

# 2020 SCW Financial Tool and Key Takeaways

South Central Waterfront Advisory Board

May 18, 2020

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- Financial model implications
- Financial model overview
- Affordable housing discussion
- Observations from modeling

# SCW District Feasibility

- Update of 2016 modeling for Framework Plan to provide Council with **directional indicators** when considering **policy options**
- **Parcel-based pencil-outs** that consider plan entitlements, infrastructure costs, affordable housing, and bonus participation fees
- A **snapshot look** at the district build out, as though all development delivered simultaneously

- 2020 financial model accounts for:
  - 2016 SCW Framework Plan entitlements
  - Late 2019 market conditions (costs and revenues)
  - 305 S Congress (Statesman) PUD proposal
  - More precise infrastructure costs, including proposed Statesman site plan
  - Bonus participation fees
  - Affordable housing (including multiple OTC options and Statesman targets)

# Financial Evaluation - Key Takeaways

- Developments of the scale contemplated in the 2016 SCW Plan may be financially infeasible, even before accounting for infrastructure and affordability requirements
- New development that matches the City's vision will require public subsidy
  - Infrastructure investments will require coordination between public and private sectors
  - Achieving the 20% housing affordability target is infeasible without public subsidy

# Affordable Housing - Key Takeaways

- **2016 Framework Plan:** Achieving goal requires substantial project-by-project subsidies
- **Updated 2020 Financial Tool:** Reaffirmed 2016 results.
- Most feasible development types are low- and mid-rise 100% affordable rental projects:
  - In the OTC parking lot
  - In adjacent neighborhoods, without requiring onsite units for condo buildings

# Financial Model Tour



## Model Rollup - Critical Inputs and Outputs

Model Inputs	Input	Instructions	To set to 2016 Plan Doc
Affordable Housing Requirement	Apply New Districtwide Requirement (below)	Select option [The "Framework Plan" option] affordable housing requirement override. Set to custom.	
Districtwide Affordable Requirement (excluding Statesman)	12.5% across district	Input value option ignore.	
Statesman/Cox Affordability Requirement	Cox at 4.15% (Plan Requirement)	Select is selected above, this value will be ignored.]	NA
Affordable Unit Shortfall Filled Onsite or Offsite	Onsite	Select option ["Onsite" applies NHCD cost for buying-down high-rise units; "Offsite" applies NHCD cost for buying-down low-rise units assumed to be outside of the district]	NA
Affordable Housing Subsidy	Zero Aff Subsidy	Select option [Baseline input: "Zero Aff Subsidy"]	Set value to Zero Aff Subsidy
Parcel-Specific Public Infrastructure Cost	Scenario 1 - 2020 Plan Doc	Select option [Baseline input: "00 - PLAN DOCUMENT"]	Set value to 00 - PLAN DOCUMENT
District Master Planning Fee	\$10.00 / FAR Foot	Input value (\$)	Set value to 0
One Texas Center Development Scenario	60' 4 over 2 Rental 100% affordable	Select 2016 Plan.	Set value to 2016 plan document
Market Assumptions	2019 Interviews	Select option	Set value to 2016 Plan
Statesmen Scenario	Scenario 1: 2016 Plan Program	Select option	Set value to 2016 Plan

Multiple inputs allow for the creation of “policy scenarios”

# Three buildout scenarios are modeled based on:

- (1) 2016 Plan;
- (2) Statesman PUD proposal & Crocket w/ site modifications, and
- (3) A hybrid Statesman PUD proposal limited to 2016 plan heights & modified Crocket site

Outputs show development feasibility, district feasibility gap, and affordable housing shortfall (if any) for the District for each set of “input scenarios”

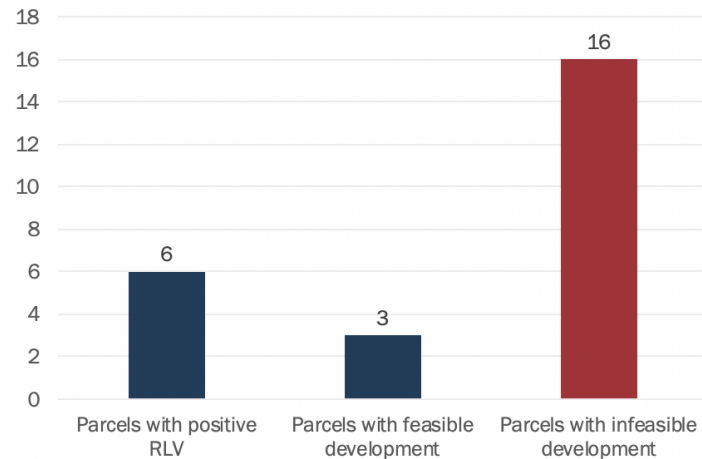
## Model Output - Parcel Summary

Parcels with positive RLV  
Parcels with feasible development  
Parcels with infeasible development

## Model Output - Feasibility Funding Requirements

(incl. required affordable housing)  
Cost to meet district affordable unit shortfall  
Total feasibility gap  
Master district fee  
Funding needed to realize plan vision

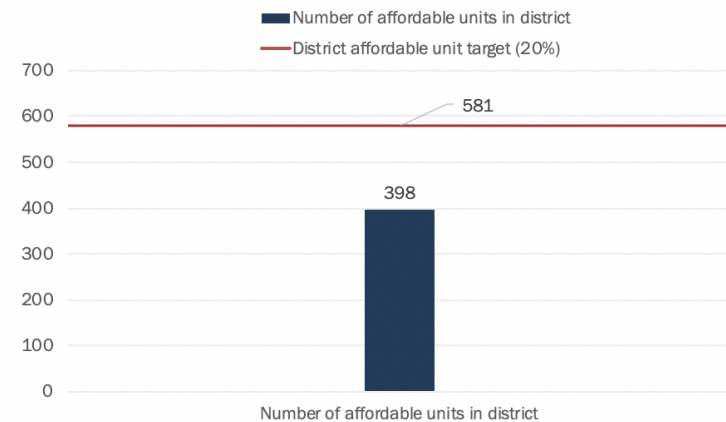
## Number of Feasible Parcels



## Affordable Units and Affordable requirement at 20 percent

Unit Surplus or Shortfall

(183)



Notes

Rollup

Development Summary

Pro Formas

Plan Scenarios

OTC

Market

Public Benefits

NHCD costs

MAS Statesman

## One Texas Center Scenarios

### Lease Pro Forma Development Calculations

Scenario	60' 4 over 2 Rental mixed income	60' 4 over 2 Rental 100% affordable	60' 4 over 2 Ownership mixed income	60' 4 over 2 Ownership 100% affordable	85' 5 over 3 Rental	85' 5 over 3 Ownership	170' Rental	170' Ownership	2016 Plan
Parcel Number	Parcel 5	Parcel 5	Parcel 5	Parcel 5	Parcel 5	Parcel 5	Parcel 5	Parcel 5	Parcel 5
Parcel Designation	F12	F12	F12	F12	F12	F12	F12	F12	F12
Use	MF/Office	MF/Office	MF/Office	MF/Office	MF/Office	MF/Office	MF/Office	MF/Office	MF/Office
Acres	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24
Site Sq Ft	54,014	54,014	54,014	54,014	54,014	54,014	54,014	54,014	54,014
PUD?									
Waterfront Premium Property	No	No	No	No	No	No	No	No	No
Building Cost Typology	Low	Low	Low	Low	Low	Low	Low	Low	Low
Primary Building Use	MultiFamily	MultiFamily	MultiFamily	MultiFamily	MultiFamily	MultiFamily	MultiFamily	MultiFamily	MultiFamily
Building Scale									
FAR	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Height (Stories)	5	5	5	5	5	5	5	5	5
Use Mix									
Office SF	0	0	0	0	0	0	0	0	0
Hotel SF	0	0	0	0	0	0	0	0	0
Retail SF	7,900	7,900	7,900	7,900	7,900	7,900	7,900	7,900	7,900
Residential SF	163,750	163,750	163,750	163,750	163,750	163,750	163,750	163,750	163,750
Total SF	171,650	171,650	171,650	171,650	171,650	171,650	171,650	171,650	171,650
Hotel Rooms	0	0	0	0	0	0	0	0	0
Residential Units									
Market Residential Units	71	0	0	0	0	0	0	0	0
Affordable Requirement	50.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Affordable Residential Units	71	142	142	142	142	142	142	142	142
Total Units	142	142	142	142	142	142	142	142	142
Revi NHCD subsidy	5,521,119	11,042,238	11,042,238	11,042,238	11,042,238	11,042,238	11,042,238	11,042,238	11,042,238
Affordable Housing Subsidy (plan doc)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Affordable Housing Subsidy	\$ 5,521,119	\$ 11,042,238	\$ 11,042,238	\$ 11,042,238	\$ 11,042,238	\$ 11,042,238	\$ 11,042,238	\$ 11,042,238	\$ 11,042,238
Per Unit Subsidy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Parking									
Surface	0	0	0	0	0	0	0	0	0
Structure	60	60	60	60	180	180	186	186	128
Underground	60	60	60	60	0	0	124	124	0
Wrap	0	0	0	0	0	0	0	0	0
Total Spaces	120	120	120	120	180	180	310	310	128
Construction Costs									
Costs									
Hard Costs									
Office	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,000,000
Hotel	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Retail	\$1,303,500	\$1,303,500	\$1,303,500	\$1,303,500	\$1,303,500	\$1,303,500	\$919,875	\$919,875	\$1,155,000
Residential	\$21,497,631	\$15,976,512	\$14,860,313	\$0	\$30,914,400	\$0	\$21,382,200	\$0	\$0
Surface Parking	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Structured Parking	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000	\$5,400,000	\$5,400,000	\$5,580,000	\$5,580,000	\$3,840,000
Underground Parking	\$2,400,000	\$2,400,000	\$2,400,000	\$2,400,000	\$0	\$0	\$4,960,000	\$4,960,000	\$0
Wrap Parking	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Site Prep	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$27,001,131	\$21,480,012	\$20,363,813	\$5,503,500	\$37,617,900	\$6,703,500	\$32,842,075	\$11,459,875	\$6,995,000
Additional Costs									
Soft Costs For Primary Use	25.00%	25.00%	25.00%	25.00%	25.00%	30.00%	25.00%	30.00%	25.00%
Developer Fees	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Land Cost Contribution	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

Nine different scenarios are modeled for One Texas Center to consider options:

- Rental / ownership
- Low-Mid-High rise
- 100% affordable / mixed-income

## Development Summary

2020 Site Name		OTC Scenario: 60' 4 over 2 Rental 100% affordable																		Total All Parcels	
Parcel Number	Parcel Designation	Parcel 1 A6 Office	PR5+6 Parcel 2 B3, B4, B5 Office	PR10-1 Parcel 3 C6, C7, C8 Office/MF	PR12-1 Parcel 4 D9 MF	PR14-1 Parcel 5 F12 MF/Office	PR15-1 Parcel 6 G14, G15 Office	PR16-1 Parcel 7 H16, H17, H20 Office/MF	PR22-1 Parcel 8 S1 Sub-Parcel Office	PR22-2 Parcel 9 S2 Sub-Parcel Office	PR22-3 Parcel 10 S3 Sub-Parcel MF	PR22-4 Parcel 11 S4 Sub-Parcel MF	PR22-5 Parcel 12 S5 Sub-Parcel MF	Parcel 13 J22, J23 Office	PR23-4 Parcel 14 C1 Sub-Parcel MF	PR23-3 Parcel 15 C2 Sub-Parcel Office	PR23-1 Parcel 16 C3 Sub-Parcel MF	PR23-2 Parcel 17 C4 Sub-Parcel MF	PR24-1 Parcel 18 K31, K32, K33 MF	Parcel 19 L1 MF	Total All Parcels
Detailed Use																					
Acres	3.71	1.71	1.50	0.82	1.24	1.56	6.09	0.73	2.30	1.49	1.49	0.58	0.81	2.00	1.25	1.19	1.08	1.87	2.99	48.7	
Site Sq Ft	161,608	74,488	65,340	40,075	54,014	67,954	265,446	31,799	100,188	64,904	64,904	25,265	35,284	87,120	54,450	51,836	47,045	81,457	130,244		
PUD?	Y	0	0	0	Y	0	Y	0	Y	0	0	0	0	0	0	0	0	0	0	0	
Waterfront Premium Property	No	No	No	No	No	No	No	No	No	Yes	Yes	Yes	No	No	No	No	No	No	No	No	
Building Cost Typology	High Office	High Office	High Office	High Office	Multi-Family	Multi-Family	High Office	Multi-Family	High Office	High Office	Multi-Family	Multi-Family	Multi-Family	High Office	Multi-Family	High Office	Multi-Family	Multi-Family	Multi-Family	Multi-Family	
Primary Building Use	Office	Office	Office	Office	Multi-Family	Multi-Family	Office	Multi-Family	Hotel	Office	Multi-Family	Multi-Family	Multi-Family	Office	Multi-Family	Office	Multi-Family	Multi-Family	Multi-Family	Multi-Family	
Building Scale																					
FAR	2.4	3.5	4.7	3.7	3.2	5.3	3.0	8.4	8.5	7.0	7.0	4.5	4.6	4.1	7.1	5.7	5.1	2.6	1.3		
Height (Stories)	13	13	14	9	5	15	15 to 18	24	26	21	21	8	8	8	21	16	17	7 to 9	9		
Use Mix																					
Office SF	360,000	250,000	270,525	0	0	347,600	371,000	0	812,900	0	0	0	0	153,000	325,900	0	0	0	0	2,890,925	
Hotel SF	0	0	0	0	0	0	0	254,500	0	0	0	0	0	0	0	0	0	0	0	254,500	
Retail SF	20,000	10,000	21,045	21,000	7,900	10,000	32,000	12,000	38,000	25,000	25,000	12,000	10,000	35,000	19,000	14,861	30,000	14,300	0	357,106	
Residential SF	0	0	13,800	126,050	163,750	0	387,000	0	430,750	430,750	102,000	0	0	387,350	282,225	211,000	196,300	163,000	0	2,873,975	
Total SF	380,000	260,000	305,370	147,050	171,650	357,600	790,000	266,500	850,900	455,750	455,750	114,000	163,000	360,900	386,350	297,086	241,000	210,600	163,000	6,376,506	
Hotel Rooms																					
		0	0	0	0	0	0	0	425	0	0	0	0	0	0	0	0	0	0	0	
Residential Units																					
Market Residential Units	0	0	9	122	0	0	376	0	0	430	430	73	0	0	316	229	162	190	168	2,505	
Affordable Requirement	12.5% across district	12.50%	12.50%	12.50%	12.50%	100.00%	12.50%	12.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Affordable Residential Units	in bldgs w/ more than 10 units	0	0	0	18	142	0	54	0	0	0	0	0	0	0	0	0	0	0	0	
Total Units		0	0	9	140	142	0	430	0	0	0	0	0	0	0	0	0	0	0	0	
Affordable Housing Subsidy																					
Per Unit Subsidy	Zero Aff Subsidy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,042,238	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Parking																					
Surface	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Structure	170	520	772	222	60	476	824	340	0	0	0	0	0	0	0	0	0	0	0	0	
Underground	0	0	96	0	60	238	412	170	0	0	0	0	0	0	0	0	0	0	0	0	
Wap	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Spaces	170	520	868	222	120	714	1,236	510	1	0	0	0	0	0	0	0	0	0	0	0	
Development Cost																					
Building Cost	\$139 M	\$112 M	\$144 M	\$67 M	\$31 M	\$159 M	\$329 M	\$36 M	\$40 M	\$0 M	\$0 M	\$0 M	\$0 M	\$0 M	\$0 M	\$0 M	\$0 M	\$0 M	\$0 M	\$49 M	
Parcel Specific Public Infrastructure Cost	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	
Additional Infrastructure (GAP AMOUNT)	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	
District Master Planning Fee	\$10 / FAR Foot	\$3.8 M	\$2.6 M	\$3.1 M	\$1.5 M	\$0.2 M	\$3.6 M	\$0.2 M	\$2.7 M	\$8.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	\$0.0 M	
Financial Results																					
Return on Cost Target	7.5%	7.5%	7.5%	26.0%	26.0%	7.5%	26.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	
Building Value	\$223 M	\$159 M	\$189 M	\$53 M	\$14 M	\$217 M	\$361 M	\$19 M	\$77 M	\$0 M	\$0 M	\$0 M	\$0 M	\$0 M	\$0 M	\$0 M	\$0 M	\$0 M	\$0 M	\$77 M	
Residual Land Value	\$40 M	\$15 M	\$7 M	\$45 M	\$27 M	\$15 M	\$246 M	\$16 M	\$4 M	\$0 M	\$0 M	\$0 M	\$0 M	\$0 M	\$0 M	\$0 M	\$0 M	\$0 M	\$0 M	\$4 M	
Residual Land Value / SF	\$347	\$201	\$109	\$134	\$806	\$214	\$4938	\$4517	\$4000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Target Residual Land Value / SF	\$2000	\$2500	\$1800	\$1095	\$0	\$2600	\$1095	\$4000	\$4000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Subsidy Needed	\$7,590,480	\$1,431,122	\$4,621,847	\$49,923,561	\$27,340,517	\$3,111,431	\$278,684,016	\$32,349,939	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
District Aff unit shortfall																					
Estimated RLV - Pro forma not applicable																					
Target RLV - Includes Affordable Units																					
Parcel below target RLV																					
Rent premium applied to modify RLV																					
Land Value by Owner																					
Crockett	-\$1035.36 / Sqft of Land	0	0	0	0	0	1	1	0	0	0	0	0	0	1	1	1	0	0	\$364 M	
Crockett East	-\$1510.48 / Sqft of Land	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	0	0	\$363 M	
Crockett West	-\$692.70 / Sqft of Land	0	0	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	\$231 M	
Cox (Statesman)	-\$969.03 / Sqft of Land	0	0	0	0	0	0	0	1	1	1	1	1	0	0	0	0	0	0	\$278 M	

Includes summary of parcel-by-parcel performance, which can be compared to 2016 analysis

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Scenario 1 - 2020 Plan Doc  
Scenario 2 - Endeavor Built to Plan  
Scenario 3 - Endeavor Proposed

# Affordable Housing

# 2016 Framework Plan Affordability

- 20% of housing should be income restricted
- 100% affordable building on the OTC parking lot
- Affordable housing target less than 5% of all units on the Statesman site – offsetting major infrastructure and open space commitment
- Targeting households making 60% MFI for rental units
- Affordable requirements varied by site



# Draw Lessons from Prior Experience

- Snoopy PUD considered income-restricted housing outside of SCW district boundaries\*
- Downtown bonus district requires 10% affordable housing within the bonus
- Most regulating plans have a single affordability requirement that has never been revised based on market conditions
- Condos are difficult to deliver and administer
- NHCD costs:
  - Average subsidy for LIHTC project: <\$50K per unit
  - Anticipated subsidy for SCW mixed-income: ~\$250K per unit\*\*

Note (\*): Snoopy PUD stated that funds shall be restricted in the SCW Regulating District and within a two mile radius of the SCW

Note (\*\*): Based on in-lieu fee amounts in LDC Revision, which were based on the buy-down cost for an affordable unit in zip codes adjacent to downtown



# Allow flexibility in achieving affordability

- SCW affordable housing could be delivered:
  - Outside of condo buildings
  - In 100% affordable rental buildings
  - Within adjacent neighborhoods (in certain cases)
  - In mixed-income apartment towers

# Observations from Modeling

# Decision Crossroads about Citywide Policies

- **Infrastructure:** How will fees be directed and when will infrastructure be implemented?
- **Leadership:** Roles of City and recommended Economic Development Entity?
- **Base zoning:** Which, if any, revised LDC zones could be applied?
- **Additional entitlements:** What occurs on Statesman site if City does not act on plan, funding sources, and governance entity?

- **2016-2019:** Increased developer interest in a distinct mix of uses, but met by construction cost headwinds
- **Today:** Unprecedented
- **2020 and beyond:**
  - Construction costs may stabilize with fewer project starts; unlikely to decrease
  - Demand?

# Commit to a flexible SCW Plan

- An adaptable SCW Plan can adjust to changing market conditions and allow for new opportunities and partnerships
  - For example, fixed bonus participation fees and fixed affordability requirements could hamstring development or leave value on the table as conditions change

# Ensure capable management/governance

- An empowered and capitalized district management / development agency can manage through changing market conditions in the District
  - An Economic Development Organization with tax increment funding could serve this role
- However, an active manager will only be effective if the SCW Plan allows for nimble management

- The City must target CIP dollars in the District to support development and show commitment.
- Plan's infrastructure requirements put burden on projects; Projects cannot also bear burden of planned improvements that are not delivered in a timely manner

# Establish District Funding Options

- TIF is an essential element of funding portfolio
- Establish a TIF district on Statesman site to capture value from new entitlements
  - Consider limiting TIF to that subarea for now
- Study timing of districtwide implementation
  - Given 2020 market conditions and future property assessment, City should avoid generating negative increment due to declining valuations

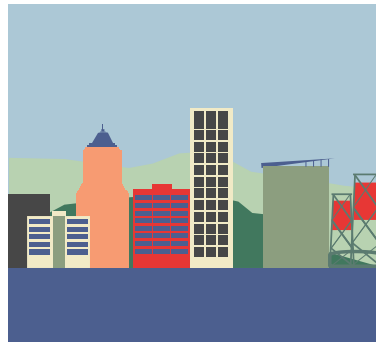


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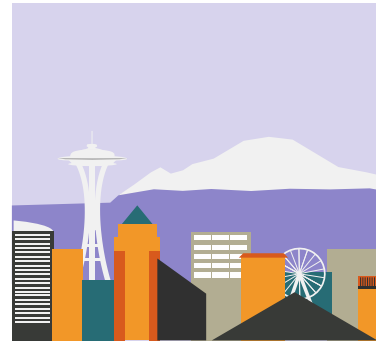
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Boise