



Bureau of Planning and Sustainability
Innovation. Collaboration. Practical Solutions.

Barbur Concept Plan

COMMUNITY OPEN HOUSE KELLY FOCUS AREA - AGENDA

June 26, 2012
4:00 - 6:00 p.m.

NCNM Administration Building - Board Room
(SW Naito Parkway Frontage Road and SW Hooker Street)

- | | |
|---|-------------|
| 1. Introductions
(Art Pearce) | 4:00 - 4:10 |
| 2. Review of Past/Current Plans
(Art Pearce) | 4:10 - 4:30 |
| Transportation | |
| ▪ South Portland Circulation | |
| ▪ Aerial Tram CAC Recommendations Report | |
| ▪ North Macadam Transportation Strategy | |
| Land Use | |
| ▪ North of Kelly Plan | |
| ▪ NCNM Campus Plan | |
| 3. Barbur Concept Plan - Process Overview
(Jay Sugnet) | 4:30 - 4:40 |
| 4. Kelly Focus Area Alternative Land Use Concepts
(Glen Bolen) | 4:40 - 5:00 |
| 5. Small Group Exercise | 5:00 - 6:00 |



BARBUR CONCEPT PLAN

Creating a Long-Term Vision for Barbur Boulevard

DRAFT
KELLY FOCUS AREA
MEETING SUMMARY

June 26, 2012
4:00-6:00 p.m.

National College of Natural Medicine, Board Room

Introductions

David Schleich (NCNM) opened the meeting by welcoming the group to NCNM's brand new Ken Hartman Board Room, which had just been completed earlier that morning. Art Pearce (PBOT) lead off with introductions.

Review of Past/Current Plans

Art then briefly covered the long history of past transportation and land use plans, including the South Portland Circulation Study, Aerial Tram CAC Recommendations Report, North Macadam Transportation Strategy, and North of Kelly Plan. Laura Campos added the 1977 CTLH Neighborhood Plan to the list. Jason Franklin (Parametrix) also gave an overview of the NCNM Campus Plan.

Jason described the plan calling for 40,000 s.f. of additional buildings in the master plan timeframe, with potential for 70,000 s.f. beyond that. The campus currently has a very high mode split (about 50% of students drive, with the rest using transit, biking or walking), and the campus intends to emphasize that. Enrollment is projected to increase from 567 students to 1010 students by 2020.

Brian Newman (OHSU) described their efforts to consolidate current leased space to the new development near the base of the tram. They have not looked at repurposing the buildings in the Kelly area, so that will be part of a future discussion. Glen Bolen (Frego Assoc) asked about the nature and opportunities for student dual enrollment between PSU, OHSU, NCNM, and PCC. This, together with distance learning (i.e. on-line classes), was a growing trend.

Barbur Concept Plan - Process Overview

Jay Sugnet (BPS) quickly described the Barbur Concept Plan and its relationship to the SW Corridor Plan. He emphasized that for tonight's exercise, people should think long term, think big, and move beyond the current transportation constraints.

Kelly Focus Area Alternative Land Use Concepts and Small Group Exercise

Glen Bolen (Frego Assoc.) covered the basic land use scenarios that we have been exploring, and how these might apply to the Kelly Focus Area. He provided an overview of the group exercise, directing participants to first identify what they thought of as the "spine" through the area, then mark the maps with areas that should be protected, opportunities for change, priorities for major public investments, and where a potential high capacity transit (HCT) station would best be located.

Role of Naito vs. Barbur (or Kelly) as the "spine"

Brian Newman noted that Naito has more opportunity, in that it draws from 360° around the neighborhood, whereas Barbur is on the edge, against the hill. Bill Danneman agreed, but objected to having light rail on it due to potential noise and other impacts to the established single family neighborhood, unless it was carefully and sensitively integrated. Brian inquired whether the NE streetcar or Goose Hollow Max provided some insights to how to integrate rail. Cheryl Rigler agreed that Naito could function as a spine, but not in its current configuration, it is a cut through. Barbur has more stops and seems calmer (in this particular stretch). She feared that simply throwing light rail down Naito will further split the neighborhood. To keep it intact, there needs to be stops and improved cross connections. Brian described how N Interstate was transformed from 4 lanes to 2 with enhanced crossings. Bill suggested that a "cut and cover" tunnel would not add significant cost (as opposed to boring a tunnel) and would allow some of the elements of the South Portland Circulation Study to be implemented. Jim Gardner expressed similar sentiments and emphasized that if light rail was on **Naito**, it would need to be designed to be permeable, similar to the ease of crossing the tracks in the downtown. Both groups agreed that Naito's proximity to S. Waterfront (particularly with the new Gibbs pedestrian bridge) and the opportunities for land use changes in the area made it a better choice than Barbur.

Land Uses and Opportunities

CJ asked the group what sorts of land uses were seen as lacking and integral to making this a better place. Marilyn Considine suggested a grocery store. The group largely agreed, describing that most PSU students head to the Safeway at 10th and Jefferson and most other people travel to the Fred Meyer on Barbur. Cheryl noted that with OHSU, PSU, NCNM students and employees and with South Waterfront residents, it is surprising that there are so few services. Glen Bolen noted that a grocery store would need about a full block for development. Bill observed that the removal of the Ross Island Bridge ramps would free up a bunch of space, about three city blocks worth.

Art Pearce asked the group what they saw as the potential for the area. Brian noted that Naito was much larger than it needed to be, with the frontage roads, and four lanes, it really could get narrowed up, and open some more room along the edges for development. Cheryl agreed, but that there needed to be a station/stop or it was no good for the neighborhood. A stop where the Ross Island ramps are removed could catalyze redevelopment there, or otherwise a stop at Hooker Street to link to the east/west connection to NCNM. Marylyn noted that students cross over Naito at Hooker, so a stop at the Ross Island Bridge would not provide a safe convenient connection for NCNM students. The group identified the area around Barbur and Caruthers/Sheridan and following the 405 freeway as having a number of opportunity sites, but limited potential for "placemaking". Ian Stude from Portland State University noted that PSU is working towards making 4th Avenue in Portland more prominent as part of the campus and that connections across 405 could be important in the future. Specifically, the 4th Avenue 405 off-ramp could be closed to assist with safety and placemaking opportunities.

HCT Stop

Bill asked what advantages Barbur might serve for HCT. If there was no close-in stop, which is better, Barbur or Naito? Brian responded that if there was no stop, the neighborhood would not support it, besides the area is ripe for a stop. Bill added that other close-in areas with stops (like Goose Hollow) were much more dense. Cheryl reminded the group of NCNM's projected enrollment of 1,000 students. Brian added that the neighborhood would need to lobby for a stop. He added that a stop at the bridge ramps would force changes to the ramps. Talia Jacobson asked what would be the preference if there were no stops in the

neighborhood. Bill said that HCT would have to go underground. Talia asked what the preference would be if there was insufficient funding to tunnel, and no stops were planned. The group largely responded that their preference would be to push HCT to the freeway or south waterfront, to avoid further bisecting this neighborhood with another major transportation facility that serves the region but provides no benefits to the neighbors. Marylyn noted that the area would then be isolated from transit. Talia responded that local bus service improvements (that could better connect the HCT to other areas are being considered as part of the southwest corridor plan. Cheryl wondered whether it made sense to *not* have a stop where you have all these students and institutional employees. Jay asked what if there are two stops? The group discussed two different locations along Naito, one at the Ross Island Ramps and another farther north closer to Kelly. The group agreed that the area had the potential to have similar densities to the downtown and could warrant two stops in the future. If only one stop was possible, then the pros and cons of each would need further consideration.

Areas to Protect

The group noted areas to protect by and large were the existing parks and natural areas, and the South Portland historic conservation district, with the exception of a couple non-historic, non contributing developments. One site would be a good candidate for a grocery, provided changes to Naito made access to the site simpler.

Public Investments

Both groups noted additional development opportunities could include the excess Naito/Barbur right of way, where a gateway could be created. They noted that perhaps PGE might be able to consolidate some of its substations in and near the area to free up some additional space along Naito at the Barbur intersection. Further to the north, PGE is planning a new substation at the old greyhound site, and has discussed the idea of a joint project with a substation in that location, but allowing for development on top of it. The groups identified areas for prioritizing public investments in terms of pedestrian safety improvements and enhanced crossings over Naito, along with streetscape improvements.

Right: A workshop map from one of the two small group tables. Red dots show possible opportunity sites, while yellow dots were used to represent potential HCT station locations. Pink lines show alternative transportation improvements to facilitate movement around the Kelly area.



Kelly Focus Area Attendees

Name	Representing
Jim Gardner	CWG member
Laura Campos	CWG member
William Danneman	South Portland Neighborhood Assoc.
Jim Davis	South Portland Neighborhood Assoc.
Paul Gleason	South Portland Neighborhood Resident
Cheryl Rigler	South Portland Neighborhood business owner
Abe Farkas	EcoNorthwest
Jason Franklin	Parametrix (NCNM consultant team)
Keith North	NCNM
David Schleich	NCNM
Marilyn Considine	NCNM
Bud Roberts	Barbur Concept Plan Fan
CJ Gabbe	Fregonese Assoc. (Barbur Concept Plan consultant team)
Glen Bolen	Fregonese Assoc. (Barbur Concept Plan consultant team)
Julia Reed	Fregonese Assoc. (Barbur Concept Plan consultant team)
Brian Newman	OHSU
Sara Vonde Veld	OHSU
Malu Wilkinson	Metro
Talia Jacobson	ODOT
Art Pearce	PBOT
Geraldine Moyle	PDC
Jay Sugnet	BPS
Joan Fredericksen	BPS
Morgan Tracy	BPS



Bureau of Planning and Sustainability
Innovation. Collaboration. Practical Solutions.

Barbur Concept Plan

COMMUNITY OPEN HOUSE #2 KELLY FOCUS AREA - AGENDA

November 8, 2012
4:00 - 6:00 p.m.

NCNM Annex Lecture & Conference Building
(SW Naito Parkway Frontage Road and SW Kelly Street)
<http://www.ncnm.edu/about-ncnm/maps-directions/ncnm-annex.php>

Meeting Purpose: Continue the discussion from June on a land use vision for the Kelly Focus Area; review an urban design concept that reflects the previous discussion; discuss as a group the feasibility of vision and potential implementation tools.

- | | |
|---|-------------|
| 1. Introductions
(Art Pearce) | 4:00 - 4:10 |
| 2. Review of Progress to Date / Next Steps
(Art Pearce / Jay Sugnet) | 4:10 - 4:20 |
| 3. Discussion of Land Use Concept for Kelly
(Glen Bolen/Abe Farkas) | 4:20 - 4:40 |
| 4. Market Analysis / Implementation Tools
(Abe Farkas) | 4:40 - 5:00 |
| 5. Group Discussion
(all) | 5:00 - 6:00 |

Materials:

- Meeting Summary for Kelly Open House #1 on June 26



City of Portland, Oregon | Bureau of Planning and Sustainability | www.portlandonline.com/bps
1900 SW 4th Avenue, Suite 7100, Portland, OR 97201 | phone: 503-823-7700 | fax: 503-823-7800 | tty: 503-823-6868

Printed on 100% post-consumer waste recycled paper.

BARBUR CONCEPT PLAN

Creating a Long-Term Vision for Barbur Boulevard

DRAFT
KELLY FOCUS AREA
MEETING SUMMARY

November 8, 2012
4:00-6:00 p.m.

National College of Natural Medicine, Annex Lecture & Conference Building

Introductions/Review of Progress to Date / Next Steps

Art Pearce (PBOT) lead off with introductions, gave a quick recap of previous planning efforts in and around the area, and described the reason for this look at land use concepts in the Kelly Area. Jay Sugnet (BPS) described the Barbur Concept Plan process in general, and the timeline for completing that effort.

Land Use Concept for Kelly / Market Analysis / Implementation Tools

Glen Bolen (Frego) and Abe Farkas (EcoNW) then presented the initial land use concept for the Kelly focus area, described the results of the market analysis and how this refined the land use concepts, and then discussed some of the implementation tools. Abe specifically noted that PSU's future growth will have more influence on the market in the area in the short term, which means that parcels further north, closer to I-405 show greater potential to begin catalyzing change. He noted NCNM's campus plan offers some certainty to potential investors for nearby development sites. However, he cautioned that conversion of the Ross Island Ramp area for development sites should be seen as a longer term approach, and that the success of any development there will be largely dependent on the ability to easily access the site.

Group Discussion

The remainder of the meeting was spent looking more specifically at the urban design concept for the Kelly Area which was developed in part from input at the previous Kelly Focus area meeting held in June.

Staff pointed out the potential park area and building orientation on the new blocks created by reconfiguring the Ross Island Bridge ramps is intended to serve as a transition from the South Portland Historic District and the new development. Jim Gardner noted that an earlier concept for a Lair Hill village center showed these blocks to be developed with medium density residential. Abe Farkas noted that the area could probably support "4 over 1 construction" (four floors of wood framed construction over a concrete podium) with ground floor retail.

Bill Danneman asked whether any zone changes were needed for these concepts. Jay Sugnet responded that the area north of Kelly already has a comprehensive plan designation of CXd (central Commercial with a design overlay), but is presently zoned CO2 (Office Commercial). The bridge ramps are presently zoned R1, and would likely require upzoning to make the ramp reconfiguration expense more financially feasible. The timing of these changes would have to be tied to roadway improvements to meet ODOT requirements.

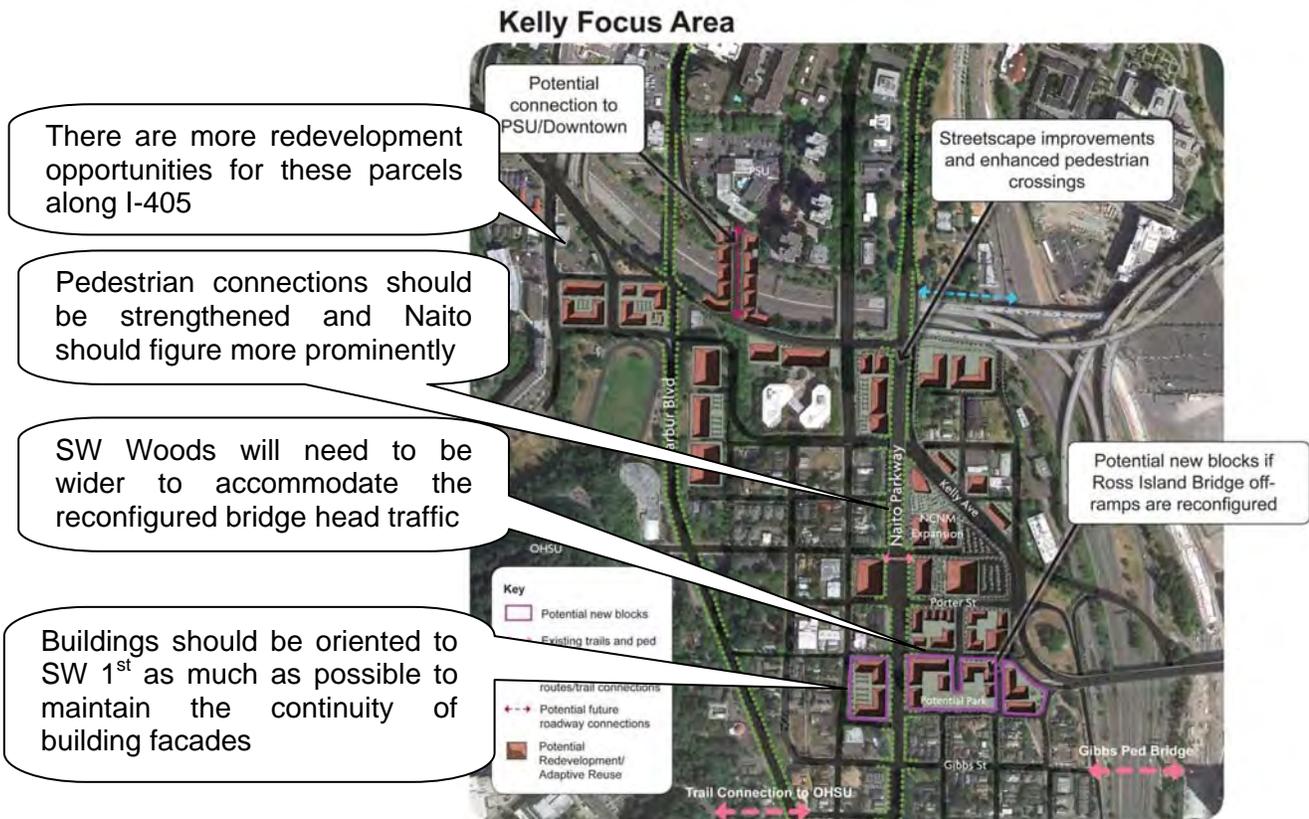
Art Pearce added that part of this effort is to begin thinking about this area differently, not as a transportation project but a development and place-making opportunity. Abe Farkas noted that by looking at the benefits of added jobs, housing, transit ridership, and comparing against the land and building costs you can better analyze if the gap can be bridged by leveraging high capacity transit.

Jim Gardner asked whether there was development potential in the triangular and other blocks that bordered the I-405 freeway. Abe Farkas noted some of the access challenges for these sites that are surrounded with heavy traffic and little to no on-street parking, but that with the right site design a higher use could be made of those blocks. Brian Newman noted that the buildings between 3rd and Barbur are very redevelopable.

Keith North wondered whether 1st avenue has been looked at in terms of right of way. Art Pearce responded that it is definitely underutilized for its size, and the right of way could be redesigned to be more attractive to investors.

Chuck Martin recalled prior efforts to cap the I-405 freeway that didn't move forward. He questioned how the proposed connection to PSU over the freeway would be different. Glen responded that the idea emanated from Columbus, Ohio and was privately funded. Abe added that the earlier lid ideas were figured to cost around \$400 per square foot, when the cost of downtown land was about \$150 per square foot. Since then the cost of land has risen, and the costs for construction have dropped. It may not be quite ripe yet, but it is really the easiest way to create land in downtown.

Below: The initial urban design concept for the Kelly Focus Area, with added suggestions from meeting participants



Kelly Focus Area Attendees

Name	Representing
Jim Gardner	CWG member/South Portland Neighborhood Assoc.
Bill Danneman	South Portland Neighborhood Association
Chuck Martin	South Portland Business Association
Lee Perlman	Journalist
Ian Stude	Portland State University
Abe Farkas	EcoNorthwest
Keith North	NCNM
Glen Bolen	Fregonese Assoc. (Barbur Concept Plan consultant team)
Julia Reed	Fregonese Assoc. (Barbur Concept Plan consultant team)
Brian Newman	OHSU
Denver Igarta	PBOT
Art Pearce	PBOT
Jay Sugnet	BPS
Joan Fredericksen	BPS
Morgan Tracy	BPS

ECONNorthwest

ECONOMICS • FINANCE • PLANNING

Phone • (503) 222-6060
FAX • (503) 222-1504
info@econw.com

Suite 1600
222 SW Columbia
Portland, Oregon 97201-6616

Other Offices
Eugene • (541) 687-0051
Seattle • (206) 622-2403

October 24, 2012

Project #: 20641

TO: Glen Bolen
FROM: The ECONorthwest Team (Abe, Lorelei, Jonathan, Kate)
SUBJECT: BARBUR BLVD: EVALUATION OF MARKET OPPORTUNITIES IN PORTLAND'S KELLY FOCUS AREA

ECONorthwest (ECO) is teamed with Fregonese Associates on a project to plan for redevelopment opportunities in the Barbur Boulevard corridor. As part of this project, ECO was asked to evaluate opportunities in the northern portion of the Barbur Blvd. study area, referred to here as the "Kelly Focus Area." This is the portion of the Barbur study area that is closest to downtown Portland. Here, we have defined the Kelly Focus Area as bounded by 1-405 to the north, 1-5 to the east, 6th Avenue, Duniway Park, and SW Terwilliger Parkway to the west, and the South Portland Historic District to the south (Map 1). Specifically, ECO was asked to:

- Evaluate the redevelopment potential of the Kelly Focus Area in general, and of several specific parcels that are either vacant or underdeveloped relative to their potential
- Describe the specific ways in which public investments could catalyze new development in the area

This memorandum provides the results of that evaluation.

1 SUMMARY OF KEY FINDINGS

- Many market fundamentals for the Kelly Focus Area (KFA) are strong relative to the region. Per capita household income is 20% to 24% higher than for the City of Portland or the Portland MSA. Educational attainment is also significantly higher in the KFA, with double the percentage of residents (32%) achieving advanced degrees than for the City of Portland (16%). When this is combined with a high percentage of residents between the ages of 18 and 44, the area provides a strong, skilled labor pool. The area has far fewer children relative to the City and the MSA, which suggests that residents likely have more disposable income. The area's proximity to major institutional players like PSU and OHSU, and to downtown and the South Waterfront, suggest that the area could provide an

excellent location for a wide variety of uses ranging from multi-family housing to office to institutional uses associated with higher education facilities.

- However, transportation patterns and poor local access limit the area's functionality even for existing residents and businesses. Pedestrian, bicycle, automobile, and even transit access is circuitous and confusing. These issues should be addressed to improve the ability of the area to support redevelopment and to more effectively provide a transition between the high density uses in downtown, to the area's north, and the lower density uses to its south.
- Several specific parcels have a high likelihood of redevelopment. Some of these, such as those around the National College of Natural Medicine, could redevelop in the near future since their existing uses are lower density and succeeding uses have been identified. Other sites are occupied by larger buildings that still have economic life, such as the Louis LaGrand building on Naito and Arthur and the Marquam Building on 1st and Sheridan. While these larger sites have considerable opportunity for a more robust mix of uses, they will need more time and, most likely, public support which could include providing high capacity transit as well as direct project financial participation to achieve additional development capacity.
- Public sector investments in the area should seek to overcome the major barriers to redevelopment by transforming the exiting tangled network of on/off ramps into a combination of roads and developable land and enhancing multi-modal transportation access. Potential options include:
 - Adding high capacity transit through the area giving careful consideration to the location, design and possible additional uses of stops so that they may be integrated into opportunities for redevelopment in the area.
 - Evaluate the benefit/cost of a freeway lid that could provide improved access, particularly for pedestrians, over I-405 between PSU and the KFA
 - Continue to evaluate options for reconfiguring the Ross Island Bridge access and converting some of the ramp intensive land to redevelopment sites. Currently the access and ramp configuration takes up approximately 10 acres of the 68 acres in the Kelly Focus area.¹

2 OVERVIEW OF THE KELLY FOCUS AREA

2.1 EXISTING USES: OPPORTUNITIES AND CONSTRAINTS

The Kelly Focus Area, at the north end of the Barbur Boulevard Corridor and just south of downtown Portland, is a transition area between the high-rise uses in downtown and the lower-density commercial and residential uses that typify Barbur

¹ GIS analysis by ECONorthwest

and other historic transportation corridors in the region. The area, while centrally-located, has impaired connectivity from downtown due to Interstate 405 and from the major redevelopment activity in South Waterfront by Interstate 5. Heavy commuter traffic on Naito Parkway and Kelly Avenue limits mobility (particularly pedestrian) even further, isolating certain blocks. The area includes parts of Lair Hill – one of Portland’s oldest neighborhoods. Lair Hill has retained many attributes found in the City’s most popular neighborhoods (including historic single-family housing and tree-lined streets). The northern area also contains mid-to high-rise office buildings, multi-family housing, and single-story commercial buildings. The northern area includes a number of sites where redevelopment, stimulated in part by enhanced high capacity transit and various forms of public assistance, could lead to improved mobility and access, increased commerce, and a more vibrant neighborhood.

The area has many locational advantages. It is near several of the region’s most important transportation destinations, key employers, and institutional players:

- **Portland State University.** With 4,200 employees and nearly 30,000 students, PSU is the largest university in Oregon². Over the next twenty-five years, PSU expects to expand enrollment by 10,000-20,000 students³. Currently located on 4.5 million gross square feet across a 49-acre campus, PSU anticipates that it will require up to 4 million more square feet by 2035⁴. The 2010 University District Plan discusses the possibility of expanding the University District into the Kelly area.
- **OHSU.** OHSU is the largest employer in Portland and has over 14,000 employees. A teaching and research hospital, OHSU has around 2,800 students and treats 235,000 patients annually⁵. Its annual operating budget is \$2.3 billion. In 2003, OHSU began expanding from its 100-acre Marquam Hill campus into the South Waterfront district, where it owns over 25 acres. In 2011, OHSU broke ground on the \$295 million Collaborative Life Sciences Building, which is scheduled to open in Fall 2013.⁶ The Kelly Ave area is located squarely between OHSU’s two campuses.
- **South Waterfront.** Located immediately southwest of the KFA across I-5, the South Waterfront district occupies approximately 120 acres along the Willamette

² Opportunity and Competitiveness for the Region: PSU Strategic Plan 2011-2014.
<http://pdx.edu/president/sites/www.pdx.edu/president/files/Portland%20State%20University%20Strategic%20Plan%202011-2014.pdf>

³ PSU University District Framework Plan. June 2010. <http://www.pdx.edu/transportation/planning>

⁴ PSU University District Framework Plan. June 2010. <http://www.pdx.edu/transportation/planning>

⁵ OHSU Facts. <http://www.ohsu.edu/xd/about/facts/index.cfm>

⁶ OUS/OHSU Collaborative Life Sciences Building Factsheet.
<http://www.ohsu.edu/xd/about/vision/upload/clsb-fact-sheet-FINAL-1-12.pdf>

River. Its first phase redevelopment includes approximately 2,000 new housing units, acres of open space, and various retail uses in addition to OHSU facilities⁷.

Additionally, the **National College of Natural Medicine**, located inside the KFA between Kelly Ave, Naito Parkway, Corbett Ave, and Woods St. has plans for significant expansion that would bring 400 more students and 3-5 new buildings to the area⁸. NCNM currently has 550 students and 260 employees; by 2016, NCNM plans to enroll 1,000 students. NCNM recently launched a \$25 million capital campaign to fund the expansion of their campus.

Among the challenges that development in the area faces are:

- While the area has a broad mix of existing uses, many of the land parcels have capacity to offer greater densities that can provide the area more vibrancy. The area's existing housing, office, and institutional uses are largely in single-purpose buildings and mostly reliant on surface level parking. More robust redevelopment in such areas is possible, but will require both a richer mix of alternative transportation modes and the ability to provide structured parking.

The Kelly Focus Area is primarily zoned for dense mixed-use residential and multi-family uses (Table 1). Zoning in two-thirds (67%) of the area allows over 45 dwelling units per acre. Achieving the types of development allowed will, in many cases, require public-private partnerships that can assist with essential elements such as land assembly, enhanced transit provision and structured parking.

⁷ <http://www.southwaterfront.com/>; Portland Development Commission, North Macadam URA: Completed Projects. <http://www.pdc.us/our-work/urban-renewal-areas/north-macadam/completed-projects.aspx>

⁸ Right Place, Right Time. Case Statement: NCNM's Capital Campaign 2011-2016. http://www.ncnm.edu/images/Publications/case_statement_final_040811_web.pdf

Table 1. Zoning mix in Kelly Focus Area, 2012

Zone	Description	% of Kelly Ave Area
MFR5	Multi Family (31-35 DU per acre)	19%
MFR7	Multi Family (46+ DU per acre)	10%
MUR4	Mixed Use Residential (26-30 DU per acre)	4%
MUR5	Mixed Use Residential (31-35 DU per acre)	1%
MUR8	Mixed Use Residential (66-100 DU per acre)	13%
MUR9	Mixed Use Residential (101-125 DU per acre)	27%
MUR10	Mixed Use Residential (126-700 DU per acre)	17%
IL	Light Industrial	3%
POS	Parks & Open Spaces	6%

Source: GIS analyst by ECONorthwest; zoning data from Metro RLIS, April 2012.

- Steep slopes: Marquam Hill rises steeply to the west of the Kelly Focus area. Over 25% of the focus area is located on slopes of 10% or more, and approximately 9% of the study is located on slopes of 25% or more.
- Comparative development sites: While the area has many strong assets, it does not have close-in larger sites that are readily available for more immediate redevelopment such as the Conway property in Northwest or many of the south waterfront sites. And many of its smaller sites have more constraints (e.g., difficult access) than comparative sites in other desirable areas.

2.2 DEMOGRAPHICS

The Kelly Focus area has strong market fundamentals.

- Per Capita Income: As Table 2 shows, Kelly Focus area residents have higher per capita income but lower median household income than the averages for the City of Portland and the Portland metropolitan area. This discrepancy is due to the small average household size in the Kelly Ave Area (1.57, compared with 2.28 for the city and 2.52 for the region).
- Household Age: Table 2 and Figure 1 describe age characteristics for the KFA. The area has many fewer children than the city or the metro area (6% under 18 compared with 19% and 24% respectively). The number of KFA residents who are over 65 (15%) is larger than city and regional averages (Portland: 10%, metropolitan area: 11%). The KFA has a higher percentage of young, working-age residents (35% in the 18-34 age brackets) than Portland (29%) or the metropolitan area (24%).

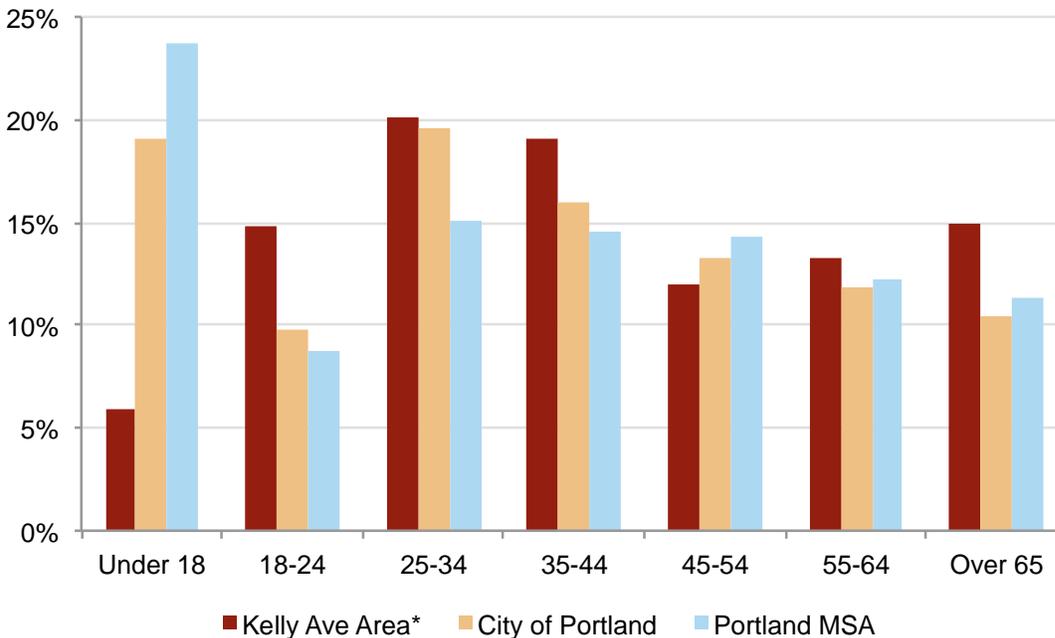
Table 2. General demographics for Kelly Ave Area (2012), City of Portland (2010), and Portland MSA (2010)

	Kelly Ave Area* 2012	City of Portland 2010	Portland MSA 2010
Population	13,718	583,776	2,226,009
Households	7,494	248,546	867,794
Average HH Size	1.57	2.28	2.52
Median HH Income	\$41,528	\$47,185	\$53,078
Per Capita Income	\$35,931	\$28,678	\$27,451
Age Characteristics			
% Under 18	6%	19%	24%
% Over 65	15%	10%	11%
Race			
% White	79%	76%	81%
% African-American	2%	6%	3%
% American Indian or Alaska Native	1%	1%	1%
% Asian & Pacific Islander	13%	8%	6%
% Other (including 2 or more races)	6%	9%	9%
% Hispanic	5%	9%	11%

Source:

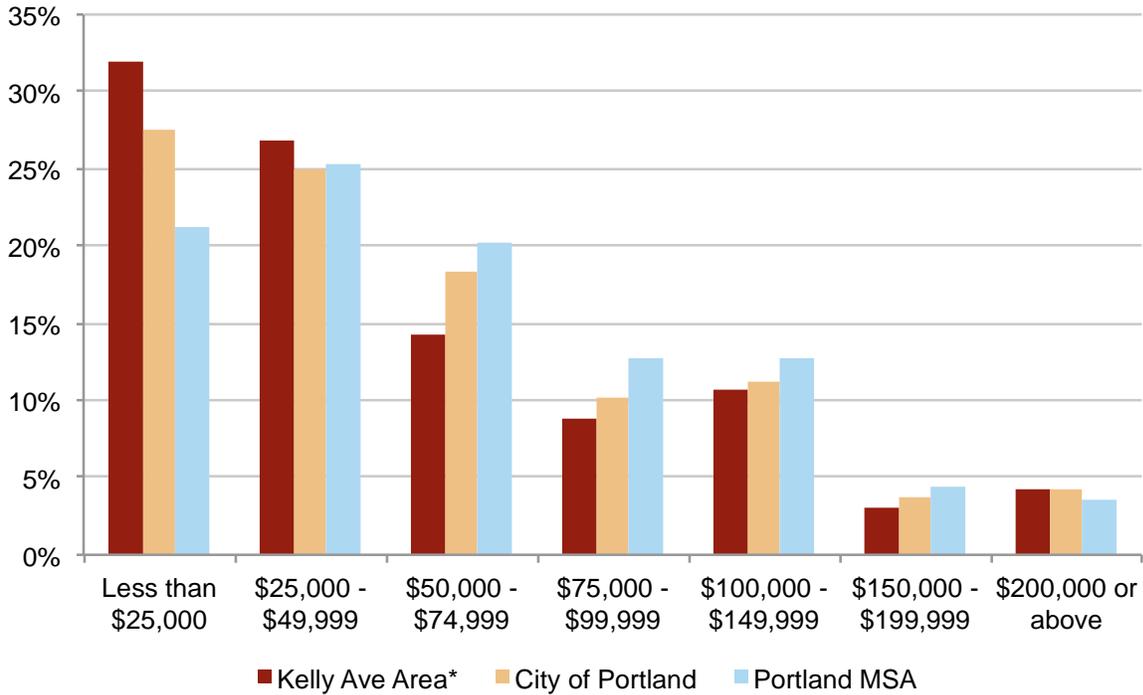
Claritas 2012 estimates for Kelly Ave Area, 2010 U.S. Census

Figure 1. Age distribution for Kelly Ave (2012) and Portland area (2010)



Source: Claritas 2012 estimates for Kelly Ave Area, 2010 U.S. Census.

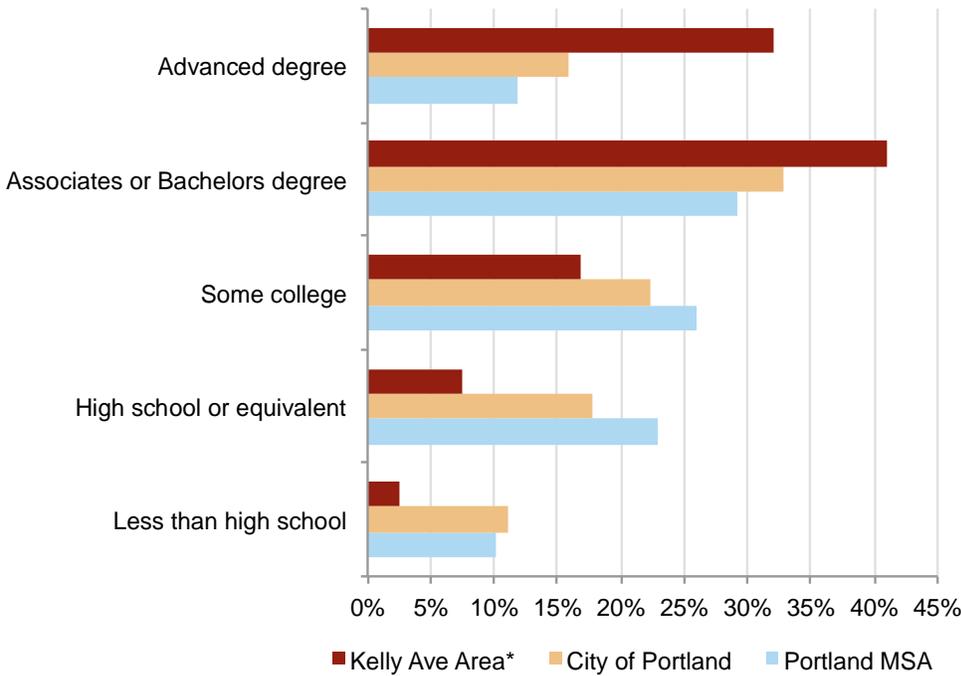
Figure 2. Estimated household income for Kelly Ave Area (2012) and Portland area (2010)



Source: Claritas 2012 estimates for Kelly Ave, 2010 American Community Survey 1-year estimates.

- **Household Size:** The average household size for the area is 1.57. Seventy-five percent of households are non-family households. Of family households, the majority (70%) are composed of married couples without children.
- **Education Attainment:** As Figure 3 shows, residents of the Kelly Focus Area are extremely well educated. Seventy-three percent of area residents have at least a college degree, and nearly a third have some form of advanced degree.

Figure 3. Educational attainment for Kelly Ave area (2012) and Portland area (2010), population 25 years and older

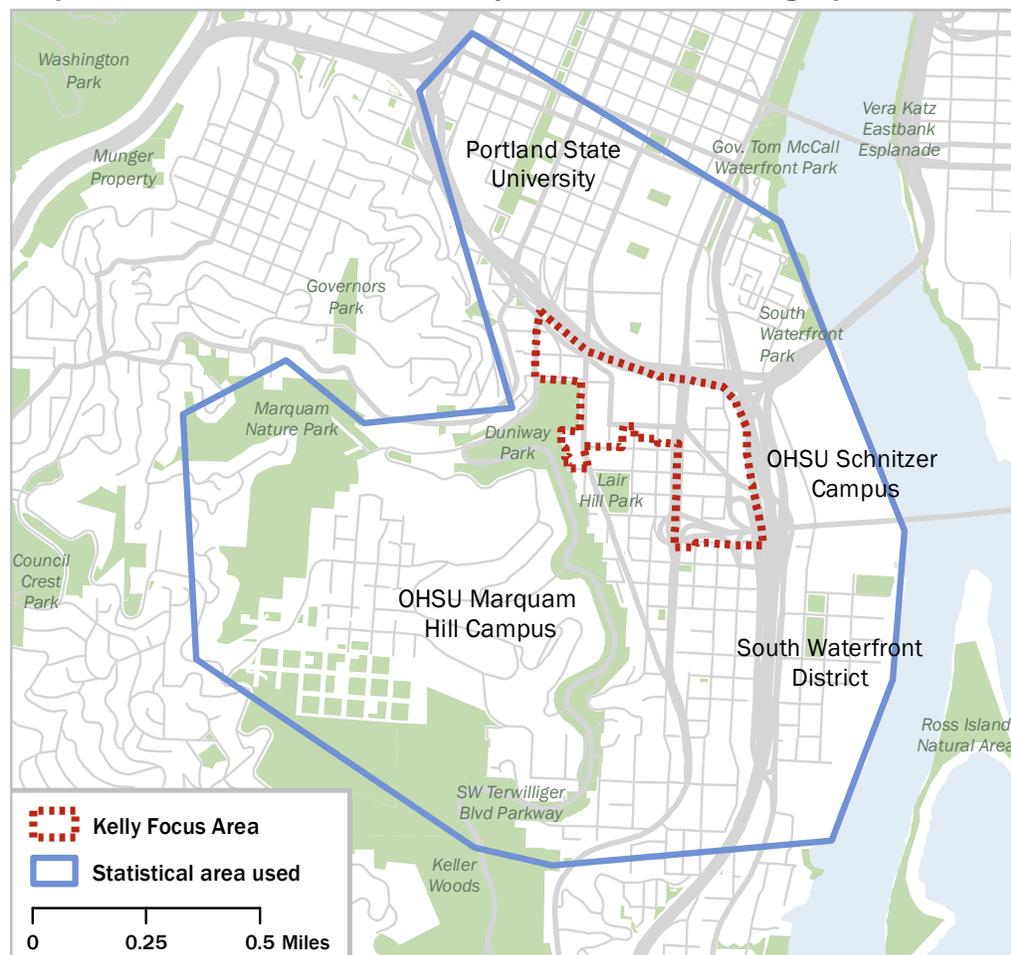


Source: Claritas 2012 estimates for Kelly Ave Area, 2010 American Community Survey 1-year estimates.

- **Employment Diversity:** Most common occupations are management (12% of area residents), sales and related (12%), and health practitioner (11%). Eighty-one percent of KFA residents work white-collar jobs.

The Kelly Focus Area is a relatively small geography with limited number of residents inside the boundary. The area's redevelopment will be influenced by the major employment and residential areas that surround it. As such, we have included a data from a larger area that is more representative of the area's future potential and mix of uses to provide more context for demographic information (Map 1).

Map 1. Area used to assess Kelly Focus area demographics



Source: ECONorthwest

2.3 LAND MARKET OVERVIEW

Market values in the KFA vary, as they do in other areas, based on factors that include size, access, location, and existing uses. A general range appears to be from about \$25 to \$50/SF. Key indicators of current market conditions also include comparable rents currently paid for commercial space in the KFA.

Rental rates for Class B office space in the KFA are \$16-\$20 per square foot—lower than in the Portland Central Business District (\$20.86) but comparable to the Portland market area average (\$18.38).

Retail in the Kelly Focus Area underperforms relative to nearby locations, and the KFA currently has few neighborhood-serving retailers⁹. The 7-Eleven at SW 1st and Arthur rents for about \$14/SF triple net or NNN (leases where taxes, insurance and

⁹ Personal correspondence with Don Singer, September 2012. Don Singer is Assistant Managing Director at Integra Realty Resources and has 30+ years of appraisal and development experience in the Portland region.

maintenance are borne by the tenant). In comparison, retail space in the South Waterfront District costs \$18-\$23/SF NNN. At the high end, retail in John's Landing may rent for \$20-\$25/SF NNN.

Longer term future potential for KFA resides in land currently used for Ross Island Bridge access. This provides a test case for land market evaluation in the KFA, and offers further context for understanding the opportunities that might be associated with access improvements that also create new developable parcels. If ODOT reconfigured bridge access to create redevelopable parcels, the new development sites could have values of \$40-\$60 per square foot.¹⁰ This figure assumes that parcels have good auto and truck access, are zoned for mixed-use development, benefit from enhanced high capacity mass transit, and have allowable heights of 65'-75'. This combination of zoning, mass transit capacities, and access would allow the land to be developed with four to five floors of housing over one floor of retail. Higher allowable heights correspond to greater land values. \$40-\$60 per square foot is comparable to land values in John's Landing which has waterfront proximity but more limited mass transit and more constrained access. Sites in Northwest Portland (near Montgomery Park) have recently sold for around \$70 per square foot for similar mid-rise development projects.

2.4 POTENTIAL MIX OF USES FOR FUTURE DEVELOPMENT

Given the area's excellent location and favorable demographic profile, many uses would potentially be attracted to the area. While new construction will demand higher rents for the uses described below, the potential to weave a more inviting and energizing urban fabric in the KFA by introducing assets such as high capacity transit and more continuous street front uses should help significantly. Potential uses include:

- **Student housing.** Enrollment at Portland State University is expected to grow from 30,000 to 50,000 by 2035, creating increased demand for close-in, student housing.¹³ Student housing could also serve graduate students at OHSU as well as PSU and NCNM.
- **Higher-end rental housing and condos.** In Q1 2012, most new rental development was occurring in greater downtown Portland and various close-in neighborhood locations such as southeast, northwest and northeast. Average rent per square foot for apartments in downtown is 66% higher than the average for the metropolitan area.¹⁴ While there has been very little new condo development during the

¹⁰ Ibid

¹³ A Great City needs a Great University, PSU, PDC.

¹⁴ Kidder Mathews, Portland Apartment, Real Estate Market Review, Portland, Vancouver, and Surrounding Areas, 1st Quarter 2012.

recession, the apartment cycle has driven rental unit rates up sharply, in some cases over \$2.00/SF. While the pipeline for apartment construction remains strong, these escalating rents combined with low mortgage rates may bring a renewed interest in condo development within the next few years.

- **Senior housing.** The area has a greater percentage of older households than the metro area and many of these have been long-term residents. While there are a number of large senior housing developments close to the area (the Mirabella in South Waterfront and Terwilliger Plaza off of Broadway Drive), there is a likely market for more senior housing development of various sizes for folks who want to stay in an area where they've lived for decades and have many friends.
- **Institutional uses associated with OHSU or PSU.** PSU's 2010 University District Framework Plan lays out a vision for an expanded campus that better meets the needs of a growing student body while also creating a district more connected to downtown Portland. The KFA represents an opportunity to locate facilities nearby to both PSU and OHSU campuses through either new construction or adaptive reuse. While OHSU currently leases space in the area it will likely consolidate many of these uses in new south waterfront buildings in the near future. PSU has at least one facility in the KFA already - its Business Accelerator facility. Its desired growth pattern calls for PSU participation in mixed use buildings (via public/private partnerships) and this area offers close proximity sites for a number of its future research and continued accelerator expansion needs.
- **Office uses.** Two of the largest commercial office buildings in the KFA are the Marquam Building and the ADP Building, both of which are Class B office space. A full service lease in the Marquam Building is approximately \$16 per square foot. Parking is an additional \$75 per month. A full service lease in ADP Plaza (adjacent to the south of the Marquam Building) is approximately \$20 per square foot. These buildings rely largely on surface parking and have a shared parking arrangement between them. In comparison, an average full service lease for Class B office space in the Portland Central Business District was \$20.85 per square foot in the third quarter of 2012¹⁵. As the KFA evolves and becomes better served by transit, it should have opportunities to capture more B office space that could be part of mixed-use developments.
- **Neighborhood serving retail:** While this area is close to downtown, which offers over 2 million SF of retail, the KFA itself has relatively little neighborhood servicing retail. Providing opportunities for mixed-use buildings with greater densities could bring the area a richer mix of convenient retail and restaurant uses. This would contribute to a more desirable office and mid-rise residential market place.

¹⁵ The CoStar Office Report, Third Quarter 2012, Portland Office Market. "Class B Market Statistics."

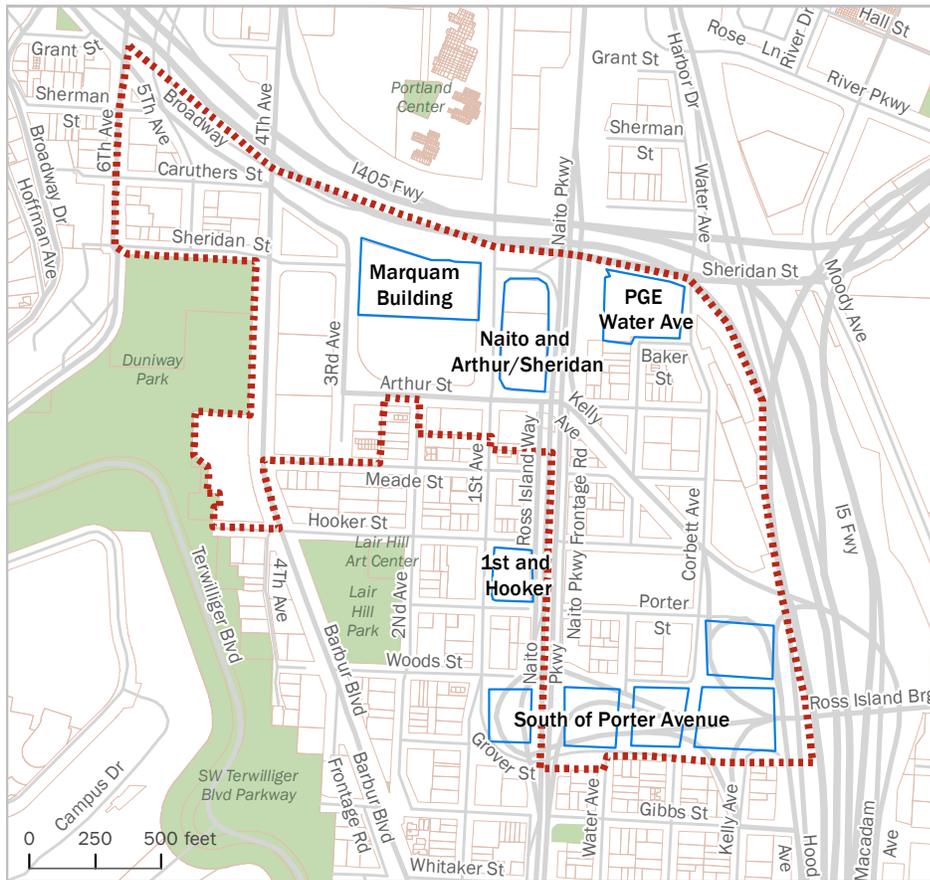
While the KFA as a whole is somewhat cut off from downtown by I-405 it contains a broad range of uses, albeit many in lower density structures. Within the area itself, busy commuter arterials divide and isolate pockets of the neighborhood. Steep slopes limit access to key sites that make development unfeasible or very expensive to redevelop. And while the area does have a number of redevelopment sites, most of the larger ones have existing buildings that may be expensive to acquire or the sites are relatively small and a number of them may need to be assembled to bring about successful higher density redevelopment. With strong market conditions, increased high capacity transit and strategic public private partnerships, redevelopment can be expedited.

3 REDEVELOPMENT OPPORTUNITIES

3.1 OPPORTUNITY SITES

Several sites within the Kelly Focus Area are current or possible future candidates for redevelopment (Map 2). Though some of these sites currently have structures on them, these buildings are not optimizing the individual sites and fall short of serving a catalytic role in stimulating vibrant redevelopment around them. Some of the sites could be redeveloped by existing owners who have development experience but need new uses that can help carry the cost of site redevelopment. Others will require partnerships with public entities or will need to be assembled by public agencies or private developers in order to bring about redevelopment the further enhances the neighborhood while providing sufficient returns for the developers. These site include:

Map 2. Redevelopment Opportunity Sites within the Kelly Focus Area.



Source: ECONorthwest. Opportunity site boundaries are approximate.

Marquam Building parcel:

The Marquam Building site, located at 2501 SW 1st Avenue, represents one of the more significant catalytic and redevelopment opportunities in the Kelly Focus Area. This 82,500 square foot office building sits on 2.46 acres and formerly housed primarily state agencies. It is owned by the Weston Investment Co., one of the state’s most successful developers, and now has significant vacancy. Given its proximity to PSU (directly across the 405 from PSU’s Lincoln Street block), it offers the potential to lure PSU expansion to the Kelly area. As a growing institution PSU’s presence in the Kelly area (for housing, business incubation, research and teaching) offers one of the more significant catalytic generators available. PSU’s interest and ability to expand into the Kelly area would be enhanced by a lid over I-405 – an achievement completed by many cities around the globe and one that’s gaining increasing interest in US cities that have experienced divided neighborhoods as a result of freeway construction.

In the shorter term, it would be possible for PSU to lease substantial vacant space within the Marquam building if it needs to address more immediate space challenges. In the intermediate and longer term, PSU could have the opportunity to partner with Weston Investment to redevelop the entire site with a denser, broader mix of uses that

would further stimulate redevelopment in the area. Optimizing redevelopment of this large site would be considerably assisted by more intensive mass transit operations (particularly fixed rail or high quality bus rapid transit) and the ability to provide appropriate levels of structured parking.

Naito and Arthur/Sheridan parcels:

Directly across the street to the east from the Marquam Building are two commercial parcels that comprise a 1.58-acre super block. The single story Louis LaGrand company building and a small vacant office building. This site offers a considerable opportunity for more intensive mixed-use redevelopment, most likely for some combination of office, institutional and retail space. The site has good access and visibility and can benefit from proximity to a redeveloped Marquam Building site as well as its pivotal juncture with downtown. As with the site above, enhancing high capacity mass transit and structured parking provisions will help secure a more robust redevelopment project.

PGE Water Ave parcel:

PGE controls a 1.6-acre parcel on Water Ave adjacent to the 405. PGE initially acquired the site for relocating an existing sub station, but it is open to having redevelopment occur on top of that station. While the site has a number of challenges (it's adjacent to the freeway, it sits at the bottom of a steep slope, it's base new use will likely be a substation, and it is difficult to access), it nevertheless has good proximity to South Waterfront District, Downtown, and PSU. It could accommodate university related uses, as well as, a possible mix of private commercial uses.

South of Porter Avenue parcels:

South of Porter is currently composed of bridge access and ramps, which consume approximately 12 acres. If ODOT and the city can reach agreements on a more streamlined transportation solution that is able to return much of this land into redevelopable parcels, there could be as many as five one-acre sites available, four of which would be inside the KFA. With reconfigured access and zoning that enabled a mix of uses and heights up to at least 65', it is possible that many of these new blocks would redevelop as housing over retail. A master plan and development program ideally would be crafted to factor in enhanced high capacity transit, structured parking and open spaces to better serve the development and create a beneficial sense of place for the larger neighborhood.

1st and Hooker block:

Although this block is not located within the Kelly Focus Area, it merits mention because of its proximity to the focus area boundary and its redevelopment potential. This less than one acre block is located just to the east of the Walsh Construction headquarters and across Barbur from NCNM, and is owned by Walsh. It's currently

used largely for storing Mercy Corp equipment. While the site is underutilized, it also has access constraints. It is difficult to reach given Barbur's current configuration that limits direct access to the site. If Barbur is improved, and site access is enhanced, the parcel could be developed for area-serving retail or a mix of use that could include an office component. The extent of redevelopment would be influenced by the availability and frequency of enhanced mass transit. Providing structured parking, preferably on-site or, if viable, in the immediate area would also contribute the site's redevelopment potential.

3.2 POTENTIAL INVESTMENTS TO OVERCOME BARRIERS

Opportunity	Description	Why	Potential funding sources
Extend high-capacity transit through the area (light rail, streetcar, bus rapid transit)	Provide a viable high-capacity transit system that offers short headways and convenient stops in the area (some potentially integrated into new developments).	More frequent, well-functioning transit availability will provide residents and workers more affordable and flexible transportation options and give greater assurance to the development community that it could develop higher quality buildings with reduced, expensive structured parking.	An expanded high capacity transit line through the area will require federal financing but could be complements by a range of local sources that include: tax increment, local improvement district and sole source SDCs.
Highway lid / Freeway cap	A wide enough elevated crossing over the 405 that 1) connects PSU with the KFA and 2) is preferably lined with retail to increase the pedestrian utilization and experience.	I-405 creates an inconvenient barrier between downtown and the KFA - with traffic-intensive freeway overpasses offering the only connectivity to the most desirable redevelopment sites. Creating greater connectivity across I-405 could encourage Portland State University to expand further into the KFA and could act as a catalyst for additional redevelopment.	Successful public-private partnerships have helped fund freeway cap projects nationwide. Federal and State grants, as well as tax increment and local improvement districts, can help fund bridge construction/modifications while private development opportunities exist attached to the cap.
Reconfigure Ross Island Bridge access and ramps	Reconfiguring the middle of ramps and roads that cut through the Kelly area would create viable redevelopment sites, reduce barriers for pedestrians, and create a more efficient transportation system there.	Bridge access reconfiguration would enable new redevelopment sites to emerge from the tangle of roads and ramps that now consume about 12 acres of the KFA. Reconfiguration would benefit the neighborhood and larger community by providing potential uses such as housing, neighborhood-serving retail, and open space.	Newly minted development sites with appropriate zoning and height limits could help finance new street improvements. Private funds would be used for new vertical development. Potential for EB5 for eligible projects and for TIF if area is included within a URA.

3.3 KELLY FOCUS AREA DEVELOPMENT TOOL KIT

Below is a partial list of development tools that might be used for various redevelopment projects in the Kelly Focus Area. Some are very competitive while others can be established locally (by the city or, in some cases, by property owners in the area). A number of these tools can be bundled to optimize their effectiveness.

- **Local Improvement Districts (LIDs).** A LID is created by agreement among property owners in an area and sanctioned by the city. Owners assess themselves for a range of public improvements that could include: streets and sidewalks, open space, and parking structures.
- **Sole Source Systems Development Charges (SDCs).** Via an agreement with the city, it may be possible to retain certain SDCs from new development within the KFA to help pay for open space and transportation improvements.
- **Tax Increment Financing (TIF).** A portion of the KFA is within the North Macadam Urban Renewal Area and would thus be eligible to use TIF for a range of improvements. TIF could be used to fund public improvements and to directly assist private development such as mixed-use projects. TIF from the North Macadam Urban Renewal Area is largely obligated at this time, but funds may be more available over the next several years.
- **HUD Section 108.** This tool enables the city to borrow up to five times its annual Community Development Block Grant allocation for the purposes of investing in economic development projects. These loans to the city are then passed on to eligible private or non-profit developments and must be repaid from the cash flow of those projects. HUD 108 interest rates are as low as .75% for construction financing and about 3-4% for up to 20 years of long-term financing. HUD 108 has been used for various projects in Portland, including the Saturday Market's office facility.
- **501c3 Revenue Bonds.** These bonds can be used to fund up to 100% of an eligible project. They are tax-exempt bonds used by non-profits for non-profit ventures that are able to support debt service from income derived from a project through its rents. They can be used for mixed-use projects where a portion of the project is controlled by a non-profit.
- **Low Income Housing Tax Credits (LIHTCs).** There are two forms of LIHTCs, 9% and 4%. The former effectively provide about twice as much equity into affordable housing developments as 4% LIHTCs and are available to projects that offer at least 40% of the project's total inventory to households with less than 60% of area median income. This equity is not repaid and effectively functions as a grant. These 9% credits are very competitive throughout the state. In comparison, 4% LIHTC credits are readily available to qualified projects. Area projects that have

utilized LIHTCs include the Sitka (owned by a for-profit developer) and the various REACH projects (owned by the non-profit).

- **Historic Tax Credits (HTCs).** These credits can effectively cover up to 20% of the eligible rehab costs for historic buildings that are approved by the National Parks Agency. They are project-based rather than area-based (which is not the case with other tax credit programs such as new market tax credits). Portland-area projects that have used HTCs include the Portland Armory in the Pearl and the Smith's Block on Naito.
- **Affordable housing bonds.** These tax-exempt bonds are often used with 4% LIHTCs to help cover the costs of affordable housing projects (whether owned by for or non-profits). These projects usually have at least 20% of their units set aside for lower income households. Museum Place is a recent example of a Portland project that used these bonds.
- **HUD 221d4.** This is a federal loan guarantee program that enables developers of market rate apartments to invest in projects with 20% equity as opposed to 30-35%, which has become the new normal. Lower equity requirements can help make market-rate apartment projects more viable. As with any federal program, this one requires significant reporting and paperwork.
- **Metro Transit-Oriented Development (TOD) grants.** Metro's TOD program provides grants of up to \$750,000 for eligible transit-oriented projects. These funds are very competitive and have been effectively used along corridors throughout the metro area.
- **Business Improvement Districts (BIDs).** Unlike most of the funding sources listed above, BIDs are used to fund programs rather than provide capital. BIDs have been used in downtown Portland and the Lloyd District to help fund safe and clean programs and transportation management efforts. BIDs raise funds through assessments on properties and business in a willing BID.