intersections require further study and possible new signals



Option 3 - Asymmetrical bike facility with 1 side parking

- Benefits: Preserves sidewalks, trees, and bulbouts on west side by Oregon Clinic and Gateway TC TOD site, buffered 2-way cycletrack consistently on east side
- Tradeoffs: Less on-street parking, bike interactions at Multnomah and Pacific intersections require further study and possible new signals,





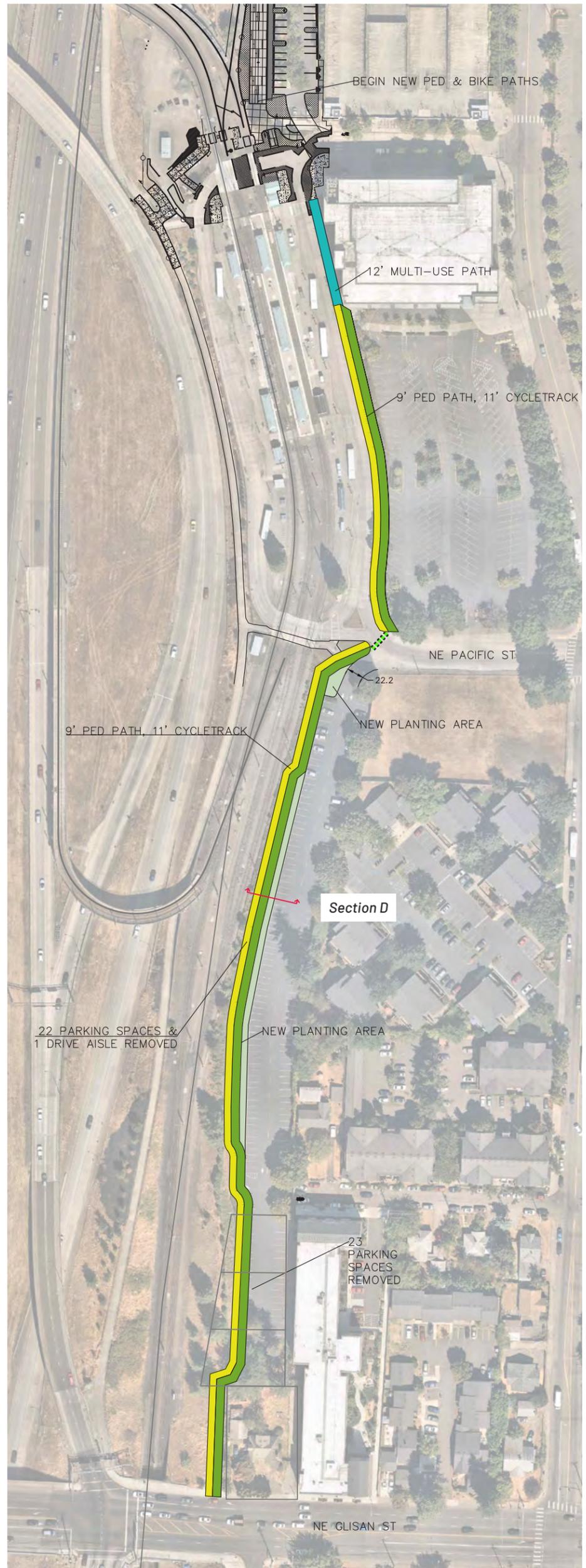
# N/S Ped/Bike CONNECTION OFF STREET

## Plans

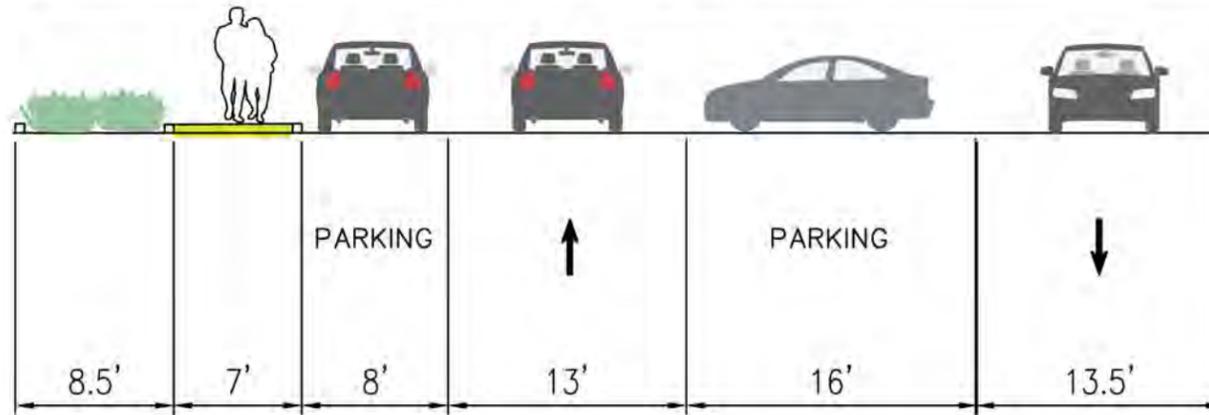
### OPTION 1 - MULTI-USE PATH



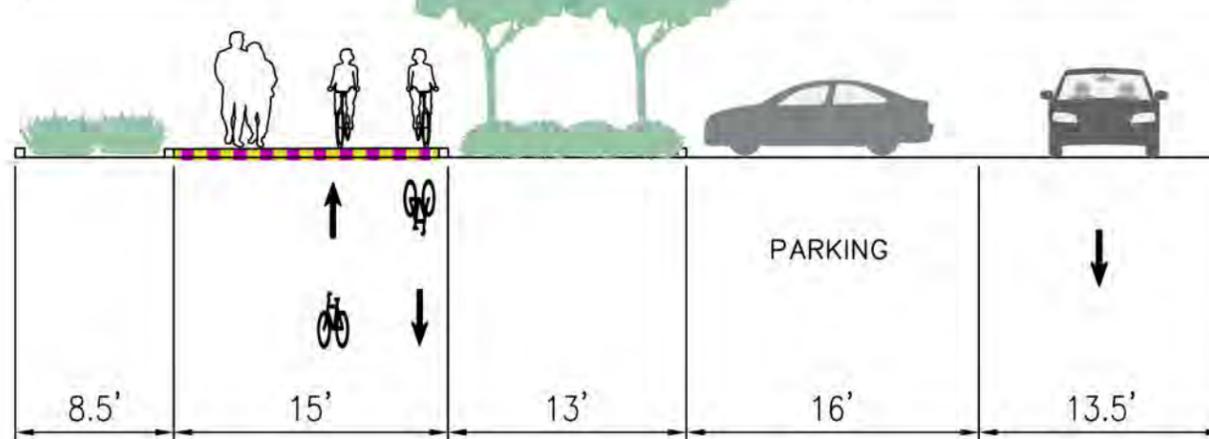
### OPTION 2 - PED PATH & CYCLETRACK



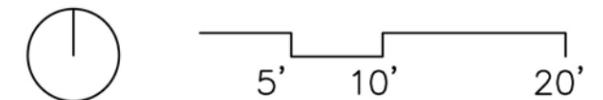
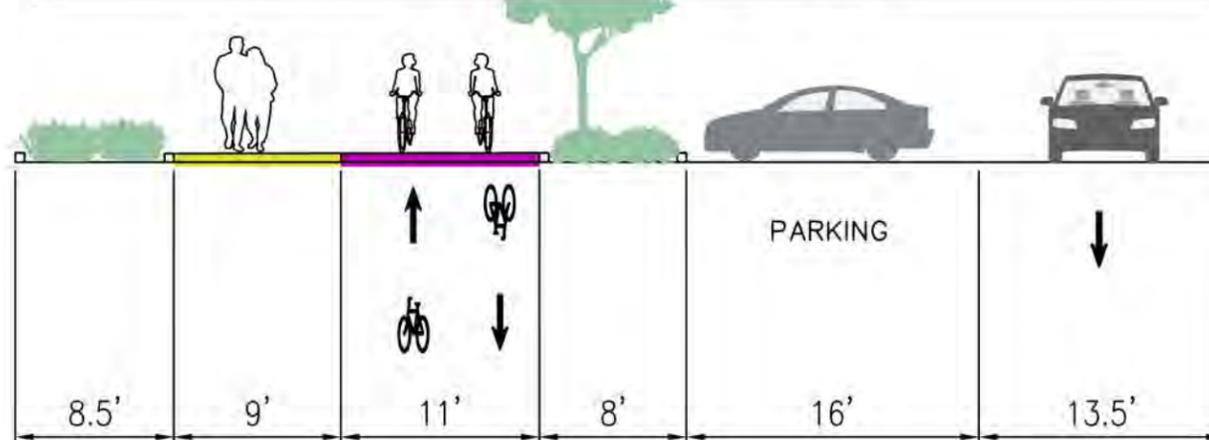
### EXISTING CONDITIONS



### OPTION 1 - MULTI-USE PATH



### OPTION 2 - PED & BIKE PATHS



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# Appendix D

## Gateway Transit Center Public Engagement Summary

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June 16, 2023

Prepared for:



Final Report



# TRIMET BETTER RED STRATEGIC AREA PLANNING: GATEWAY STATION

## EVALUATION OF COMMUNITY INPUT

The following documents were reviewed to understand what information has been recently collected through other planning efforts. As well as to reduce asking the same questions that have already been asked of marginalized communities around the Gateway Transit Station Area (specifically Black, Indigenous, and other people of color, people with low-incomes, houseless populations, and people with limited English proficiency).

This document includes the review of five documents for public comments; the preparation of a summary for the technical team of the input collected and missing information, as well as the information that needs to be confirmed.

## SUMMARY AND INFORMATION NEEDS

The following are key highlights from the five documents reviewed. These are not listed in any particular order.

- There has been little community outreach that identifies the racial and ethnic makeup of respondents, let alone what comments are specific to each community group. So, it is difficult to say if the community currently living and working in the area are represented in the plans reviewed. It will be important to coordinate with other planning and outreach projects taking place to minimize the burden of participation placed on BIPOC community members. However, similar issues were raised from the current Parkrose Community Center which was overlapping communities and issues with delayed City investment.
- There is a documented negative perception of government agencies and the delayed/lack of investment in the area from the City of Portland and the decades of planning work that has resulted in little visible change to the area (from the public's perception). It will be important to hold this in mind when conducting outreach and limit engagement with key stakeholders who understand the planning process and that development is not solely up to government agencies.
- There are strong concerns about gentrification and displacement to the diverse community that reflects a range of immigrant groups, ethnicities, incomes, and world-views. In particular, the People's Plan highlights the continued forced displacement of the Black community from inner NE to outer SE Portland.
- Some of the neighborhood features (proximity to transit) were seen as both a positive and negative. These views will still be present today, but similar to Parkrose, may have seen a shift to crime prevention and the houseless population that has been more prevalent since the COVID-19 pandemic. There have been ongoing complaints from Oregon Clinic and other TOD buildings at the Gateway Transit Center regarding illegal camping activities near their buildings and the effect that is having on the clients/customers.
- Many responses focus on the connection of people to locations (transportation options, biking, transit, sidewalks for all ages, through streets) as well as to other people (immigrant groups that are isolated, business and residential, integrating affordable housing with market rate housing, etc).

Gateway Station Area

- The lack of a shared identity is raised multiple times. For the People’s Plan, there is a strong desire for a gathering place for Black Portlanders. While Gateway is not called out as a recommended location, it could be if desired by the community since many of the other features desired are represented in the Gateway Transit Station area.
- The recommendation is to connect with IRCO, who is located in the area and represents a large range of community voices. The following questions are the most relevant to the current effort.

The following questions or missing topics arose from the review of these documents and should be asked during targeted outreach around the Gateway Station Area:

- There have been a lot of plans for the area in the last 20 years. What do you value most about the Gateway neighborhood?
- We have heard that connections to jobs, transportation options, improving safety/reducing crime, and providing a range of affordable housing options is important. Are those still the most important concerns for the neighborhood? Is there anything missing?
- For housing developments, we’ve heard from previous outreach that the following items are important. Can you please let us know if these are still important and if anything is missing:
  - Large units for families that are culturally responsive
  - Play areas for children of all ages, including play equipment, water features, etc.
  - Places for seniors and people with disabilities to live and connect with the community
  - Green space including trees and gardening opportunities
  - Community spaces such as larger rooms, outdoor communal seating, and cafes
  - High quality buildings that look and feel good; not “barrack” style buildings
  - Safety features such as lighting, visibility, active/engaged spaces
  - Parking or access to transit/transportation options
  - Integration into the neighborhood or mixed-income housing developments
- Are there community resources (libraries, job centers, parks, childcare providers, etc.) that are missing from Gateway?

## PROJECT + PLAN REVIEW

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## Better Red Station Open House

March 2020

## Demographics

Of the 12 attendees at this open house (right before the statewide pandemic lockdown), three people completed the optional demographic information on the comment cards. One person indicated they were Asian American and one Hispanic/Latinx. Information was also collected from IRCO staff who attended.

## Findings

Below are the solutions and actions called out in the plan that are relevant to future transit-oriented development (TOD) at the Gateway Transit Station.

- Ideas for improvement
  - More artwork
  - Housing opportunities; fears of gentrification
  - Create a regional center and a sense of community
  - Desire for improved maintenance (trash, plantings, graffiti, etc.)
  - Major transfer points should have restrooms
  - Create connection to and promotion of the Gateway Green Park
- Other comments:
  - Desperately needs large entertainment center that includes various-sized venues for gatherings of all kinds.
  - Should be a place of connectivity for bikes and pedestrians
  - The park, trees, and natural surroundings are valued
  - Lots of potential for development in the Gateway area, as well as the Transit Center

## PAALF People's Plan

<https://www.paalf.org/paalf-peoples-plan>

May 2016

The PAALF People's Plan serves as a powerful tool for research, organizing, and implementation. By viewing the community as the drivers of change, this project empowered the Portland Black community to assert their right to actively shape the city they live in. The project's aim was to engage the community on their terms to ensure that the solutions are informed by the people they affect.

## Demographics

Engagement included twenty-six community events, engaging over 400 Black community members, using numerous engagement approaches as well as community surveys, review of past plans for their impact on and potential for the Black community, best practices research, and more. The Plan was for the entire city of Portland, not just the Gateway Transit Station area, but can be extrapolated for this area.

## Findings

The list below shows the vision statements and actions that are relevant for the Redline strategic station area planning efforts:

### Economic

- As Oregon's economy has recovered, Black unemployment remains double that of White Oregonians, and 30% of Black Portlanders live in poverty (Urban League, State of Black Oregon 2015).
- Black workers are overrepresented in low-wage jobs and underrepresented in living wage jobs. Without adequate resources, it becomes challenging to meet basic needs for maintaining health and security. In fact, 44% of Black families experienced food insecurity versus 19% of white families (Urban League, State of Black Oregon 2015).
- Establish funds for Black workers to access workforce readiness and job training programs, including paying for transportation, child care, equipment, books, and other expenses during training and apprenticeship periods.
- Provide greater information and coordination of existing small business development and minority business development programs at PDC and state of Oregon. Ensure that communications pathways include networks of Black entrepreneurs.
- Urban renewal districts must include: business retention and development that recognizes racial disparities in access to opportunities for capital financing; and workforce goals on funded projects that target specifically the historical disadvantages faced by Black workers.
- Disparities in public agency contracting and purchasing, including for professional services, must be eliminated. MBE utilization must go beyond "good faith efforts" and achieve targets for workforce utilization as well as business ownership. Fully implement Community Benefits Agreement policies on public projects, and ensure that those agreements that are developed in transparent and participatory forums with accountability measures in place.
- Cultivate community sourced capital, lending circles, co-signing community programs, and develop a fund for black business use.
- Create a black owned business incubator.

### Housing

- Because of gentrification, Black residents have dispersed from the N/NE neighborhoods. The repeated forced migration of marginalized communities translates to continued health inequities that affect future generations. This movement over time has weakened important social support networks that are critical for ensuring survival.
- New housing resources must address racial justice. Prioritize resources for Black families in East Portland who have been serially displaced with a "right to stay in place" that prioritizes those households who were affected by policy and gentrification in NEP so they are not displaced again.
- Enact state and local policy changes to protect renters. Enable rent control/regulation policies, just-cause evictions standards, and anti-landlord harassment laws to make renting a safe, affordable, and stable option for Black people.

## Neighborhood features

- Equitable access to public transit, green spaces and parks, is vital to helping our community remain resilient while dealing with the effects of gentrification and displacement.
- Ensure land uses and the physical appearance of neighborhoods support the wellbeing of our community with minimal impact on the earth. Plan for equitable urban development where 'sustainability' features support and enhance Black lives.
- Support Black community organizations to extend their programming into East Portland and have visible presence where Black people are moving across the region.
- Urban design, art, public spaces, and community events should honor history and culture in meaningful, not superficial or stereotypical, ways.
- Existing public art by and for the Black community must be preserved. Public art and design must represent Black Portland in its diversity in all the neighborhoods where Black people live.
- Public agencies incorporating art and design to represent cultural communities must actively reach out to and engage with artists and designers from the Black community to ensure their presence in these projects.,
- Ensure land uses and the physical appearance of neighborhoods support the wellbeing of our community with minimal impact on the earth. Plan for equitable urban development where 'sustainability' features support and enhance Black lives.
- Access to nature and recreation is important for all Black neighborhoods. Portland Parks and Recreation must focus on serving not only the inner east neighborhoods that have experienced gentrification, but also those neighborhoods to where our community has been displaced to in East Portland. Parks programming and infrastructure investments should be made equitably across the city.
- Portland's Department of Urban forestry should focus tree planting in under-served neighborhoods such as East Portland to meet the needs of African-Americans that has experienced displacement.
- Access to healthy food options, community gardens, and urban farming initiatives within the Black community is vital. Bureau of Planning and Sustainability should incorporate racial justice as a guiding principal in the Urban Food Zoning Code update.
- Bureau of Planning and Sustainability should augment public spaces with art that reflects Black cultural identity to foster a sense of place and belonging.
- Preserving public art and murals that exist in celebration of African-American community and history. Provide legal resources to support mural protection through the Visual Artists Rights Act, prioritizing the murals by Black artists documenting community and political history.
- City of Portland, and the Portland Development Commission should work with the Black community to establish a cooperatively owned arts and performance space.
- Portland's public agencies should donate land and free or reduced rent to establish a Black creatives incubator space.

## Transportation

- Public investments in environmentally conscious transportation options and green space within the city must serve all Black people, from inner N/NE neighborhoods to East County.

#### Gateway Station Area

- Safe, efficient transportation options must be available in all Black neighborhoods, connecting people to jobs and education via transit, walking, biking, and rolling.
- Metro, TriMet, and Portland Bureau of Transportation (PBOT) should assemble a transit justice task force made up of Black Portland residents, and members of other vulnerable groups, that is responsible for analyzing current data on transit access and developing solutions to enhance equitable access.
- PBOT must prioritize improvements to make it safer to walk, bike, and ride transit in East Portland and provide increased transportation options to transit poor areas. Commit to Complete Streets in East Portland neighborhoods where Black people have been displaced.
- Ensure that Vision Zero goals are met with racial equity at the forefront. Begin the redesign of streets in the lowest income neighborhoods where communities of color disproportionately face dangerous conditions. Ensure that policing strategies to reduce crash fatalities do not disproportionately impact Black and brown drivers, walkers, and cyclists through inequitable increased traffic enforcement.
- The City, County, Metro, and TriMet must include anti-displacement plans, projects, and resources to ensure that new transportation investments do not create housing displacement for low-income folks and renters. These entities must coordinate plans and budgets to prioritize affordable housing preservation and new construction as part of transit oriented development in neighborhoods.
- City, County, Trimet and School districts must continue to fund, and seek additional resources for, youth transit passes to support Black young people in their education, employment, and personal development goals that require mobility. Expand YouthPass from PPS High School students to all youth in the TriMet service area.
- Bicycle infrastructure must meet the needs of Black riders who use bicycles as a low-cost form of transportation, Black youth and families, Black recreational riding. Partner with community-based organizations that work for racial equity in cycling, such as Community Cycling Center and the Rosewood Initiative.
- Portland Bureau of Transportation and TriMet should couple investments in transportation corridors and transit stations with public art that welcomes and affirms Black ridership.

## Gateway Action Plan

<https://prosperportland.us/wp-content/uploads/2016/07/Gateway-Action-Plan-DRAFT.pdf>

July 2016

The Gateway Action Plan (Action Plan) focuses PDC's limited resources and calls for partner City bureaus to rise to the challenges that have prevented Gateway from realizing the level of success that other areas in the Portland region have achieved in the past few years. The Action Plan also focuses on building partnerships, supporting local community organizations, and working with private sector partners to deliver on community goals and aspirations.

## Demographics

PDC hosted an open house in May 2016 and conducted an online town hall to gather feedback from community members and stakeholders over a two-week period. More than 120 people attended the open house or participated in the town hall, providing input and prioritizing the actions within the plan.

## Findings

Below are the solutions and actions called out in the plan that are relevant to future TOD at the Gateway Transit Station.

- Most community feedback was very supportive of focusing resources in Halsey/Weidler. However, there was strong desire that resources should include some geographic flexibility to be responsive to opportunities elsewhere if they arise.
- Residents and stakeholders strongly desire more high-quality mixed income housing in Gateway. While stakeholders generally support affordable housing in Gateway, they also want to target affordable housing across the district rather than concentrating them in one area.
- Expressed desire for high-quality design with active ground floor uses and housing for a range of incomes.
- The Gateway Master Street Plan calls for new connections that would improve connectivity and circulation within the Gateway Regional Center. However, many of the new streets in the Master Street Plan are on private property. Implementing the Master Street Plan will require collaboration between public and private partners to develop plans and funding strategies that support the larger vision for the area without creating an impediment to redevelopment.
- Action 2.3 Engage with PDC, TriMet, and other community partners to enhance pedestrian and bike connections to the station area with a focus on connections to the I-205 trail, Gateway Green, and the Halsey/Weidler business district. (PBOT, property owners, Gateway Green)
- Action 3.1 Engage with Oregon Clinic on existing and future parking requirements and find a workable solution that could lead to redevelopment of PDC/TriMet-owned properties at the station. (PDC, Oregon Clinic)
- Action 4.1 Identify opportunity sites for future mixed use, mixed income housing development. (PHB, PDC)
- Action 4.2 Develop a total of two additional sites in Gateway for mixed use, mixed-income housing through an inclusive process that actively engages community members in setting goals and expectations for the projects. (PHB,PDC)

## Gateway Redevelopment, Urban Plaza and Neighborhood Park

<https://www.portland.gov/sites/default/files/2020-07/gateway-redevelopment-urban-plaza-neighborhood-park-2011-2.pdf>

March 2011

*Appendix includes Gateway Market Assessment*

The Gateway Redevelopment and Neighborhood Park Project outlined the design for the park as a place to promote and reinforce the identity of Gateway as a family friendly, multi-generational, and multicultural place to live and work. The plan built off previous outreach, though the details were not provided.

The park will contribute to the Gateway Ecodistrict and provide public amenities that are currently lacking in the Hazelwood, Mill Park, and Woodland Park neighborhoods. The park design is made up of overlapping spaces that are flexible and adaptive to activities that vary throughout the seasons. The park will function as Gateway's Evaluation of Community Input

“living room” with spaces and activities for all age groups. Unique to the Gateway Regional Center is the new public plaza provided along NE Halsey. The plaza is sized to accommodate an interactive water feature, seating, dining, conversation, and a variety of events, festivals or a farmers market.

## Demographics

The preferred design concept is the product of an eight-month effort including input, review, and comments by the Citizens Advisory Committee (CAC), the Technical Advisory Committee (TAC), the Gateway URA Program Advisory Committee (PAC), and members of the community online and at three public workshops.

Demographics were not reported for any participants of the committees or public workshops. The CAC was composed of neighborhood and business representatives, as well as a youth representative and staff from IRCO.

## Findings

Below are the solutions and actions called out in the plan that are relevant to future TOD at the Gateway Transit Station.

- Park
  - Children’s play area
  - A space for a farmers’ market
  - Interactive fountain or water feature
  - Comfortable seating areas
  - Multi-generational activities
  - Flexible performance space (free concerts, open air cinema, dance)
- Multi-Story Mixed-Use Development
  - Café or coffee shop with healthy food opportunities
  - Retail on Halsey frontage
  - Successful/ vibrant retail component that helps activate the park
  - Residential component
  - Internal parking, not facing the park
  - Safety was continually emphasized as a community priority during the planning and design process.
- From the June 2010 public open house the following goals or elements for the building development or characteristics of Gateway received the most “votes” (numbers are shown in brackets) that are most relevant to this project:
  - Promote public safety throughout the park and development (31)
  - Encourage safe and convenient street crossings (23)
  - Design the park for use by all age groups, with particular focus on youth and elderly persons (20)
  - Maximize visibility and provide “eyes on the park” through the relationship of competent and sightlines (18)
  - Café or coffee shop with healthy food opportunities (43)
  - Provide eyes on the park (32)

#### Gateway Station Area

- Green technology (30)
- Family friendly (30) for Gateway characteristic
- Multi-generational (18) for Gateway characteristic
- Multi-cultural (16) for Gateway characteristic

## Gateway EcoDistrict Pilot Study

Budds, Michael; Reome, Erin; Schauer, Dan; and Wilson, Aaron, "Gateway EcoDistrict Pilot Study" (2010). Master of Urban and Regional Planning Workshop Projects. 3.

[https://pdxscholar.library.pdx.edu/usp\\_murp/3](https://pdxscholar.library.pdx.edu/usp_murp/3)

June 2010

This plan was developed to outline the community's desire for the area and outline both the barriers and opportunities for environmentally friendly development as part of the Portland EcoDistricts Initiative, which is a coordinated effort between public and private entities to foster sustainable development practices through collaborative community partnerships in five areas of Portland. However, stimulating economic investment in the Gateway district has proven difficult despite extensive planning and analysis.

### Demographics

Members of the Gateway Regional Center Urban Renewal Area Program Advisory Committee (PAC) were involved. The PAC is composed of constituents from local neighborhood associations, business associations, and community partners involved in real estate and development. Racial and ethnic composition of the PAC was not provided.

Additional outreach was conducted through listening circles. Stakeholders represented a wide array of perspectives, from neighborhood associations, small and large businesses, large land owners and major health care providers, community partners, local architecture/planning/urban design professionals, and local developers. Numerous one-on-one interviews were conducted using questions similar to those used at the discussion circles. A table was set up at the Mother's Day Bike Ride sponsored by the Gateway Area Business Association and the Friends of Gateway Green's Earth Day cleanup; as well as attending an existing meetings with East Portland Action Plan, Hazelwood and Mill Park neighborhood associations. Racial and ethnic composition of the community outreach was not provided, but individual comments were.

### Findings

Below are the solutions and actions called out in the plan that are relevant to future TOD at the Gateway Transit Station.

#### Identity, Economic, Planning Fatigue

- Ways to improve social connectivity were discussed, including how to be inclusive toward people with moderate incomes. Support of school programs and developing community outlets to engage youth are critical.
- There's no "there" there. Placemaking is important to Gateway's future success.

#### Gateway Station Area

- Stakeholders want to see the City prioritize improvements in Gateway. Sensitivity in approaching stakeholders about an EcoDistrict will go a long way since some community members are turned off by certain City associations due to grievances with service provision and urban renewal legacies, or concerns about security.
- Respondents would be particularly interested in sustainability efforts that would improve the economic development potential of the district and create jobs.
- Halsey/Weidler Couplet: is Gateway's primary local business area and it is currently one of the more walkable areas in the district. It is also considered to be one of Gateway's most historic, or iconic, places. A participant identified the area as Gateway's "Old Town" which is prime for revitalization and within a short walking distance from the adjacent residential neighborhood.
- Mixed-use development was suggested as a development approach for this area. Furthermore, the City owns a parcel of land here that is slated to become a park, which was highlighted as an amenity.
- Participants discussed opportunities in the area around the Transit Center and Fred Meyer where there are relatively few landowners and many "shovel ready" properties. This area's proximity to Gateway Green, the MAX and the Halsey Weidler Couplet were depicted as significant benefits.
- Connectivity in the community sense is important, such as connecting schools back to the community through gardens, and through work or volunteer programs. Also, creating a walkable, livable environment to encourage people to interact more with each other.
- Branding: capitalize on diversity as a strength; promote festivals; Gateway Green; take a fresh look ("all things green" and reinforcing the commitment to sustainability).
- Large populations of different ethnicities that tend to not interact with each other (e.g. Russian and Romanian groups).
- Gateway's slow rate of development: 12 years and little to show. Generate TIF: we're halfway through URA.
- Gateway Community as a whole will be turned off by certain City and PDC associations. Notions of redevelopment that it associates with "urban renewal."
- Been waiting since the 1970s for development here. Absentee landowners a big problem, sitting on vacant or underutilized lots.

#### Transportation

- Strong physical connections are needed between the key areas within Gateway, particularly the Halsey-Weidler couplet and the Transit Center/Gateway Shopping Center.
- There is a lack of pedestrian crossings on some streets, and streetscapes need a higher level of comfort for pedestrians. These issues discourage walking.
- Walking can be particularly dangerous for the older adults in and around Gateway.
- Although there are some bike lanes, families do not feel safe biking in Gateway and east-west connections are needed.
- Turn the "short blocks" between Southeast Stark and Washington streets into park blocks with mixed-use commercial development along the street frontages.
- I want to see more changes in transportation, for biking and walking. It doesn't feel safe enough to bike here. I wouldn't let my son do it, and 122nd Ave. is like suicide. I want more east-west connections.

## Gateway Station Area

- It's dangerous for elderly to walk. It's daunting, and not conducive to encouraging walking and the interaction it promotes. The East Portland Action Plan has a priority to put sidewalks on arterials.
- Transit and freeways are a negative on desirability for residential.

## Physical Design

- Storefronts and pedestrian friendly design should attract pedestrians and signal to drivers that there are people walking here; speeds should be 20-30 mph, not 45 mph.
- Community gardens are desired, but they could be difficult to implement because of security concerns.
- There is resistance to higher-density and infill development among some stakeholders, which can potentially be addressed through improved design standards. Stakeholders said the infill developments they have seen so far have been low quality, without adequate spaces for children to play in and people to gather. Seniors and young adults alike said they would not care to live in the types of infill housing currently present in Gateway. Stakeholders agreed that the demand for market-rate multifamily housing is important to meet.
- There is a definite lack of community space. More space is needed for people and children to be outside and play or be active.
- The community center pool is a major success. Everyone in the community likes it, and it surprised members of the community who didn't know what to expect in a green building (it doesn't look like what they thought it would?)
- They like the UO/OSU joint facility in SW Portland. Would like something similar to be done here, with child-care added to it.
- Good spirit toward "needed" housing (social/affordable housing). In the past 20 years, conversations have gone from being exclusionary (shove it all along I-205) to inclusionary (mix it into neighborhood).
- Seniors need housing that meets their needs. Higher density infill doesn't, looking at multistory or stairs to climb. Need low-level, 1-story housing. The area east of 102nd, from E. Burnside to Halsey, has this type of senior-friendly housing.
- The large multiplexes are built cheaply and not many people like them. No place for kids to play, we are short on infrastructure. Multifamily residences look like barracks.
- I like the New Columbia development (in North Portland), it looks like a place I would like to live. Mix of affordable and market housing is an appealing feel.
- There are beautiful green areas and gardens in neighborhoods, but not in commercial areas. I want to see more green, more vegetation.
- We could use a windmill here, and if we have tall buildings, put them on top, just like downtown. I don't want it on Weidler, but we are kind of high elevation, we get a lot of wind from the (Columbia Gorge). Wintertime, it's a nightmare to walk out to your car. We get lots and lots of wind.
- The proposed Build Verde site is the ideal location for a more focused study area and potential catalyst project. Some reasons include: compatible zoning (for height), few property owners, PDC owned property, visibility, transit access and the initiative has already been floated to the City. Challenges with this area are soliciting investment and the need to purchase the Elks property.
- Provide connectivity through a new street in the Build Verde site (reverting back to the street grid as it was in the pre-Fred Meyer and shopping center development days).

## **Safety**

- Nearly all participants in the study mentioned the essential qualities of security and appearance in making their neighborhoods more livable.
- Loitering and crime threatens businesses by warding off customers and discouraging pedestrian activity.
- Public safety and security measures in addition to physical changes would get more people walking.
- Many stakeholders cited graffiti as a challenge to maintaining the neighborhood's appearance.
- When things go down, people move out of Gateway. Everybody pulls out of Gateway right away. Empty buildings, displacement and disinvestment.
- Overall safety, security, vandalism, loitering and crime concerns. He thinks it reduces walkability. If we increase (security), I think people will take advantage of it, and it will be safer out there, and walkability will improve.
- Gateway has a lot of old, typical buildings. Nothing new has been built here. Albertson's closing (on 122nd) was a big blow. Nothing has been done to it, nothing has been planned for it. When graffiti hits you can see that building tagged first. I have heard drug deals go down at night there. Cops go there. These are things that need to be taken care of before we can give a facelift to Gateway. Gateway needs a facelift ... we are in dire need.
- Transient or homeless population and littering is a nuisance. Garbage piles up in the bays or swales of the new green streets.