1-2016

Oregon College of Art and Craft (OCAC)

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OREGON
COLLEGE OF
ART &
CRAFT

AN EVALUATION OF REAL ESTATE OPTIONS

A Creative Community in Portland, Oregon

Prepared by Portland State University Center for Real Estate, in cooperation with the University of Oregon School of Architecture

January 2016

Introduction

Oregon College of Art and Craft (OCAC) (pronounced "O-see-A-see") has earned a reputation as a leading college of art and craft in the United States. Known for its exceptional faculty of artists, writers and makers, the uniquely small, mentor-based community is comprised of 150 to 200 students who pursue full-time Bachelor of Fine Arts or Master of Fine Arts degree programs, in addition to the 2,500 to 3,000 students enrolled annually in youth and adult offerings and the special programs, such as the Nike Design Atelier. The College also serves 50,000 visitors each year through lectures, presentations and exhibitions in the Hoffman Gallery.

At OCAC students are encouraged to work across the full range of the seven specialized studio areas that are the heart of Craft at OCAC. The hands-on, studio-based approach to learning – one in which deep conceptual thinking guides the hand and prepares students to become creative artists, knowledgeable designers, and critical thinkers. OCAC's alumni, 82% of whom are employed in the arts, exemplify the vital role artists and makers play in satisfying the global demand for new ways of thinking, making and innovating. Founded in 1907 by Julia Hoffman, today OCAC is a principal center for learning and engaging the Portland ethos for the small batch, hand-made, environmentally sound, and ethically entrepreneurial.

Through the classes, busting artists, lectures, and exhibitions, OCAC has been known to cultivate and curate some of the regions best educators and artwork from American craft. Budding artists in all stages of life can benefit from the multitude of progams OCAC has to offer including a Bachelor of Fine Arts degree, two certificate programs, continuing education for adults, and specialty youth classes and workshops.

A History Of OCAC

1907: The College is founded as the Arts and Crafts Society by Julia Hoffman, photographer, painter, sculptor, metal worker and weaver, out of her desire to foster the Arts and Crafts movement through classes and exhibitions. The first classes were held in members' homes.

1934: The Kramer Building in downtown Portland becomes the College's first permanent site. Founder Julia Hoffman dies at the age of 78.

1952: The Arts and Crafts Society merges with the Allied Art and Metal Guild and moves to a large home in northwest Portland.

1962: A former hospital building in northwest Portland is purchased and converted into studios and classrooms to accommodate the College's growth. The Hoffman Gallery is dedicated, fulfilling Julia Hoffman's dream of a permanent exhibition space for craft.

1978: The College's name is changed to Oregon School of Arts and Crafts. A capital campaign for a new campus begins with the donation of a 7.2 acre filbert orchard by Howard Vollum, founder of The Tektronix Corporation, and his wife Jean. Margery Hoffman Smith provides the initial donation for a building fund. The Murdock Charitable Trust awards a $300,000 grant to the institution which helps secure a challenge grant from the National Endowment for the Arts to construct the $1.5 million campus.

1979: The College moves from its Northwest Portland building to the present site on Barnes Road. The nine buildings, designed by architect John Storrs, and beautiful grounds, designed by landscape architect Barbara Fealy, were planned for aesthetics as well as function. The state of the art facilities include custom details created by regional artists such as stained glass windows, handmade ceramic tiles and one-of-a-kind wrought iron work.

1984: The Artist-in-Residence program has been in existence since 1979 and was funded by the Collins Foundation in 1984. The program enables both emerging and mid-career artists to spend concentrated studio time on campus.

1995: The College acquires property at the intersection of Barnes and Leahy, which includes an historic schoolhouse. The institution also receives a grant from Meyer Memorial Trust for $190,000 to fund campus renovation projects and to design a campus master plan.

1998: The College starts its first children's summer art camp, Art Adventures, for children and teens, ages 7 to 17. The program is funded by a grant from the Schnitzer C.A.R.E Foundation and Jordan Schnitzer Family Foundation.

2007: OCAC begins a $14.6 million Capital and Endowment Campaign to expand and renovate the western third of the campus. The College also celebrates its 100th year.

2010: OCAC achieves its phase I Capital and Endowment Campaign goals and dedicates the new Jean S. Vollum Drawing, Painting and Photography Building and the Bonnie Laing-Malcolmson Thesis Studios.

Future of OCAC

OCAC occupies approximately 7 acres on the west side of the west hills. The area parcels are a conglomerate old farms houses, and old school house, several older utilitarian buildings and the newer modern Jean S. Vollum building. The school has the space and desire to develop a modern urban village. In addition to wanting a more modern campus they are looking to make a statement that will help grow the school in both attendance and notoriety. Providing on campus housing and creating a revenue stream through a mixed use development will help OCAC achieve these goals.

MISSION: ***Oregon College of Art and Craft is dedicated to Craft as the creative material practice at the core of art and design. OCAC's mentor-based learning community fosters self-reliant, entrepreneurial, globally conscious, critical and innovative makers***

The Neighborhood

Located just three miles west of downtown Portland, OCAC is in the West Hills and offers easy access to both US Highway 26 and Highway 217. In addition the school sits on the number 20 bus line, a major bus line running through downtown Portland. Situated just east of the school is a well-developed commercial area with a grocery store, banks, dry cleaner, and restaurants. Providence St. Vincent Medical Center, and Tualatin Hills Parks & Recreation District are located less than a mile from the school.

Catlin Gabel

Two schools, Catlin-Hillside School and Gabel Country Day School, merged in 1957 to become Catlin Gabel School. The school relocated to the current campus in 1958. Our predecessor schools were founded by strong women who were leaders in the progressive education movement. Today, Catlin Gabel enrolls 750 students in preschool through 12th grade.

St. Vincent Medical Center

Providence St. Vincent Medical Center is part of Providence Health & Services in Oregon, a not-for-profit network of hospitals, health plans, physicians, clinics and affiliated health services. The facility is a Top 100 hospital having been

In 1995, The Catlin Gabel School, a private day school located in Portland's west hills, selected Hacker to update the master plan for their 53-acre campus and design new educational facilities to accommodate their growing and changing programs.

-Hacker Architects

awarded by Solucient 10 times. In addition, it is a designated nurse magnet facility, having received Magnet Recognition for Excellence in Nursing Services from the American Nurses Credentialing Center.

Touchmark Property

Estimated Completion: 2017

There will be two large buildings on the site. Building 1 will be five stories with 126 independent apartment homes and four guest homes split into two wings. Building 2 will be six stories and include 138 homes (34 memory care homes, 32 supportive living homes, 69 assisted living homes, and three guest rooms

A majority of the site will remain as open space. The balance of the open space will include a greenhouse, garden plots, sports courts (bocce ball), courtyards, roof terrace, plazas, and water features. The overall site will support dedicated vineyards and a winery producing pinot noir, extensive walking trails, and lakes.

Amenities for residents living independently will be grouped in the 40,000-square-foot Clubhouse and Health & Fitness Center, located close to residents in Building 1 between the two home wings. This well-appointed center will include a pool and spa, locker rooms, clubroom, exercise room, aerobics room, trainers, classes, towel service, and pro shop.

The Clubhouse will offer restaurant-style dining with terrace seating on the top floor, a bistro, liquor lounge, craft room, home theater/chapel, rooftop terrace with westerly views, library, business/computer center, concierge service, art galleries, game rooms, and resident storage areas.

Barnes and Miller

The shopping centers located at the Barnes and Miller road intersection would be the primary competition for any retail on the OCAC campus. It includes a QFC, Starbucks, Subway, 2 banks, Postal annex, dry cleaners and a Banfield pet hospital.

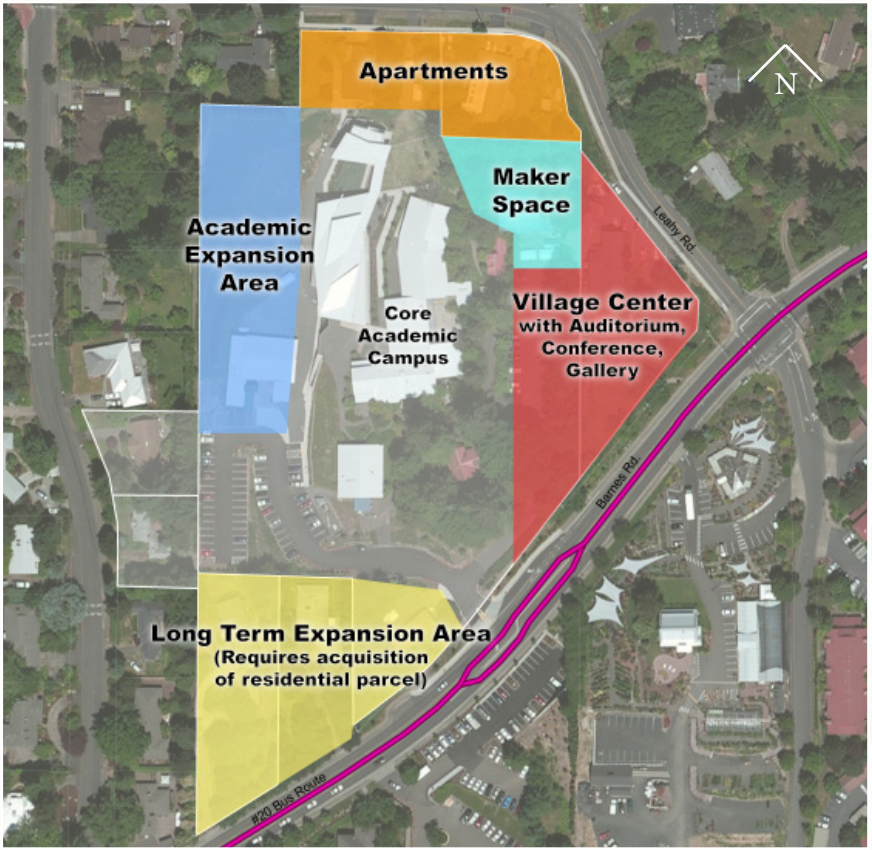
Renderings for the Touchmark West-Hlls development The design includes residential buildings, garden homes, single-family homes, and a clubhouse. Estimated completion in 2017.

Development Program

OCAC's Real Estate Goals

The OCAC leadership have several development goals that have helped guide this analysis. First is the desire to leverage their single largest asset, their land, to increase revenue for the college. The team has identified both small-scale retail and apartments as a potential source of revenue. The second goal, which is related to the first, is to expand public-facing uses on campus. The team has identified the eastern edge of campus as the best location for these more outward facing uses. Activating this primary edge of campus ensures the retail and other destination-oriented uses get the street visibility they need to be successful, but also preserves a quaint, central campus for academic uses.

Development Concept



striking a balance between distinction and pragmatism. That balance is not easy in this context, but possible. The best and most elegant designs happen when faced with these types of challenges.

OCAC is not a commercial development entity, however, in order to be successful there are a few important commercial real estate principles to keep in mind during design and development.

Commercial Real Estate Principles

The team firmly believes that an authentic design is exactly what is required to set this project apart and make it successful.

The values that guide OCAC should be tangible and should permeate the ultimate design. The experience of being immersed in craft is what will make this a destination worth visiting. That having been said, successful execution will require

Know Your Market

Get Parking Right

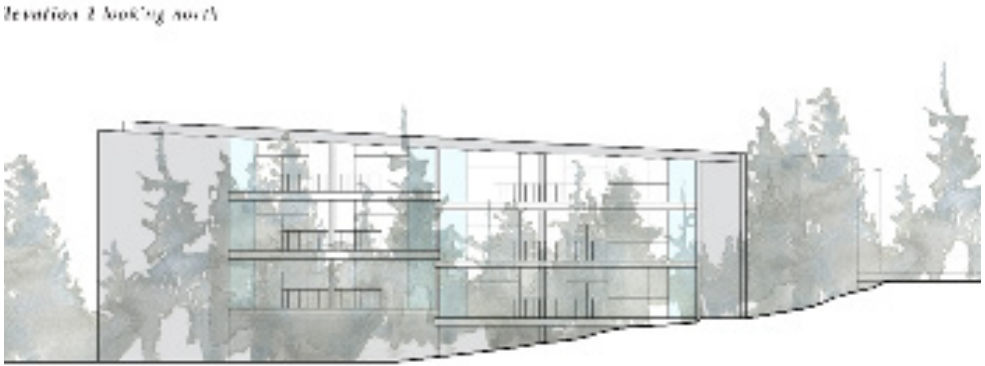
We must understand our market context. OCAC is in a suburban location on an arterial road in Washington County. Unlike a location in the center of Portland, retail viability depends on auto visibility from Barnes Rd. and adequate, adjacent parking. Creating a walkable, mixed-use village is possible, but only if the needs of auto users are also accommodated.

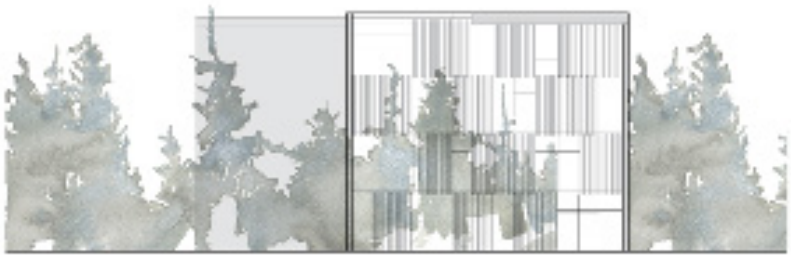
The suburban setting, isolated from other activity, requires destination-oriented uses that can draw visitors from the greater Portland market. As such, adequate parking is doubly important. The integration of parking into the village design by utilizing on-street parking and dispersed smaller lots will help support retail tenants with nearby short term parking. Dispersing parking also avoids having parking lots dominate the design and undermine the walkable feel OCAC hopes to achieve.

Parking will need to be well integrated and dispersed through out the site if it is to accommodate the variety of new uses proposed.

Flexible Apartment Design

The apartment unit design and bedroom mix should also be carefully considered to meet student needs but also reflect the market demand. Currently one bedroom units have the lowest vacancy rates, so a unit mix that is (or can easily be converted to) predominantly one bedroom units is desirable. Further discussion of apartment design and programming strategies are detailed below.





Mitigate Risk by Design

The design and development process should reduce long term risk to the College. This goal is related to the first. Acknowledging the market context involves understanding the format of typical developments within our market and the expectations of the commercial lenders. Specifically, two basic expectations are important: new development must be on lots that are or can easily be subdivided from campus. This helps ensure the lender that if the property needs to be reverted to the lender that thier can be a clear distinction between property ownership. Lenders typically only loan money if they have a reasonable expectation that an asset will retain value even if the borrower defaults. If this development were to fail, and a lender were to take possession of the development, the lender would likely want assurance that the development could be operated successfully or be sold in a reasonable timeframe. In addition, OCAC may choose to sell these assets in the future, in which case, this structure gives them maximum flexibility and acceptance in the market. The second expectation is parking related to the developments uses should be accommodated, within reason, adjacent to those buildings and on the individual lots.

The Village Center

The village concept consists of 2-4 buildings, clustered around common outdoor gathering space with short term parking dispersed throughout the site for convenient access. The core buildings are two stories, with retail and other active uses on the ground floor and office or residential uses above. Key to the success will be clustering campus buildings with active uses within or immediately adjacent to the village, such as an auditorium, conference facility, and a new library.

The mixed-use buildings should be designed with maximum flexibility in mind, particularly the upper floors. The upper floors should be designed in such a way that with minimal construction costs they can be demised for offices or apartment users. Apartments in a mixed-use building are untested in this suburban context, so it is hard to predict how well they will perform. The team's intuition is that if the village is designed well, the demand will be there, but it is difficult to prove with comparables currently.

Utilizing at least a portion of the second floor for administrative offices has several advantages. First, the administrative offices are of poor quality currently and will need to be demolished to implement this program. Second, if OCAC is a lease tenant in the village, the project will be significantly preleased and be more attractive to financial partners and lenders. Lastly, administration staff and students visiting administrative offices will create foot traffic and support retail activities. The more people and activity that is in the common outdoor areas, the stronger the retail will perform.

Activating the Corner

The project team recommends clustering as many active uses as possible in the village. The village center needs to be a destination for students, faculty and the greater Portland community.

The team has identified several uses that could help to energize the space. Generally, any uses that directly or indirectly engage the public or the OCAC community should be considered for location at or adjacent to the village.

- Commercial uses: retail such as coffee shop, bookstore, art supply store, restaurant, bar
- Administrative offices: possible 2nd floor uses
- Library: either partner with Washington Co. on new construction or lease retail space for a new branch with arts focus; could include meeting rooms and gallery space paid for by library but available to students
- Gift shop / student retail store: opportunity to showcase and sell student and/or artist in residence pieces (perhaps seasonal)
- Gallery space: possibly in conjunction with or paid for by library
- Public-facing "maker space:" either for artists in residence or for-lease to community artists; serves as a destination for outsiders to view art creation and would support retail; similar to popular "open kitchen" format in restaurant programming
- Auditorium: used for campus activities (graduation, lectures, concerts) but also leasable to outside groups, such as corporate users

Multi-Family Student Housing

The northern edge of campus has been identified as an ideal location for apartments. Leahy Road has lower traffic volumes than Barnes Road, but still has convenient access.

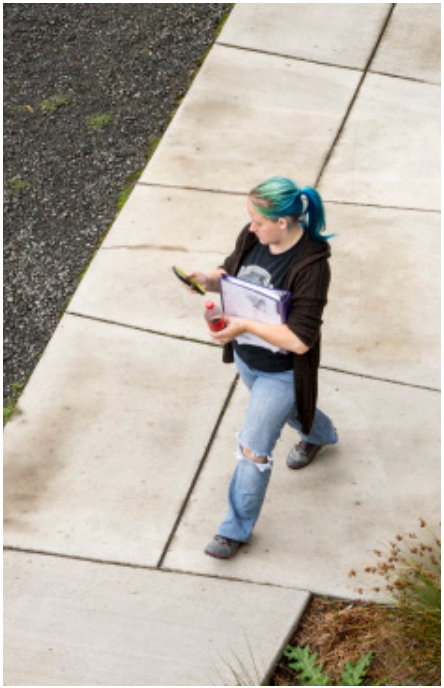
The team has identified two development sites that could easily accommodate mid-rise apartment buildings with roughly 25 units each and on-site parking. Dividing the apartment development into two buildings allows for phasing and avoids overbuilding. In addition, the scale of the buildings at 2 stories is not out of character with heights in the surrounding neighborhood and may be acceptable to nearby residents.

The unit design and mix needs to serve students but also be viable for the larger market. Filling the

units with students could become problematic if OCAC decides to concurrently lease units to the open market, or in the even that OCAC decides to sell the apartment building at a future date.

One bedroom units have the lowest vacancy rates currently. However, traditional 1 bedroom units may be rather expensive for students to rent on their own. Designing compact 2 bedroom units (650-700 sq ft) with simple demising walls that could easily be removed to convert to a more traditional 1 bedroom unit is advised. Small two bedroom units would allow 2-4 students per unit which would reduce the monthly gross rent per student, while also increasing the per square foot revenue for the College. Furthermore, family sizes are shrinking nationally, and even more so in the Portland

market, so larger 2 bedroom units (at least in large quantities) are not advisable.



Pathways in the Village

The village concept imagined here uses multiple buildings to create intimate, double loaded, pedestrian-focused main streets. It allows the plaza and common outdoor areas to be utilized by multiple tenants and be truly activated. With the relatively small program considered here, it will be important that all pathways are intimate, while also being intuitive and visible. This is not an easy design challenge, but if done successfully, it gives users a sense of discovery and intimacy while also ensuring the retail tenants do not feel invisible.

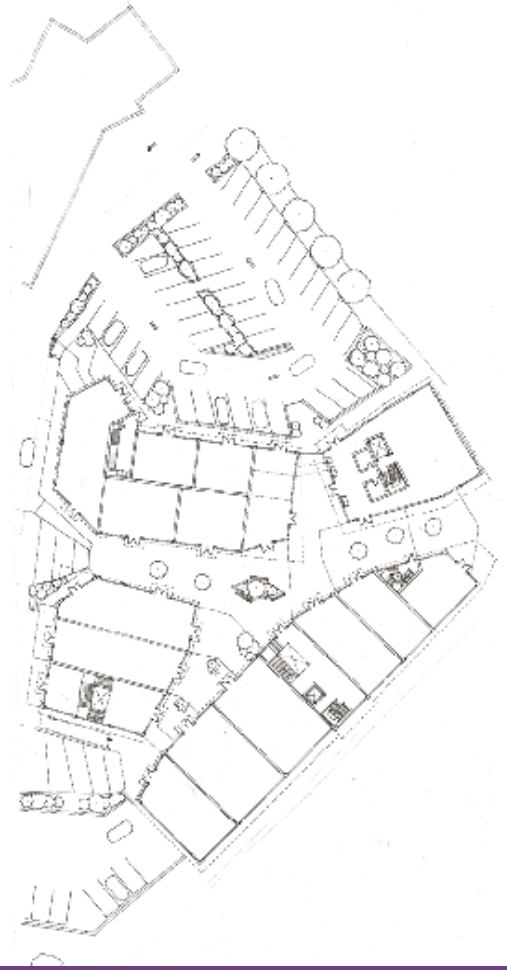
The design of the village should carefully consider the interaction between the plaza(s) and buildings, and their sizing and the visibility from within and outside the campus. The plaza serves as a central gathering place for campus and, if done right, will help activate the retail spaces. The plaza and surrounding retail will also serve as a public gateway to Campus, both literally for visitors but visually for passersby. Correct sizing and orientation will be key to achieving both objectives. Plazas that are too large do not feel intimate to the pedestrian and are not used.

Parking Design

Parking within the village should be dispersed to serve short-term retail visitors. To the extent possible, the design should provide parking on both sides of the internal street network of the village and surrounding areas. For instance, on narrower or more pedestrian-focused roadways, parallel parking is advised. On wider roads, perpendicular or angled parking is efficient and can help slow traffic. Integrating parking and circulation reduces the need for dedicated drive isles in parking lots which are only used for parking access rather than serving the dual purpose of circulation. The use of grade separation, pavers, stamped paving or paint striping can slow vehicular movement and provide visual clues that the pedestrian is still prioritized even in an auto-dependent area.

The south side of the village area may have sufficient grade change (moving west along Barnes) that a relatively inexpensive, partially below grade parking structure can be accommodated below a portion of the retail program. If done with minimal earth work, this style of parking can be cost effective and hide some parking from view. It is unlikely that the program's cash flow could sustain the cost of constructing fully underground or structured parking, at least in the short to medium term.

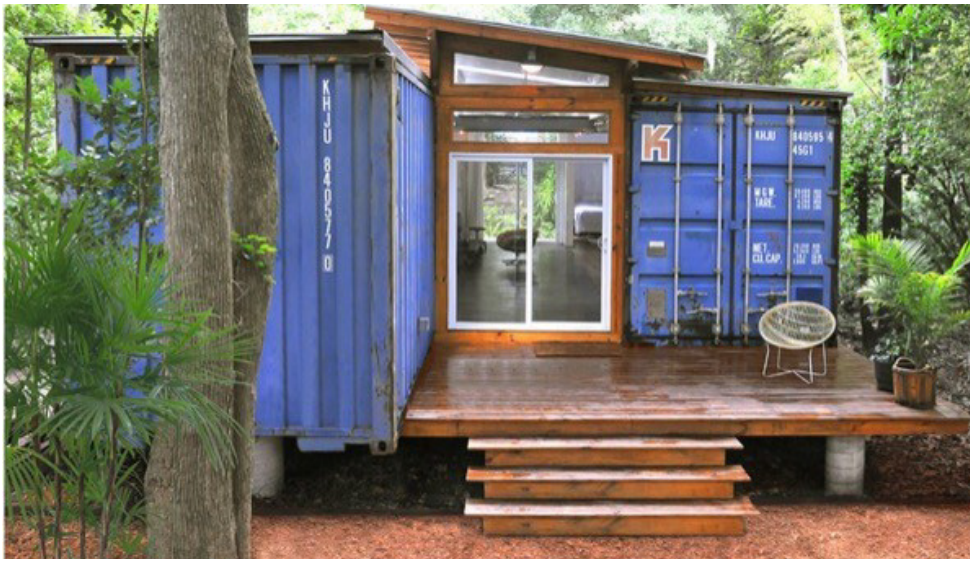
Overflow or event parking does not need to be completely accommodated within the village area and can be further away, such as in the lower parking lot. Providing too much parking in one spot within the village risks undermining the village cohesion and pedestrian intimacy. Clearly defined signage and pathways between overflow parking and the village will be important.



The Maker District

OCAC leadership and students identified a need for flexible creative space that has an open floor plan, and is durable and cost effective. An area along Leahy, between the village center and the apartments has been identified as a possible location for this part of the program.

The location between the village and apartments is ideal and will help integrate and activate both programs. The maker district has the potential to be engaging to the public, and potentially even directly used by the off-campus artist community. With the right design, the maker district could be a destination that provides foot traffic that supports the retail in the village area.



Since the revenue potential is relatively low, the buildings in this area need to be cost effective construction. A range of possible construction options exist to achieve this, including low cost barn-style construction or prefabricated, portable spaces, like shipping containers. The team has identified used shipping containers as a low cost way to create durable and functional maker spaces. Shipping containers have several advantages for this area and this program as they are inexpensive to buy and durable. They are ideal for a messy and high impact creative process. They are also portable, which means if the retail village is successful and expansion of the village becomes desirable, the containers can be moved or reconfigured.

To maximize utility and minimize cost, outfitting of each container with high cost elements such as individual plumbing should be avoided. For functionality, containers only need electrical service, a window (and perhaps a skylight), a layer of thin rigid foam insulation, drywall or plywood walls, a durable low cost floor (marmoleum), and a ductless minisplit heat pump to provide low cost heating and cooling.

The containers can be arranged around a more permanent and more broadly useful centralized structure that includes bathrooms, utility sinks, showers, covered outdoor work areas. This structure could serve the maker district but also serve the College's variety of adult and youth summer camps. An additional covered outdoor working area was specifically identified as needed by student representatives.

In this scheme, the central building should be designed for long term use, so the location is important. The placement of the surrounding studios is secondary and flexible. For maximum utility, the studio containers should be very close and could even share a roofline with the central building so that one end of the container has covered access to the central building and the other end can be exposed to natural daylighting. The design and material choices of the central building can be of a higher quality than the materials used in outfitting the shipping containers themselves.

Market Analysis

National Trends

The following trends reflect data from the fourth quarter of 2015 and broaches the probable outlook for 2016.

The following trends information reflects data as of the fourth quarter of 2015 and broaches the probable outlook for 2016. The primary sources are the Federal Reserve Beige Book, October 2015, remarks by William Dudley, President and Chief Executive Officer of the New York Federal Reserve, November 2015 and Moody's Analytics, The Long View, November 2015.

The national economy continues to expand and probabilities are it will maintain its momentum into 2016. The unemployment rate dropped from about 5.8% to currently 5% year-to-date. Payroll gains have continued to grow reflected in the October employment report of 271,000 and the November 2015 report of 211,000 nonfarm jobs. Along with the employment increase the aggregate hours worked also increased. The consensus is 4.9% is considered full employment. The National Association of Business Economists expects the unemployment rate to drop to 4.7% by the end of 2016. One sticking point has been the subdued labor compensation gains which could be a function of low inflation and weak productivity growth. On the bright side, the underemployment rate for college undergraduates dropped to 6.2% and to 4.2% for graduate students in 2015 from a high of 10.2% during the recession according to Georgetown University Center for Education and the Workforce. The primary reasons for the drop are the protracted economic recovery and the retirement of the baby boomers.

Consumer spending is growing, but generally has lagged the overall economy and is likely to continue in 2016. While wage growth has been modest household net worth has increased reflecting real estate appreciation and increases in the equity markets.

Business investment has been modest and mostly focused on the automation of labor-intensive jobs reflecting a relative weakness in the manufacturing sector.

That weakness is a function of the reduction in oil and gas drilling activities and a loss of international competitiveness associated with an appreciating dollar.

Real estate and construction continues to grow especially multi-family construction which continues to outpace construction of single-family units. Despite modest payroll gains household formation continues to grow, housing prices are raising and mortgage rates remain low. The National Association of Home Builders' index rose to its highest level since 2005 in October. Because of supply constraints affordability will remain a concern.

Real Gross Domestic Product (GDP) grew at 2.4% in 2014 and the probability is 2015 will end with about the same annualized growth rate. The GDP for 2016 is estimated to be slightly less than 2015 mostly linked to the strong dollar and relative weakness in the manufacturing sector.

And lastly a brief discussion about inflation and interest rates: There is continuing concern associated with the weakness in the

core personal consumption expenditures deflator (PCE) which excludes food and energy components and rose only 1.3 percent year-to-date. There is some concern that inflation expectations are under downward pressure as evidenced by the University of Michigan median measure of inflation expectations which fall in October to 2.5 percent, the lowest since 2002. That is complemented by the decrease in the spread between nominal Treasury securities and Treasury Inflated Protected Securities (TIPS). Remember the Fed's inflation objective is 2 percent. The feeling is that if the economy continues to grow at or above the trend of GDP deflationary worries should recede.

Expectations are the headline inflation rate (including food and energy) will rise next year along with the PCE rate. As a result the Fed thinks it has about 375bp ahead of them and can raise the federal funds rate 25bp every other meeting to get there, i.e., the Federal Open Market Committee (FOMC) meets about every 6 weeks. When the anticipated normalization of interest rates starts price swings in equities and bonds could likely be more volatile.

Regional Trends

The regional economy also continues to expand. The Portland Metropolitan (Metro) unemployment rate (based on September October data, Metro data lags about 60 days) has declined from 6.2% (2014) to 5.3%, seasonally adjusted or from 5.7% (2014) to 5.20% raw, year-to-date. Nonfarm payrolls increased from 1,080,700 to 1,120,600 jobs. This is an average of about 3,325 jobs per month. But, the region lost 1,300 jobs in September. That is the first month decline since January 2015 and the first month loss of more than 1,000 jobs since mid-2011. The losses were mainly in manufacturing, wholesale trade and transportation likely linked to fewer educational jobs and the appreciating dollar. It is likely the unemployment rate will decline once the holiday hired data is available.

Average private sector wages increased about 6% over the 12 month period, but it is likely that most of the increase was in higher skilled employment.

Inflation in the Portland Metro area as measured by the consumer price index (CPI) has led the national average for a couple years. In September 2014 the national CPI was 1.6%versus the metro area at 2.4%. The national average for the first half of 2015 was effectively 0% versus 1.3% in the metro area.

The metro area continues to add population. In 2012-13 the metro area population grew about 1.1% and 2013-14 grew by 1.4% and 2014-15 the growth rate is 1.6%.

According to the 2014 U.S. Conference of Mayors the Real Gross Metropolitan Product (GMP) was 3.5% and is projected to increase by .8% in 2015. To put this in perspective the metro area contributes about 65% of the state's gross product.

Demographics

Metro Area Unemployment Trends – Seasonally Adjusted	
2010	9.80%
2014	6.20%
Sept 2015	5.60%

Metro Area Population Trends			
2010	2,226,000		
2012-13	2,291,650	1.20%	% Change
2013-14	2,324,535	1.40%	% Change

Metro Area Gross Metropolitan Product (GMP) - Millions			
2010	$131,066		
2013	$157,094	4.90%	% Change
2014	$163,692	4.20%	% Change

The primary market area (PMA) used in this report is considered to have a radius of one mile from the Oregon College of Arts and Crafts (subject) and the secondary market area (SMA) is considered two miles from the subject.

The following data is based on the US Census Bureau American Community Survey (ACS) and numeric data is approximate and rounded to the nearest 100s. The current SMA population is 38,500. As discussed in the Metro Trends above the metro population grew by .3% from 2012 to 2014 (1.1% to 1.4%). For this analysis the lower bound is assumed (1.1% annual growth) suggesting a 2020 population of 40,500. There are currently about 17,100 households; applying the same growth percent indicates an increase in households to 18,000. The median household gross income is $79,700 and disposable income is $59,300. The median age of the 2015 population is 43 years. The predominate age distribution is between 20 and 60 years with a median age range from 45 to 49.

The majority of the population is female (52%) with a predominate age distribution between 20 and 60 years and a median age range from 44 to 45. About 5.5% to 6% of the female population is ages 15 to 24 with the majority ages 20 to 24 years. The predominate age distribution for males is between 25 and 55 years with a median age range from 40 to 44.

The single largest educational attainment is a Bachelor's Degree the second largest is a Graduate Degree. The average household size is 2.3 people, it is estimated the average household size in 2020 will be effectively the same. Lastly, 56% of the dwelling units are owner occupied and the average single-family home (SFR) value is $483,700 reflecting a predominate age range from 15 to 25 years.

Applying the same metric to the PMA

indicates a population of 9,600 the estimated 2020 population will be 10,100. There are currently about 4,650 households with a commensurate increase in households to 4,900. The median household gross income is $79,100 and disposable income is $58,500. The median age of the 2015 population is 42 years. The predominate age distribution is the same the SMA. The majority of the population and the age distributions are effectively the same as in the SMA.

The single largest educational attainment is a Bachelor's Degree the second largest is also a Graduate Degree, only marginally more. The average household size is 2.0 people, it is estimated the average household size in 2020 will be 2.1 people. Lastly, 53% of the dwelling units are owner occupied and the average single-family home value is $452,800 reflecting the same age range.

So why is the age and gender distribution important? According to the OCAC 70% of the undergraduate student population are females. The graduate program is about a 50% mix.

Multifamily & Student Housing

There are two sides to property type market analysis: demand and supply. Comparing them is a method of measuring the gap in the market. That is the number of additional apartment units that can be absorbed at a given rent within a reasonable period of time. The primary driver of demand for residential housing, along with population growth, is employment growth. Population growth for a geographic area is effectively a function of employment growth.

The retirement community known as Touchmark Heights (age restricted) is currently under construction and is in close proximity to the subject. Planned improvements include 18 SFR lots, 10 multi-family lots and 40 condominiums. Touchmark Heights is not included in the following analysis.

Demand Analysis

The aggregate consumer demand reflective of the metro area has been increasing as evidenced by declining unemployment rates, increasing population growth and increasing GMP which transfers to the SMA and PMA of the subject.

As previously discussed the current consensus nationally is full employment estimated at 4.9%. The latest Portland Metro unemployment rate is 5.3% seasonally adjusted according to the Bureau of Labor Statistics. The metro unemployment rate in December 2006 was 4.5% so historically there is still the opportunity for the local unemployment rate to decline further.

That infers an increasing population possibly by an average of at least 36,000 new residents per year based on the Metropolitan Regional Government (Metro) forecast.

According to The Apartment Report 2015 and the Portland State University Fall, 2015 Quarterly Real Estate Report the multi-family vacancy rate for the SMA and PMA of the subject is approximately 3.4%. According to The Apartment Report 2014 the vacancy was 3.6% for the same market areas. Vacancy rates that low suggest actual vacancy is frictional, i.e., tenants moving between multi-family properties within the same market area.

Applying the estimated population of 10,100 (an increase of 500 people) by the year 2020 within the subject's PMA and applying the renter ratio of 47%, recognizing that not every single new person will rent an apartment and which is hedged by the renter ratio, suggests a demand for at least 47 new apartment units per year (500/5 X .47).

Applying the same methodology to the SMA indicates a population increase of approximately 2,000 people. Applying the renter ratio of 47% indicates a yearly new demand of 188 apartment units per year. Aggregating the new demand within the PMA (47) with the new demand within the SMA (188) equates to an annual demand of at least 235 units per year. Over the forecasted five year period suggests a demand for additional apartment units of 1,175 (235 X 5).

Lastly, the issue of affordability will be broached. Figure 1 illustrates the current market rents as reflected by Timber Ridge Apartments.

Based on the income distribution from American Fact Finder reflective of the subject's SMA and applying it to the average rent/SF from the Timber Ridge Apartments data and to the 2015 median household disposal income for the SMA at $59,300 (see Demographics above) and assuming a rent burden of 30% of disposal income indicates a monthly rent of $1,483. Based on the income distribution approximately 34% of the households (about 5,800; 17,100 X .34) could not afford that rent expense.

Timber Ridge Apartments

Unit Type	NRA/SF	Rent Range	Average Rent	Average Rent/SF
1/1	694	$1,146 - $1,158	$1,152	$1.66
2/1	882	1,298 – 1,441	1,385	1.57
2/2	943	1,323 – 1,372	1,348	1.43
3/2	1,194	1,639 – 1,795	1,717	1.44

Supply Analysis

The average rent/SF for one bedroom/one bath is $1.71, average size is 655 SF and for two bedroom/one bath the average rent is $1.25 and the average size is 907 SF.

There are about 16 apartment complexes greater than 30 units between the subject's PMA and SMA consisting of about 2,085 total units.

The vacancy rate range (3.0% to 3.4%) discussed above includes the apartment complexes within the subject's PMA and SMA.

Based on the available information there are no new or proposed apartment developments within the subject's PMA. There are seven apartment developments within the subjects SMA as shown in Figure 2.

Total apartment units proposed is 2,175. There is the reality that not every proposed apartment development will be built. Based on the current vacancy rate within the subject's PMA and SMA together with the forecasted demand the only new apartment development, Timber Ridge, could be fully occupied within 12 months (average absorption 28 units/month). Also recognize that this analysis only applies to a limited geographical market area.

Absorption Analysis

Multifamily Apartments

The better indicator applicable to the subject's apartment development absorption rates is the Timber Ridge Apartments located at 11785 NW Timberview Lane, Portland (vicinity of SW Barnes Road and Cedar Hills Blvd.) opened in 2013. According to the rental management the complex is stabilized occupancy. If this development

reached stabilization in 12 months the absorption rate would have been 26 units/month; if in 24 months the absorption was 13 units/month.

The subject's primary apartment location would be in the northerly portion of the campus with exposure to SW Leahy Road. The concept calls for two separate building (Phase 1 and 2) with 25 to about 38 units each (the upper bound assumes office use over the retail location). Based on the subjects inferior exposure along Leahy Road the lower quartile of the absorption range appears probable (13 to 20 units/month), 16 units/month is applied. It is further assumed any rent incentives would be limited.

Existing Apartment Complexes within the Subject's PMA (Figure 1)

Complex	Yr. Blt	No. Units	Unit Style	Average SF	Average Rent	Rent/SF
Breckenridge	1985	357	1/1	644	$1,120	$1.74
			2/1	864	1,458	1.69
			2/2	914	1,579	1.73
Commons	2004	287	1/1	636	1,163	1.83
			2/1	1,080	1,544	1.43
Canyon Lane	1970	30	1/1	588	825	1.4
			2/1	776	925	1.19
Golf Creek	1991	282	1/1	737	1,389	1.88
			2/2	976	1,648	1.69
			3/2	1,243	2,016	1.62
Sunset Summit	1986	261	1/1	668	1,145	1.71
			2/2	1,014	1,460	1.44
			3/2	1,205	1,710	1.42
Sylvan Terrace	1989	60	2/1	1,080	965	0.89
			3/1	1,500	1,065	0.71

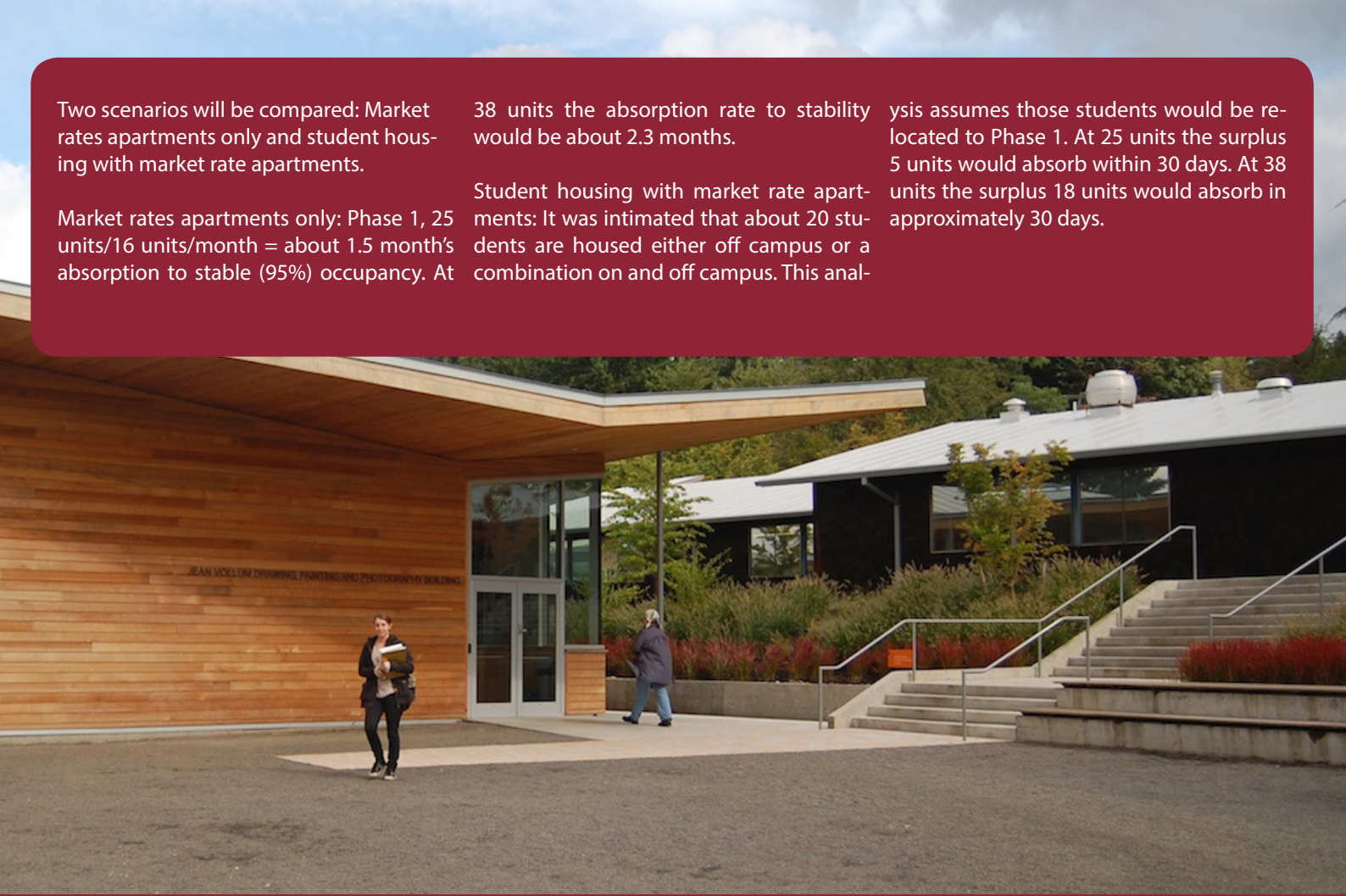
Newer and Proposed Apartment Developments (Figure 2)

Apartment	Yr. Blt.	No. Units	Comments
Timber Ridge	2013	336	1, 2, and 3 bedroom types
Sunset Station	Proposed	150	Mid-rise, mixed use
Hillside	Proposed	150	Mid-rise, mixed use
Peterkort West	Proposed	250	Mid-rise, mixed use
Johnson Creek SE	Proposed	460	Mid-rise, mixed use
Johnson Creek SW	Proposed	565	Mid-rise, mixed use
Holly Site	Proposed	600	Mid-rise, mixed use

Two scenarios will be compared: Market rates apartments only and student housing with market rate apartments.

Market rates apartments only: Phase 1, 25 units/16 units/month = about 1.5 month's absorption to stable (95%) occupancy. At 38 units the absorption rate to stability would be about 2.3 months.

Student housing with market rate apartments: It was intimated that about 20 students are housed either off campus or a combination on and off campus. This analysis assumes those students would be relocated to Phase 1. At 25 units the surplus 5 units would absorb within 30 days. At 38 units the surplus 18 units would absorb in approximately 30 days.



Mixed Use Office/Retail

The rubric that is presented under Multifamily/Student Housing, Demand Analysis (unemployment, population, and GMP trends) applies to the Retail/Mixed Use, demand, supply, and, absorption analysis.

The subject's proposed mixed use redevelopment includes that portion of the property known as Parcel 600 which fronts at the signalized intersection of SW Barnes and SW Leahy Roads. The redevelopment concept has been characterized as a retail destination which has been defined as: A popular retail location from whom customers are attracted by the ambience, prices, variety, and artistic displays will make a special effort to purchase. It can also refer to a particular retail location that the customer seeks out because of its popularity; a retail location that attracts customers regardless of its location.

Some mixed use combinations discussed include apartments or office as a second level use over the retail portion.

The average daily traffic counts about the intersection of SW Barnes and Leahy Roads are about 17,100 vehicles along SW Barnes and about 3,750 along SW Leahy Road. Southwest Leahy Road is a collector street to Barnes Road. Parcel 600 offers direct exposure to and access from the Barnes/Leahy intersection. The topography is level to sloping.

Demand Analysis

The four indicators are classified as neighborhood or community retail centers. The total inventory of retail gross leasable area (GLA) within the subject's SMA is approximately 354,000 SF; the overall vacancy rate is about 18%.

Estimated Household Demand for Retail Square Footage

The percent of GLA located within the PMA is 28% and in the SMA is 72%. The number of households and disposable income within the PMA is 4,650 and $58,500, respectively; for the SMA it is 17,100 households and $59,300. The percent of household within the PMA is 21% and in the SMA it is 79%. The estimated retail demanded square footage per household is:

- PMA: 1.33 (% of GLA/% of HH)
- SMA: 0.91
- 1.00 is considered equilibrium.

Four Indicator Retail Developments

Development	Market Area	GLA/SF	Available/SF	Vacancy	Asking Rent/NNN	Yr. Blt.
Barnes Miller Village	PMA	29,000	1,323	4.50%	$23.00	1989
West Hills Plaza	PMA	70,000	11,200	1.67%	27	1999
Peterkort Towne Square	SMA	165,000	4,000		25	1990s
			50,000	33%		
Timberland Town Center	SMA	90,000	1,152		N/A	2015
			7,162		N/A	
			2,651		N/A	
			1,110	8%	N/A	

The flaw in this method is the skewed GLA in the SMA.

What this method is suggesting is the PMA has 33% more retail square footage per household compared to the sampled market (PMA and SMA) as a whole.

Another way to look at the demand for retail space within the market areas is to compare vacancy rates:

- The vacancy rate in the PMA is 2.45% (24,523 SF vacant/the total GLA 99,000 SF)
- The vacancy rate in the SMA is 24% or 4.4% if the vacant grocery store (50,000) is excluded.

The forecasted population increase in the PMA is estimated to grow to 10,100 (2020) from 9,600 (2015) or about 100 additional people per year. With a current vacancy rate of 2.45% suggests there is demand for additional retail space. The same can be argued pertaining to the SMA, excluding the 50,000 SF, especially factoring in the forecasted population increase along with the increase in housing units as proposed.

Supply Analysis

Based on the available information there are no new retail developments planned or proposed for the subject's PMA or SMA.

Absorption Analysis

Mixed Use Retail

The Barnes Millar Village and West Hills Plaza exhibit a negative net absorption of 2,423 SF year-to-date. Since the subject is a new development it cannot have a negative net absorption rate. According to Norris, Beggs & Simpson the larger southwest market area retail vacancy rate has declined from 4% (1Q15) to 3.7% (3Q15). The overall absorption rate has been about 1.7% of the total retail square footage inventory. Applying that to the subject's proposed 15,000 SF GLA suggests an absorption rate of about 255 SF per month (15,000 X .017). Based on that rate the absorption the time frame to stabilization would be inordinately long. If the library were incorporated into the retail space based on a suggested square footage of .5 per capita and the forecasted population is 10,100 by 2020 suggests a GLA of about 5,000 SF. Add to that a barista (average Starbucks stores are 1,700 SF to 2,700 SF GLA) of say 1,000 SF the remaining rental area would be 9,000 SF (15,000 SF – 6,000 SF) and the absorption time frame is reduced to about 24 months to stabilization. In order to reduce that lag time aggressive rent incentives could be offered.

Mixed Use Office

If the second level of the retail building were used as office, according to Norris, Beggs & Simpson the Beaverton-Sylvan market area office vacancy rate has fluctuated about 17%. The overall absorption rate has been about 150 to 200 SF per month. Applying that to the subject's proposed 15,000 SF GLA suggests an absorption time frame to stabilization would be inordinately long. If the subject's Administrative/Enrollment Department (about 1,200 SF) were incorporated into the office square footage the remaining office square footage to stabilization (assumed 10%) and net rentable area 80% suggests a protracted absorption period.

Mixed Use Apartments

The absorption rates applied to the multifamily section would apply; 16 units per month.

Market Analysis Conclusions

The feasibility of the multifamily/student housing appears probable given area rents and absorption. The feasibility of the retail use is dependent on the program being destination-oriented and incorporating an anchor tenant, such as the library. The mixed use portion of the retail development, based on available absorption rates suggests the feasible use is apartments over retail.

Financial Analysis

Financial Analysis Summary

ALL PHASES:

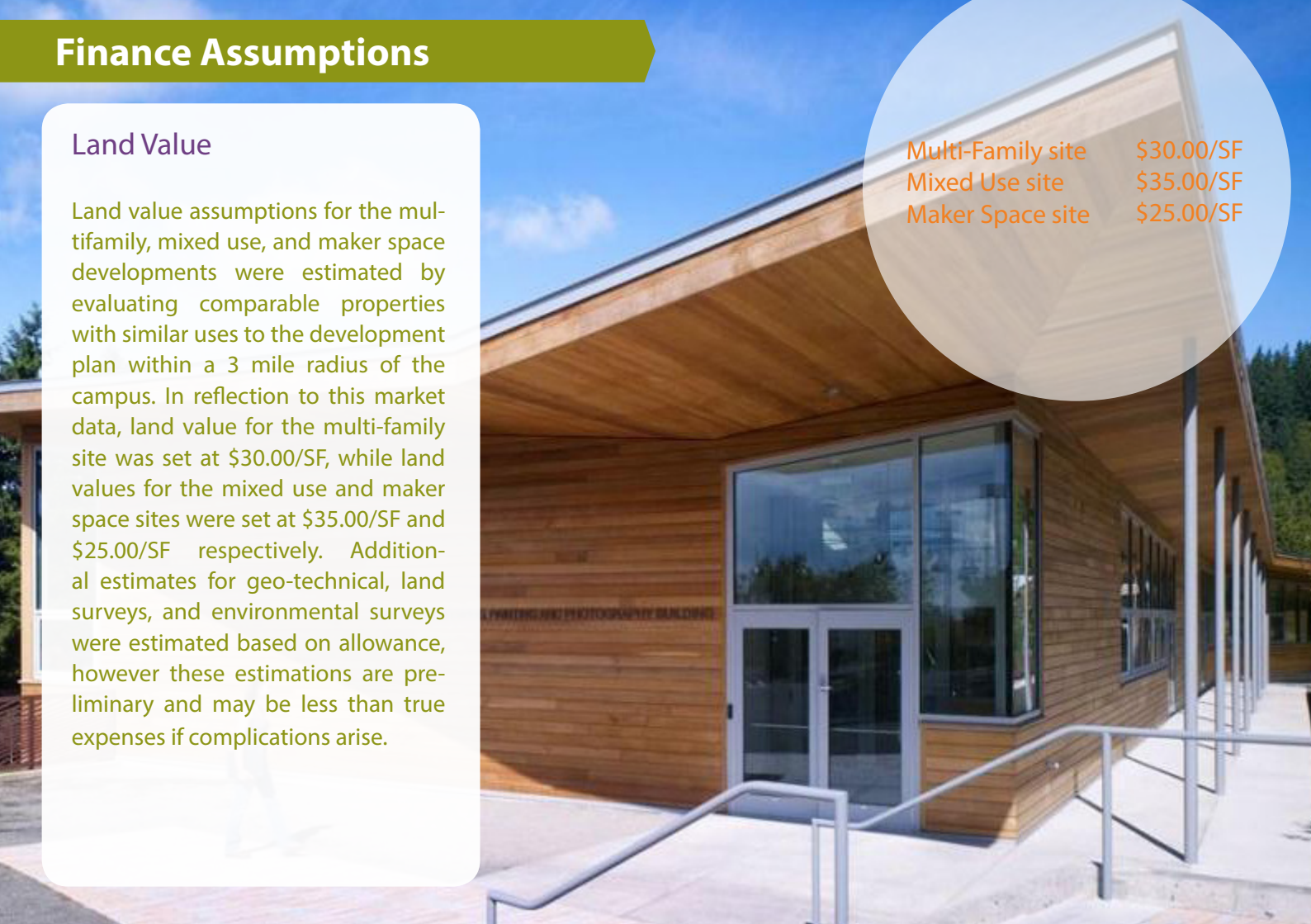
Land as Equity	2,492,280
Cash Equity	1,697,783
Estimated Loan Total	15,354,305
Development Fees	863,424
Total Project Cost	20.407,792
10 year Total Revenue + Equity Reversion	28,867,139

Finance Assumptions

Land Value

Land value assumptions for the multifamily, mixed use, and maker space developments were estimated by evaluating comparable properties with similar uses to the development plan within a 3 mile radius of the campus. In reflection to this market data, land value for the multi-family site was set at $30.00/SF, while land values for the mixed use and maker space sites were set at $35.00/SF and $25.00/SF respectively. Additional estimates for geo-technical, land surveys, and environmental surveys were estimated based on allowance, however these estimations are preliminary and may be less than true expenses if complications arise.

Multi-Family site	$30.00/SF
Mixed Use site	$35.00/SF
Maker Space site	$25.00/SF



Financing Opportunities

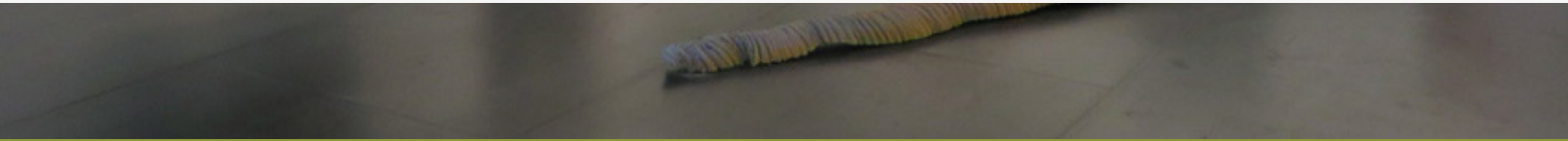
OCAC has a couple of options afforded to them when it comes to developing their multifamily buildings. The first is traditional market rate private lending, whereby OCAC petitions for capital from various lending institutions. This method of securing financing give OCAC the maximum amount of freedom and flexibility, short of financing the entire project with equity. They can fulfill their need for student housing while retaining the ability to lease units to the general public should their supply exceed their internal demand.

A more unique option OCAC can take advantage of is to use public bonds to acquire the necessary capital to finance their student housing due to their non-profit institutional accreditation. Using public bonds will traditionally lower the cost of borrowing as bond rates are generally 1.00% - 1.50% lower than market rates, assuming the borrower qualifies. Bond rates are a factor of the institution's credit worthiness, ability to successfully manage a development project, and the complexity and cost of a project. Bond terms generally offer more favorable LTV and LTC ratios, and longer amortization periods (estimated life of the building), both of which can lower the burden of borrowing for non-profit institutions.

However, bonding also carries some negative attributes. The first being the additional legal, consulting, and administrative costs associated with sourcing the bond. These costs are unavoidable as public entities require an extensive due diligence period before issuing public funds. In addition, a sizable percentage of the projects costs must be allocated into a reserve fund to insure the project against defaulting on its bond payments. This sizable reserve fund can be as much as 10% of the total project costs depending on the development specifics and the bond borrower's credit rating.

The second negative attribute associated with using bonds over conventional financing is the lack of leasing flexibility. Bonds require a designated amount of space to be solely used for the purpose cited when sourcing the bond. While this number is relative to the specifics of the bond, it is common to see allowances for "Bad Uses" – uses other than what a development was originally cited for – to be as little as 5%. Bad uses are generally considered any use that doesn't directly benefit the non-profit and its users/contributors. For OCAC, that means only leasing space to that serves OCAC students, or other institutional non-profit affiliates.

For further information regarding bonding, we recommend contacting Gwendolyn Griffith and Michael Schrader at Oregon Fa-



cilities Authority for a more detailed brief on bond financing in Oregon. An additional recommendation on behalf of the Oregon Facilities Authority for any entity looking to use bonding as a primary capital source for development, is to hire an outside 3rd party financial adviser familiar with bond issuance to navigate the process and acquire the best rates possible. Oregon Facilities Authority can assist in locating a suitable adviser for this purpose.

It is our recommendation that the first 25 units of apartments should be financed with public bonds. By dividing the proposed amount of units into 2 separate buildings, OCAC would be granted a lower financial barrier to entry as well as lower their risk associated with leasing. Should there be a consistent demand for student housing after lease up and stability of the first 25 units, OCAC can then bond the second 25 units. However, should the demand for student housing decline, OCAC can finance all, or part, of their remaining units with traditional bank financing. This gives them the highest optionality and secures them from unnecessary risk.

Projected Development Costs

Bonded Apartments	
Hard Costs	$3,664,425 - 68%
Soft Costs	$1,695,019 - 32%
Total Costs	$5,359,444

Market Rate Apartments	
Hard Costs	$3,795,525 - 69%
Soft Costs	$1,668,182 - 31%
Total Costs	$5,463,707

Mixed Use Development	
Hard Costs	$6,724,468 - 73%
Soft Costs	$2,458,016 - 27%
Total Costs	$9,182,484

Maker Space	
Hard Costs	$316,884 - 63%
Soft Costs	$187,824 - 32%
Total Costs	$504,708

Multi-Family Assumptions

Development Costs

Hard and soft cost were estimated with guidance from Rifer Development LLC, a Portland based development firm with an eclectic portfolio of multifamily residential, retail, and mixed use developments. Using the current market rate for construction equipment and supplies, this project can reasonably achieve its development goals allocating $147.75/SF to covering construction expenses. This includes demolition, wood frame construction build out, and parking paving and striping. This also includes a 5% contingency, and a $100,000 allowance for furniture, fixtures, and equipment.

The soft costs for the multifamily housing developments represent 32% of the development budget with the majority of the expense estimated to be in System Development Charges (SDC), $12,200/unit.Architectural expenses were estimated at 8% of the total hard costs.

Developer fees were assumed to be no greater than 10% of the total development budget with half of the fee paid at the completion of construction. The remainder 50% of the developer's fee would be deferred until the 10th year (post construction).

Inflation

Per the market analysis, an assumed 3% escalation in both expenses and rents were applied to the project at the end of each year to reflect economic variation due to inflation.

Property Management

Due to OCAC's current lack of experience in property management, the hiring of a 3rd party property management firm with experience in both market rate housing and student housing is recommended. Due to the college's non-profit standing, it was assumed that the fee for property management would not exceed an annual 3.5% of gross revenue.

Rents

Projected rents were estimated by evaluating the current rental market within a 2 mile radius of OCAC and referencing the 3Q2015 multifamily report from Norris, Biggs, and Stevens and Kidder Matthews. We assumed a rental rate of $1.67/SF for 1 bedroom units and $1.73 for 2 bedroom units.

Cap Rates, Sales, Vacancies, Reserves

Year-end vacancy for year 1 (post construction) was estimated at 28% (7 units) with a stabilization of 4% (1 unit) assumed by the end of year 2. During the lease up period, a reserve fund equivalent to 1 years total debt service would be held to shelter OCAC from short term tenanting risks.

While the sale of the multifamily developments are not likely or recommended given the college's current goals, we assumed a sale at the end of year 10 (post construction) to estimate the properties equity value and internal rate of return.

The capital return rate (cap rate) following the sale of the property was estimated at 6.0% using the following formula:

$$R_O = LTV \times R_M \times DSCR$$

Where:

R_O - Capital Return Rate

LTV - Loan To Value Ratio

R_M - Mortgage Constant ×DSCR

DSCR - Debt Service Coverage Ratio

While bond rates and costs are directly related to the entity's credit rating, cost of the project, and the entity's history with managing similar developments, using bonds over traditional financing was estimated to lower the lending interest rate by 1.5%. The bond issuance cost would be 3.00% of the loan in addition to any fees and costs associated with inspections and processing, which was estimated at $12,500. The amortization period for the bonds was assumed to be equivalent to the expected life of the building, 50 years, while the payback period would be 25 years with either an expected balloon payment, or an additional acquisition of private financing to cover the remaining balance. Per the recommendation from G.K. Baum, bond financing would assume an 80% LTV/LTC and a debt service coverage ratio (DSCR) of 1.25 to determine the bond amount.

Property Taxes

No property tax was assumed for the residential units due to OCAC's non-profit status and the primary purpose of the units is to house the college's students and faculty.

Alternatives

Private, Market Rate Financing Loan Assumptions

Lending standards for private financing was estimated at 70% Loan To Value (LTV) (based on 2nd year stability), 75% Loan To Costs (LTC), and a 1.15 Debt Service Coverage Ratio (DSCR). The interest rate on the loan was estimated at 4.75% with a 30 month term to cover construction and lease up. A 10 year (30 year amortized) mini perm loan was assumed to follow the construction loan at a rate of 4.75%. Lending fees were assumed at 1.5% of the loan.

A 6 month reserve fund to cover risk associated with leasing should stability not be reached by the end of year 2.

Mixed Use - Office Over Retail Assumptions

Development Costs

Since the mixed use development project was similar in building type, size, and scope to the apartment developments, the hard and soft cost were estimated using the same assumptions as the apartment development projects, with a few exceptions noted below.

The construction subtotal was estimated at $173.50/SF which included a $40.00/SF tenant improvement for the retail, $20.00/SF tenant improvement allowance for the office area, $130.00/SF wood frame build out, $20.00/SF for parking allocation, and 5% contingency.

The soft costs for both office and retail developments were primarily represented by SDC charge. The retail SDC's were estimated at $16,000/unit ($192,000 total) and the flex/office SDC's were estimated at $125,000 for the entire floor plate. Architectural expenses were estimated at 8% of the total hard costs.

Developer fees were assumed to be no greater than 10% of the total development budget with half of the fee paid at the completion of construction. The remainder 50% of the developer's fee would be deferred until a possible sale conducted at the end of year 10 (post construction).

Inflation

Per the market analysis, an assumed 3% escalation in both expenses and rents were applied to the project at the end of each year to reflect economic variation due to inflation.

Property Management

Due to OCAC's current lack of experience in property management, the hiring of a 3rd party property management firm with experience in retail and office management is recommended. Due to the college's non-profit standing, it was assumed that the fee for property management would not exceed an annual 3.5% of gross revenue.

Rents

Projected rents were estimated by evaluating the current market for office/retail within a 3 mile radius of OCAC, with reference to comparable property reports and lindustry reports issued by Norris, Biggs, and Stevens and Kidder Matthews. We assumed a retail rental rate of $24.00/SF and flex/office rental rate of $24.00/SF.

OCAC as Tenant

Due to the operational flexibility of OCAC, we assumed that OCAC would prelease at least 50% of the 2nd floor flex/office space to be used as administrative and faculty offices since their current facilities will be replaced with student housing.

Cap Rates, Sales, Vacancies, Reserves

Year-end vacancy for year 1 (post construction) for both the retail and office units were estimated at 30% with a flex/office stabilization of 5% and an 8.3% retail stabilization assumed by the end of year 2. During the lease up period, a reserve fund equivalent to 6 months of total debt service would be held to shelter OCAC from short term tenanting risks.

Depending on the future needs of OCAC and the real estate environment, a sale of the property might be beneficial to the college. To illustrate this, and to show the investment health of the development, we assumed a sale in year 10 (post construction)

The cap rate following the sale of the property was estimated at 5.1% using the following formula:

$$R_O = LTV \times R_M \times DSCR$$

Where:

R_O - Capital Return Rate

LTV - Loan To Value Ratio

R_M - Mortgage Constant ×DSCR

DSCR - Debt Service Coverage Ratio

Loan Assumptions

The construction loan was assumed to be an 18 month loan with options to extend out to 30 months. The loan would be limited by the lessor of a 70% LTV (based on 2nd year stability), 75% LTC , or a 1.15 DSCR. The interest rate on the loan was estimated at 4.75% with interest only payments during the construction and lease up period.

Property Taxes

Property taxes were assumed at 1.74% of the property value calculated at a 7.1% cap rate based on only the retail square footage. Since OCAC will have the opportunity to lease the entire flex/office space, taxes were deferred for this portion of the property. Should OCAC decide not to lease all or any of the space, taxes will grow accordingly to the square footage. The 1.74% tax rate was estimated by evaluating similar properties with similar uses within a mile radius of OCAC.

Multifamily Above Retail

Rents

We assumed a rental rate of $1.67/SF for 1 bedroom units and $1.73 for 2 bedroom units.

Cap Rates, Sales, Vacancies, Reserves

Year-end vacancy for year 1 (post construction) was estimated at 28% (7 units) with a

Maker Space Assumptions

Shipping Container Acquisition

The acquisition of shipping containers were estimated at $2,300/container per the estimate of CGI Containers Inc.

Development Costs

In addition to the acquisition of the containers, a construction cost of $15.00/SF was estimated to cover the costs of insulation, plumbing, electrical, and door and window cut outs. An additional $20,000 was added to cover the cost of installing doors, windows, and work space table tops.

The central bathroom construction cost was estimated at $20.00/SF to cover all plumbing, electrical, and HVAC required to make the space usable.

An 8% design fee was allocated to cover the cost of architecture and engineering services.

A 5% hardcost contingency was assumed to cover the cost of minor construction over runs.

A 10% development fee was assigned to the project that would be paid in full at the end of construction.

Soft Costs

SDC's for this space was estimated at $5,000/studio.

Financial Conclusions

	Financing	Equity Contibution	Cashflow (Stable)	Leveraged IRR	Land Value	Return on Cash Equity 1st Year Stabilized	Estimated Development Costs
Apartments Building 1	Public Bonds	$90,179	$123,454	28%	$30.00/SF	137%	$5,359,444
Apartments Building 2	Priving Loans	$479,745	$36,222	20%	$30.00/SF	8%	$5,463,707
Mixed Use Retail/Flex	Private Loans	$725,702	$134,047	31%	$35.00/SF	18%	$9,182,484
Maker Space Studios	No Financing	$504,708	-	-	< $30/SF	-	$504,708
Total for all Projects		**$1,800,334**	**$293,723**	**22%**		**-**	**$20,510,343**

Per the outlined program and assumptions, OCAC would make an equity investment of $1,800,334 plus the land associated with each development to leverage more than $20 million for student housing, a retail village, flexible office space, and additional studio spaces. The combined first year cashflows for each of the developments after stabilization would be $293,723.

These figures are solely a reflection of the assumptions made on behalf of Portland State University and are subject to change along with evolving market conditions. Different development decisions and investment strategies are likely to yield different financial outcomes.

Appendix

Student Apartment Building 1

EXECUTIVE SUMMARY

Oregon College of Art and Craft - OCAC
8245 S.W. Barnes Road
Portland, Or. 97225

1/21/2016
Version 1.1

Portland State University
Center for Real Estate
Real Estate Course 509

Unit Mix

Type	*Qty*	*% by Unit*	*RSF*	*% by Area*	*Rent*	*Total Rent*	*Avg Rent/Unit*
1 Bed, 1 Bath	10 Units	40%	650 RSF	37%	$1.67/SF	$ 10,850	$ 1,085
2 Bed, 2 Bath	15 Units	60%	750 RSF	63%	$1.73/SF	$ 19,500	$ 1,300
Total / Avg	25 Units	100%	710 RSF	100%	$1.71/SF	$ 30,350	**$ 1,214**

Building Program

	Gross Floor	*Parking*	*Parking Spaces*	*HSF*	*Common Area*	***1 Bed Units***	***2 Bed Units***	*Total Units*
Ground	10,500 SF	4,500 SF	25 spaces	8,500 SF	2,000 SF	5 Units	7 Units	12 Units
Level 2	10,450 SF	0 SF	0 spaces	9,250 SF	1,200 SF	5 Units	8 Units	13 Units
Total	20,950 SF	4,500 SF	25 spaces	17,750 SF	3,200 SF	10 Units	15 Units	25 Units

180 SF per parking space

Uses of Funds

Land Acquisition	$ -	$0/unit	0.0%
Construction	3,095,295	$123,812/unit	69.6%
Design A&E	247,624	$9,905/unit	5.6%
Soft Costs	369,584	$14,783/unit	8.3%
Finance Costs	312,451	$12,498/unit	7.0%
Development Fees	342,323	$13,693/unit	7.7%
Soft Cost Contingency	80,715	$3,229/unit	1.8%
TOTAL COSTS	$ 4,447,991	$177,920/unit	100.0%

Sources of Funds - Bonded

Loan	$4,369,662	
Land Equity	$557,280	@ $30 /sqft
Deferred Dev Fees	$342,323	
Equity	$90,179	
TOTAL COSTS	$5,359,444	

Student Apartment Building 1 **DEVELOPMENT BUDGET**

Oregon College of Art and Craft - OCAC 1/21/2016
8245 S.W. Barnes Road Version 1.1
Portland, Or. 97225

Portland State University
Center for Real Estate
Real Estate Course 509

Item	Inputs			Gross Cost	$/GSF *20,950 GSF*	$/unit *25 Units*
Acquisition Costs						
Land Purchase	$30.00/SF	17,200 sq ft	$	516,000	$24.63/SF	$20,640/unit
Legal Fees	5.0%			25,800	$1.23/SF	$1,032/unit
GeoTech				5,000	$0.24/SF	$200/unit
Survey				3,500	$0.17/SF	$140/unit
Phase 1 Envi Study				3,350	$0.16/SF	$134/unit
Phase 2					$0.00/SF	$0/unit
Closing Costs	3.0%			15,480	$0.74/SF	$619/unit
Subtotal Acquisition			$	569,130	$27.17/SF	$22,765/unit
Hard Costs						
Demolition	$2.00/SF	17,200 SF		34,400	$1.64/SF	$1,376/unit
Residential - Stick Frame	$130.00/SF	20,950 SF		2,723,500	$130.00/SF	$108,940/unit
Parking Paving	$20.00/SF	4,500 SF		90,000	$4.30/SF	$3,600/unit
Amenity		allowance		-	$0.00/SF	$0/unit
Furniture , Fixtures & Eq. (FF&E	$100,000	allowance		100,000	$4.77/SF	$4,000/unit
Hard Cost Contingency	5.0%			147,395	$7.04/SF	$5,896/unit
Subtotal Construction	$147.75/SF		$	3,095,295	$147.75/SF	$123,812/unit
Design A&E	8.00%		$	247,624	$11.82/SF	$9,905/unit
Soft Costs						
SDC	$12,200/unit	25 Units	$	305,000	$14.56/SF	$12,200/unit
Water & Sewer Tap Fees	$150/unit			3,750	$0.18/SF	$150/unit
Taxes during development	$0	tax appraisal		-	$0.00/SF	$0/unit
Feasibility/Market Study		allowance			$0.00/SF	$0/unit
Legal		allowance		25,000	$1.19/SF	$1,000/unit
Builder's Risk Insurance	0.35%	of hard cost		10,834	$0.52/SF	$433/unit
Travel		allowance		-	$0.00/SF	$0/unit
Miscellaneous		allowance		25,000	$1.19/SF	$1,000/unit
Subtotal Soft Costs			$	369,584	$17.64/SF	$14,783/unit
Finance Costs						
Lender Inspections			$	7,500	$0.36/SF	$300/unit
Bond Issuance Costs	3.00%	of loan		131,090	$6.26/SF	$5,244/unit
Lender's Appraisal				5,000	$0.24/SF	$200/unit
Debt Service Reserve Fund	1 yrs debt service			168,861	$8.06/SF	$6,754/unit
Subtotal Finance Costs			$	312,451	$14.91/SF	$12,498/unit
Additional Development Costs						
Development Fee	10.00%	of project	$	434,646	$20.75/SF	$17,386/unit
Consultant Fees				250,000	$11.93/SF	$10,000/unit
Subtotal Development Fees	12.77%		$	684,646	$32.68/SF	$27,386/unit
Soft Cost Contingency	5.0%		$	80,715	$3.85/SF	$3,229/unit
TOTAL PROJECT USES			$	5,359,444	$255.82/SF	$214,378/unit

Student Apartment Building 1

Oregon College of Art and Craft - OCAC
8245 S.W. Barnes Road
Portland, Or. 97225

Portland State University
Center for Real Estate
Real Estate Course 509

Bonded Cash Flow

1/21/2016
Version 1.1

Multifamily Income & Expense Proforma

Annual Rental Increase 3.0% | Expense Growth 3.0% | Year of Sale 10

Income Calculation			YEAR	1	2	3	4	5	6	7	8	9	10	11
Rental Revenue	710 sf	$1.71/sf		$ 364,200	$ 375,126	$ 386,380	$ 397,971	$ 409,910	$ 422,208	$ 434,874	$ 447,920	$ 461,358	$ 475,198	$ 489,454
Other Income		0.0%		-	-	-	-	-	-	-	-	-	-	-
Leaseup Vacancy (Yr 1)		30.0% of gross		(109,260)	-	-	-	-	-	-	-	-	-	-
Stabilized Vacancy		5.0% of gross		-	(18,756)	(19,319)	(19,899)	(20,496)	(21,110)	(21,744)	(22,396)	(23,068)	(23,760)	(24,473)
Net Revenue		25 units		$ 254,940	$ 356,370	$ 367,061	$ 378,073	$ 389,415	$ 401,097	$ 413,130	$ 425,524	$ 438,290	$ 451,438	$ 464,982
Expense Calculation														
Property Taxes		$0 per unit		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Property Management Fee		3.5% of revenue		8,923	12,473	12,847	13,233	13,630	14,038	14,460	14,893	15,340	15,800	16,274
Utilities		$0.25/sf 710 sf		4,438	4,571	4,708	4,849	4,994	5,144	5,299	5,458	5,621	5,790	5,964
Maintenance Personnel		$200 per unit		5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720
Insurance		$100 per unit		2,500	2,575	2,652	2,732	2,814	2,898	2,985	3,075	3,167	3,262	3,360
Admin Personnel		$1,000 per unit		25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669	32,619	33,598
Maintenance Contracts		$10,000 per year		10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048	13,439
Turnover Expenses		$100 per unit		2,500	2,575	2,652	2,732	2,814	2,898	2,985	3,075	3,167	3,262	3,360
Total Expenses				$ (58,360)	$ (63,394)	$ (65,295)	$ (67,254)	$ (69,272)	$ (71,350)	$ (73,491)	$ (75,695)	$ (77,966)	$ (80,305)	$ (82,714)
		Per Unit		*$2,334/unit*	*$2,536/unit*	*$2,612/unit*	*$2,690/unit*	*$2,771/unit*	*$2,854/unit*	*$2,940/unit*	*$3,028/unit*	*$3,119/unit*	*$3,212/unit*	*$3,309/unit*
		% of Revenue		*23%*	*18%*	*18%*	*18%*	*18%*	*18%*	*18%*	*18%*	*18%*	*18%*	*18%*
Net Operating Income				$ 196,580	$ 292,976	$ 301,765	$ 310,818	$ 320,143	$ 329,747	$ 339,640	$ 349,829	$ 360,324	$ 371,133	$ 382,267
Return on Cost				3.67%	5.47%	5.63%	5.80%	5.97%	6.15%	6.34%	6.53%	6.72%	6.92%	7.13%
Capitalized Value (End of Yr)	5.10%			$ 5,744,630	$ 5,916,969	$ 6,094,478	$ 6,277,312	$ 6,465,632	$ 6,659,601	$ 6,859,389	$ 7,065,170	$ 7,277,126	$ 7,495,439	
Per Unit				$229,785/unit	$236,679/unit	$243,779/unit	$251,092/unit	$258,625/unit	$266,384/unit	$274,376/unit	$282,607/unit	$291,085/unit	$299,818/unit	
				1.19 DSCR	*1.77 DSCR*	*1.82 DSCR*	*1.88 DSCR*	*1.93 DSCR*	*1.99 DSCR*	*2.05 DSCR*	*2.11 DSCR*	*2.18 DSCR*	*2.24 DSCR*	

FREE CASH FLOW

			1	2	3	4	5	6	7	8	9	10	11
Net Operating Income			196,580	292,976	301,765	310,818	320,143	329,747	339,640	349,829	360,324	371,133	382,267
Leasing Commissions	$0	per unit	-	-	-	-	-	-	-	-	-	-	
Capital Expenditure Fund	$150	per unit	*3,750*	*3,863*	*3,978*	*4,098*	*4,221*	*4,347*	*4,478*	*4,612*	*4,750*	*4,893*	*5,040*
Free Cash Flow			$ 192,830	$ 289,114	$ 297,787	$ 306,721	$ 315,922	$ 325,400	$ 335,162	$ 345,217	$ 355,573	$ 366,241	$ 377,228

PROJECT CASH FLOW

		Phase	Construction	Leasing	Stability								
		Year	0	1	2	3	4	5	6	7	8	9	10
		(Start Date) | End Date	(Jun-2016)	Jun-2017	Jun-2018	Jun-2019	Jun-2020	Jun-2021	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Jun-2026
		Duration	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.
Development Costs			$ (5,359,444)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Land Equity			516,000										
Deferred Development Fee			217,323										
Loan Proceeds			4,287,555	-	-	-	-	-	-	-	-	-	-
FCF			-	192,830	289,114	297,787	306,721	315,922	325,400	335,162	345,217	355,573	366,241
DS			(165,660)	(165,660)	(165,660)	(165,660)	(165,660)	(165,660)	(165,660)	(165,660)	(165,660)	(165,660)	(165,660)
Equity Reversion	6.00%		-	-	-	-	-	-	-	-	-	-	6,287,129
Sales Expense	5.0%		-	-	-	-	-	-	-	-	-	-	(314,356)
Asset Mgmt Fee	0.0%		-	-	-	-	-	-	-	-	-	-	-
Reccovered Development Fee													(292,064)
Debt Service Balloon/ Refi													(4,256,345)
Project Cash Flow			**$ (504,225)**	**$ 27,170**	**$ 123,454**	**$ 132,127**	**$ 141,061**	**$ 150,263**	**$ 159,740**	**$ 169,502**	**$ 179,557**	**$ 189,914**	**$ 1,624,944**
Debt Balance			*$ 4,287,555*	*$ 4,284,469*	*$ 4,281,375*	*$ 4,278,274*	*$ 4,275,165*	*$ 4,272,048*	*$ 4,268,923*	*$ 4,265,790*	*$ 4,262,650*	*$ 4,259,501*	***$ 4,256,345***

Project Metrics

IRR (Leveraged)	28%
IRR (Unleveraged)	6%

Student Apartment Building 1

Bond Financing

Oregon College of Art and Craft - OCAC
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1/21/2016
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Portland State University
Center for Real Estate
Real Estate Course 509

Item	Inputs		Gross Cost	$/GSF *20,950 GSF*	$/unit *25 Units*
Total Cost of Construction		$	5,359,444	$255.82	$214,378/unit
LTV	80%	2nd yr projected value	4,733,575		
LTC	80%	Of Costs	4,287,555		
DSCR	1.25%		6,066,182	$234,381	
Bonding Rate	3.00%				
Amortization Term	50 Years	Life of Building			
Term	25 Years				
Monthly Debt Service	(13,805)				
Annual Debt Service	(165,660)				
Bond Gross, min of LTV, LTC and DCR			**4,287,555**		

OCAC Apartment Building 2

EXECUTIVE SUMMARY

Oregon College of Art and Craft - OCAC

8245 S.W. Barnes Road

Portland, Or. 97225

12/22/2015

Version 1.1

Portland State University
Center for Real Estate
Real Estate Course 509

Unit Mix

Type	*Qty*	*% by Unit*	*RSF*	*% by Area*	*Rent*	*Total Rent*	*Avg Rent/Unit*
1 Bed, 1 Bath	10 Units	40%	650 RSF	37%	$1.67/SF	$ 10,850	$ 1,085
2 Bed, 2 Bath	15 Units	60%	750 RSF	63%	$1.73/SF	$ 19,500	$ 1,300
Total / Avg	25 Units	100%	710 RSF	100%	$1.71/SF	$ 30,350	**$ 1,214**

Building Program

	Gross Floor	*Parking*	*Parking Spaces*	*HSF*	*Common Area*	***1 Bed Units***	***2 Bed Units***	*Total Units*
Ground	10,500 SF	4,500 SF	25 spaces	8,500 SF	2,000 SF	5 Units	7 Units	12 Units
Level 2	10,450 SF	0 SF	0 spaces	9,250 SF	1,200 SF	5 Units	8 Units	13 Units
Total	20,950 SF	4,500 SF	25 spaces	17,750 SF	3,200 SF	10 Units	15 Units	25 Units

180 SF per space

Uses of Funds

Land Acquisition	$ -	$0/unit	0.0%
Construction	3,103,275	$124,131/unit	68.3%
Design A&E	248,262	$9,930/unit	5.5%
Soft Costs	369,611	$14,784/unit	8.1%
Finance Costs	458,507	$18,340/unit	10.1%
Development Fees	281,182	$11,247/unit	6.2%
Soft Cost Contingency	79,437	$3,177/unit	1.7%
Total Estimated Uses	$ 4,540,275	$181,611/unit	100.0%

Sources of Funds - Market Rate

Loan	$ 4,097,780	
Land Equity	630,000	@$30/SF
deferred dev fees	$256,182	
Equity Needed	479,745	
Total Costs	$ 5,463,707	

OCAC Apartment Building 2 **DEVELOPMENT BUDGET**

Oregon College of Art and Craft - OCAC 12/22/2015
8245 S.W. Barnes Road Version 1.1
Portland, Or. 97225

Portland State University
Center for Real Estate
Real Estate Course 509

Item	Inputs			Gross Cost	$/GSF *20,950 GSF*	$/unit *25 Units*
Acquisition Costs						
Land Purchase	$30.00/SF	21,000 sq ft	$	630,000	$30.07/SF	$25,200/unit
Legal Fees	5.0%			31,500	$1.50/SF	$1,260/unit
GeoTech				5,000	$0.24/SF	$200/unit
Survey				3,500	$0.17/SF	$140/unit
Phase 1 Envi Study				3,350	$0.16/SF	$134/unit
Phase 2					$0.00/SF	$0/unit
Closing Costs	3.0%			18,900	$0.90/SF	$756/unit
Subtotal Acquisition			$	692,250	$33.04/SF	$27,690/unit
Hard Costs						
Demolition	$2.00/SF	21,000 SF		42,000	$2.00/SF	$1,680/unit
Residential - Stick Frame	$130.00/SF	20,950 SF		2,723,500	$130.00/SF	$108,940/unit
Parking Paving	$20.00/SF	4,500 SF		90,000	$4.30/SF	$3,600/unit
Amenity		allowance		-	$0.00/SF	$0/unit
Furniture , Fixtures & Eq. (FF&E	$100,000	allowance		100,000	$4.77/SF	$4,000/unit
Hard Cost Contingency	5.0%			147,775	$7.05/SF	$5,911/unit
Subtotal Construction	$148.13/SF		$	3,103,275	$148.13/SF	$124,131/unit
Design A&E	8.00%		$	248,262	$11.85/SF	$9,930/unit
Soft Costs						
SDC	$12,200/unit	25 Units	$	305,000	$14.56/SF	$12,200/unit
Water & Sewer Tap Fees	$150/unit			3,750	$0.18/SF	$150/unit
Feasibility/Market Study	$0	tax appraisal		-	$0.00/SF	$0/unit
Feasibility/Market Study		allowance			$0.00/SF	$0/unit
Legal		allowance		25,000	$1.19/SF	$1,000/unit
Builder's Risk Insurance	0.35%	of hard cost		10,861	$0.52/SF	$434/unit
Travel		allowance		-	$0.00/SF	$0/unit
Miscellaneous		allowance		25,000	$1.19/SF	$1,000/unit
Subtotal Soft Costs			$	369,611	$17.64/SF	$14,784/unit
Finance Costs						
Construction Interest	109,488			108,741		
Lease Up Interest	182,209			180,966		
Lender Inspections				7,500	$0.36/SF	$300/unit
Lending fees	1.50%	of loan		60,984	$2.91/SF	$2,439/unit
Lender's Appraisal				5,000	$0.24/SF	$200/unit
Debt Service Reserve Fund	95,971			95,316	$4.55/SF	$3,813/unit
Subtotal Finance Costs			$	458,507	$21.89/SF	$18,340/unit
Additional Development Costs						
Development Fee	10.00%	of project	$	462,364	$22.07/SF	$18,495/unit
Consultant Fees				50,000	$2.39/SF	$2,000/unit
Subtotal Development Fees	9.38%		$	512,364	$24.46/SF	$20,495/unit
Soft Cost Contingency	5.0%		$	79,437	$3.79/SF	$3,177/unit
TOTAL PROJECT USES			$	5,463,707	$260.80/SF	$218,548/unit

OCAC Apartment Building 2

Oregon College of Art and Craft - OCAC
8245 S.W. Barnes Road
Portland, Or. 97225

Portland State University
Center for Real Estate
Real Estate Course 509

Market Rate Cashflow

#########
Version 1.1

Multifamily Income & Expense Proforma

Annual Rental Increase 3.0% | Expense Growth 3.0% | Year of Sale 10

			YEAR	1	2	3	4	5	6	7	8	9	10	11
Rental Revenue	710 sf	$1.71/sf		$ 364,200	$ 375,126	$ 386,380	$ 397,971	$ 409,910	$ 422,208	$ 434,874	$ 447,920	$ 461,358	$ 475,198	$ 489,454
Other Income		0.0%		-	-	-	-	-	-	-	-	-	-	-
Leaseup Vacancy (Yr 1)	28.0%	of gross		(101,976)	-	-	-	-	-	-	-	-	-	-
Stabilized Vacancy	4.0%	of gross		-	(15,005)	(15,455)	(15,919)	(16,396)	(16,888)	(17,395)	(17,917)	(18,454)	(19,008)	(19,578)
Net Revenue	25 units			$ 262,224	$ 360,121	$ 370,925	$ 382,052	$ 393,514	$ 405,319	$ 417,479	$ 430,003	$ 442,903	$ 456,190	$ 469,876
Property Taxes	$0	per unit		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Property Management Fee	3.5%	of revenue		9,178	12,604	12,982	13,372	13,773	14,186	14,612	15,050	15,502	15,967	16,446
Utilities	$0.25/sf	710 sf		4,438	4,571	4,708	4,849	4,994	5,144	5,299	5,458	5,621	5,790	5,964
Maintenance Personnel	$200	per unit		5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720
Insurance	$100	per unit		2,500	2,575	2,652	2,732	2,814	2,898	2,985	3,075	3,167	3,262	3,360
Admin Personnel	$1,000	per unit		25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669	32,619	33,598
Maintenance Contracts	$10,000	per year		10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048	13,439
Turnover Expenses	$100	per unit		2,500	2,575	2,652	2,732	2,814	2,898	2,985	3,075	3,167	3,262	3,360
Expenses				$ 58,615	$ 63,525	$ 65,431	$ 67,394	$ 69,415	$ 71,498	$ 73,643	$ 75,852	$ 78,128	$ 80,471	$ 82,886
		Per Unit		*$2,345/unit*	*$2,541/unit*	*$2,617/unit*	*$2,696/unit*	*$2,777/unit*	*$2,860/unit*	*$2,946/unit*	*$3,034/unit*	*$3,125/unit*	*$3,219/unit*	*$3,315/unit*
		% of Revenue		*22%*	*18%*	*18%*	*18%*	*18%*	*18%*	*18%*	*18%*	*18%*	*18%*	*18%*
Net Operating Income				$ 203,609	$ 296,596	$ 305,494	$ 314,659	$ 324,099	$ 333,822	$ 343,836	$ 354,151	$ 364,776	$ 375,719	$ 386,991
Return on Cost				3.73%	5.43%	5.59%	5.76%	5.93%	6.11%	6.29%	6.48%	6.68%	6.88%	7.08%
Capitalized Value (End of Yr)	5.10%			$ 5,815,610	$ 5,990,078	$ 6,169,780	$ 6,354,874	$ 6,545,520	$ 6,741,886	$ 6,944,142	$ 7,152,467	$ 7,367,041	$ 7,588,052	
Per Unit				$232,624/unit	$239,603/unit	$246,791/unit	$254,195/unit	$261,821/unit	$269,675/unit	$277,766/unit	$286,099/unit	$294,682/unit	$303,522/unit	
				0.79 DSCR	*1.16 DSCR*	*1.19 DSCR*	*1.23 DSCR*	*1.26 DSCR*	*1.30 DSCR*	*1.34 DSCR*	*1.38 DSCR*	*1.42 DSCR*	*1.46 DSCR*	

FREE CASH FLOW

Net Operating Income			203,609	296,596	305,494	314,659	324,099	333,822	343,836	354,151	364,776	375,719	386,991
Leasing Commissions	$0	per unit	-	-	-	-	-	-	-	-	-	-	-
Capital Expenses	$150	per unit	*3,750*	*3,863*	*3,978*	*4,098*	*4,221*	*4,347*	*4,478*	*4,612*	*4,750*	*4,893*	*5,040*
Free Cash Flow			199,859	292,734	301,516	310,561	319,878	329,474	339,358	349,539	360,025	370,826	381,951

PROJECT CASH FLOW

		Phase	Construction	Lease Up	Stability								
			0	1	2	3	4	5	6	7	8	9	10
		(Start Date) | End Date	(May-2018)	May-2019	May-2020	May-2021	May-2022	May-2023	May-2024	May-2025	May-2026	May-2027	May-2028
		Duration	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.
Development Costs			$ (5,463,707)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loan Proceeds			4,097,780	-	-	-	-	-	-	-	-	-	-
Land Equity			630,000										
Deferred Devenlopment Fee			231,182										
FCF			-	199,859	292,734	301,516	310,561	319,878	329,474	339,358	349,539	360,025	370,826
Construction DS			(109,488)	(182,209)									
MINI Perm DS			-		(256,512)	(256,512)	(256,512)	(256,512)	(256,512)	(256,512)	(256,512)	(256,512)	(256,512)
			Interest Only Payments										
Equity Reversion	6.00%		-	-	-	-	-	-	-	-	-	-	6,365,849
Sales Expense	5.0%		-	-	-	-	-	-	-	-	-	-	(318,292)
Asset Mgmt Fee	0.0%		-	-	-	-	-	-	-	-	-	-	-
Recovered Developer Fee													(310,689)
													(3,307,827)
Project Cash Flow			**$ (614,232)**	**$ 17,650**	**$ 36,222**	**$ 45,004**	**$ 54,050**	**$ 63,366**	**$ 72,963**	**$ 82,847**	**$ 93,028**	**$ 103,514**	**$ 2,543,355**
Debt Balance			*$ 4,097,780*	*$ 4,097,780*	*$ 4,034,548*	*$ 3,968,247*	*$ 3,898,726*	*$ 3,825,831*	*$ 3,749,396*	*$ 3,669,251*	*$ 3,585,215*	*$ 3,497,100*	*$ 3,307,827*

Project Metrics

IRR (Leveraged)	20%
IRR (Unleveraged)	6%
Return on cash equity	7.6%

					7.6%	9.4%	11.3%	13.2%	15.2%	17.3%	19.4%	21.6%	530.1%

OCAC Apartment Building 2

Oregon College of Art and Craft - OCAC
8245 S.W. Barnes Road
Portland, Or. 97225

Portland State University
Center for Real Estate
Real Estate Course 509

Market Rate Financing

12/22/2015
Version 1.1

Item		Inputs		Gross Cost	$/GSF *20,950 GSF*	$/unit *25 Units*
Total Cost of Construction			$	5,463,707	$260.80/SF	$218,548/unit
Construction Loan						
LTV		70% 2nd year property value	$	4,193,055		
LTC		75% Of costs	$	4,097,780		
DSCR		1.15	$	4,120,115	Based on NOI	$ 296,596
Interest Rate		4.75%				
Annual Construction Debt	$	(109,488)				
Annual Lease Up Debt Service	$	(182,209)				
Reserve Debt Service	$	(95,971)				
Mini Perm						
Loan Total	$	4,097,780				
Amortization Term		30 Years				
Term		10 Years				
Monthly Debt Service		(21,376)				
Annual Debt Service		(256,512)				
Expected Balloon	$	(3,307,827)				

OCAC Mixed Use- Retail/Flex

EXECUTIVE SUMMARY

Oregon College of Art and Craft - OCAC
8245 S.W. Barnes Road
Portland, Or. 97225

1/22/2016
Version 1.1

Portland State University
Center for Real Estate
Real Estate Course 509

Unit Mix

Type	*Qty*	*RSF*	*% by Unit*	*% by Area*	*Rent/SF/Yr*	*Rent/SF/Mo*	*Total Rent*	*Avg Rent/Unit/yr*	*Avg Rent/Unit/mo*
Retail	12 Units	1,250 RSF	-	50%	$24.00/SF	$2.00	$360,000	$30,000	$2,500
Flex/Office	1 Units	15,000 RSF	-	50%	$24.00/SF	$2.00	$360,000	$360,000	$30,000
Total	13 Units	100%	30,000 RSF	100%			$720,000		
Avg			2,308 RSF					$55,385	

Building Program

	Gross Floor	*Parking*	*Parking Spaces*	*RSF*	*Common Area*	***Retail Units***	***Flex Units***	*Total Units*
Ground	16,500 SF	7,200 SF	40 spaces	15,000 SF	1,500 SF	12 Units	0 Units	12 Units
Level 2	15,000 SF	0 SF	0 spaces	14,999 SF	1 SF	0 Units	1 Units	1 Units
Total	31,500 SF	7,200 SF	40 spaces	29,999 SF	1,502 SF	12 SF	1 Units	13 Units

95.2% efficiency (RSF/HSF)
180 SF per parking space

2nd Floor Load Factor 1.1

Uses of Funds

Land Acquisition	11,850	$912/unit	0.2%
Construction	5,465,219	$420,401/unit	72.7%
Design A&E	437,217	$33,632/unit	5.8%
Soft Costs	398,078	$30,621/unit	5.3%
Finance Costs	675,834	$51,987/unit	9.0%
Development Fees	414,919	$31,917/unit	5.5%
Soft Cost Contingency	117,048	$9,004/unit	1.6%
Total Uses	**$ 7,520,165**	**$578,474/unit**	**100.0%**

Sources of Funds

Loan	6,886,863	
Land Equity	1,155,000	@ $35 /sqft
deferred fees	414,919	
Equity Needed	725,702	
Total Costs	$ 9,182,484	

OCAC Mixed Use- Retail/Flex

DEVELOPMENT BUDGET

Oregon College of Art and Craft - OCAC
8245 S.W. Barnes Road
Portland, Or. 97225

1/22/2016
Version 1.1

Portland State University
Center for Real Estate
Real Estate Course 509

Property Details				Gross Cost	$/GSF *31,500 GSF*	$/unit *13 Units*
Item	Inputs					
Acquisition Costs						
Land Purchase	$35.00/SF	33,000 sq ft	$	1,155,000	$36.67/SF	$88,846/unit
Legal Fees	5.0%			57,750	$1.83/SF	$4,442/unit
GeoTech				5,000	$0.16/SF	$385/unit
Survey				3,500	$0.11/SF	$269/unit
Phase 1 Envi Study				3,350	$0.11/SF	$258/unit
Phase 2					$0.00/SF	$0/unit
Closing Costs	3.0%			34,650	$1.10/SF	$2,665/unit
Subtotal Acquisition			$	1,259,250	$39.98/SF	$96,865/unit
Hard Costs						
Demolition	$2.00/SF	33,000 SF		66,000	$2.10/SF	$5,077/unit
Stick Frame Construction	$130.00/SF	31,500 SF		4,095,000	$130.00/SF	$315,000/unit
Parking Paving	$20.00/SF	7,200 SF		144,000	$4.57/SF	$11,077/unit
Amenity		allowance		-	$0.00/SF	$0/unit
Retial TI's	$40.00 RSF	allowance		600,000	$19.05/SF	$46,154/unit
Office TI's	$20.00 RSF	allowance		299,970	$9.52/SF	$23,075/unit
Hard Cost Contingency	5.0%			260,249	$8.26/SF	$20,019/unit
Subtotal Construction	$173.50/SF		$	5,465,219	$173.50/SF	$420,401/unit
Design A&E	8.00%		$	437,217	$13.88/SF	$33,632/unit
Soft Costs						
SDC - Retail	$16,000/unit	12 Units	$	192,000	$6.10/SF	$14,769/unit
SDC - Flex/Office	$125,000/unit	1 Units	$	125,000	$3.97/SF	$9,615/unit
Water & Sewer Tap Fees	$150/unit			1,950	$0.06/SF	$150/unit
Taxes during development	$0	tax appraisal		-	$0.00/SF	$0/unit
Feasibility/Market Study		allowance		10,000	$0.32/SF	$769/unit
Legal		allowance		25,000	$0.79/SF	$1,923/unit
Builder's Risk Insurance	0.35%	of hard cost		19,128	$0.61/SF	$1,471/unit
Miscellaneous		allowance		25,000	$0.79/SF	$1,923/unit
Subtotal Soft Costs			$	398,078	$12.64/SF	$30,621/unit
Finance Costs						
Construction Interest	Calc.	$ -	$	144,062		
Interest During Fill Up	Calc.	$ 1	$	279,521		
Lender Inspections			$	7,500	$0.24/SF	$577/unit
Loan Fees	1.50%	of loan		90,987	$2.89/SF	$6,999/unit
Lender's Appraisal				5,000	$0.16/SF	$385/unit
Debt Service Contingency	Allowance	168,902	$	148,764		
Subtotal Finance Costs			$	675,834	$21.46/SF	$51,987/unit
Additional Development Costs						
Development Fee	10.00%	of project	$	779,838	$24.76/SF	$59,988/unit
Consultant Fees				50,000	$1.59/SF	$3,846/unit
Subtotal Development Fees	9.04%		$	829,838	$26.34/SF	$63,834/unit
Soft Cost Contingency	5.0%		$	117,048	$3.72/SF	$9,004/unit
TOTAL PROJECT USES			$	9,182,484	$291.51/SF	$706,345/unit

OCAC Mixed Use- Retail/Flex

Oregon College of Art and Craft - OCAC
8245 S.W. Barnes Road
Portland, Or. 97225

Portland State University
Center for Real Estate
Real Estate Course 509

Mixed Use Cashflow

1/22/2016
Version 1.1

Mixed Use Income & Expense Proforma

Annual Rental Increase 3.0% | Expense Growth 3.0% | Year of Sale 12

			YEAR	1	2	3	4	5	6	7	8	9	10	11 SALE	12
Retail Revenue	15,000 sf	$24.00/sf		$ 360,000	$ 370,800	$ 381,924	$ 393,382	$ 405,183	$ 417,339	$ 429,859	$ 442,755	$ 456,037	$ 469,718	$ 483,810	$ 498,324
Flex / Office Revenue	14,999 sf	$24.00/sf		$ 359,964	$ 370,763	$ 381,886	$ 393,342	$ 405,143	$ 417,297	$ 429,816	$ 442,710	$ 455,992	$ 469,671	$ 483,762	$ 498,274
Other Income		0.0%		-	-	-	-	-	-	-	-	-	-	-	-
Lease up Vacancy (Yr 1)	30.0%			(215,989)	-	-	-	-	-	-	-	-	-	-	-
Stabilized Flex/Office Vacancy	5.0%				(18,538)	(19,094)	(19,667)	(20,257)	(20,865)	(21,491)	(22,136)	(22,800)	(23,484)	(24,188)	(24,914)
Stabilized Retail Vacancy	8.3%			-	(30,776)	(31,700)	(32,651)	(33,630)	(34,639)	(35,678)	(36,749)	(37,851)	(38,987)	(40,156)	(41,361)
Net Revenue	13 units			$ 503,975	$ 692,248	$ 713,016	$ 734,406	$ 756,438	$ 779,132	$ 802,506	$ 826,581	$ 851,378	$ 876,920	$ 903,227	$ 930,324
Property Taxes	1.74%	of property value		$ -	$ 89,486	$ 92,170	$ 94,935	$ 97,783	$ 100,717	$ 103,738	$ 106,851	$ 110,056	$ 113,358	$ 116,759	$ 120,261
Property Management Fee	3.5%	of revenue		17,639	24,229	24,956	25,704	26,475	27,270	28,088	28,930	29,798	30,692	31,613	32,561
Utilities & Maintenance	$25,000	allowance		25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669	32,619	33,598	34,606
Total Expenses				$ 42,639	$ 139,464	$ 143,648	$ 147,958	$ 152,397	$ 156,968	$ 161,677	$ 166,528	$ 171,524	$ 176,669	$ 181,969	$ 187,429
		Per Unit		*$3,280/unit*	*$10,728/unit*	*$11,050/unit*	*$11,381/unit*	*$11,723/unit*	*$12,074/unit*	*$12,437/unit*	*$12,810/unit*	*$13,194/unit*	*$13,590/unit*	*$13,998/unit*	*$14,418/unit*
		% of Revenue		*8%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*
Net Operating Income				$ 461,336	$ 552,784	$ 569,367	$ 586,449	$ 604,042	$ 622,163	$ 640,828	$ 660,053	$ 679,855	$ 700,250	$ 721,258	$ 742,895
Return on Cost				5.02%	6.02%	6.20%	6.39%	6.58%	6.78%	6.98%	7.19%	7.40%	7.63%	7.85%	8.09%
Capitalized Value (End of Yr)	5.10%			$9,045,798	$10,838,901	$11,164,068	$11,498,990	$11,843,960	$12,199,279	$12,565,257	$12,942,215	$13,330,481	$13,730,396	$14,142,308	$14,566,577
Per Unit				$695,831/unit	$833,762/unit	$858,774/unit	$884,538/unit	$911,074/unit	$938,406/unit	$966,558/unit	$995,555/unit	$1,025,422/unit	$1,056,184/unit	$1,087,870/unit	$1,120,506/unit
				1.45 DSCR	*1.32 DSCR*	*1.36 DSCR*	*1.40 DSCR*	*1.44 DSCR*	*1.49 DSCR*	*1.53 DSCR*	*1.58 DSCR*	*1.62 DSCR*	*1.67 DSCR*	*1.72 DSCR*	

FREE CASH FLOW (FCF)

Net Operating Income				461,336	552,784	569,367	586,449	604,042	622,163	640,828	660,053	679,855	700,250	721,258	742,895
Leasing Commission	5%			-	-	-	-	-	-	-	-	-	-	-	-
Free Cash Flow				$ 461,336	$ 552,784	$ 569,367	$ 586,449	$ 604,042	$ 622,163	$ 640,828	$ 660,053	$ 679,855	$ 700,250	$ 721,258	$ 742,895

PROJECT CASH FLOW

			Phase	Construction	Lease Up	Stable									
			YEAR	0	1	2	3	4	5	6	7	8	9	10	11	12
			(Start Date) / End Date	(Jun-2016)	Jun-2017	Jun-2018	Jun-2019	Jun-2020	Jun-2021	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Jun-2028
			Duration	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.	12 mos.
Development Costs				$ (9,182,484)	-	-	-	-	-	-	-	-	-	-	-	-
Loan Proceeds				6,886,863	-	-	-	-	-	-	-	-	-	-	-	-
Land Equity				1,259,250												
Deferred Development Fee				389,919												
FCF				-	461,336	552,784	569,367	586,449	604,042	622,163	640,828	660,053	679,855	700,250	721,258	742,895
DS- Construction Loan	4.75%			(163,563)	(317,358)		-	-	-	-	-	-	-	-	-	-
DS- Permanent Loan	4.50%					(418,737)	(418,737)	(418,737)	(418,737)	(418,737)	(418,737)	(418,737)	(418,737)	(418,737)	(418,737)	
				Interest Only												
Equity Reversion	6.00%			-	-	-	-	-	-	-	-	-	-		12,381,590	
Sales Expense	5.0%			-	-	-	-	-	-	-	-	-	-		(619,080)	
Asset Mgmt. Fee	0.0%			-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service Balloon PMT/ ReFi															(5,682,097)	
Development Fee Recovered															(555,931)	
Project Cash Flow				$ (810,015)	$ 143,978	$ 134,047	$ 150,631	$ 167,712	$ 185,305	$ 203,427	$ 222,091	$ 241,316	$ 261,118	$ 281,513	$ 5,827,003	
Debt Balance				*$ 6,886,863*	*$ 6,886,863*	*$ 6,886,863*	*$ 6,775,763*	*$ 6,659,558*	*$ 6,538,015*	*$ 6,410,888*	*$ 6,277,921*	*$ 6,138,846*	*$ 5,993,381*	*$ 5,841,234*	*$ 5,682,097*	

Project Metrics

IRR (Leveraged)	**31%**
IRR (Unleveraged)	**8%**
return on cash equity	**19.8% 18.5% 20.8% 23.1% 25.5% 28.0% 30.6% 33.3% 36.0% 38.8% 802.9%**

OCAC Mixed Use- Retail/Flex

Oregon College of Art and Craft - OCAC
8245 S.W. Barnes Road
Portland, Or. 97225

Portland State University
Center for Real Estate
Real Estate Course 509

Construction Financing

1/22/2016
Version 1.1

Item	Inputs		Gross Cost	$/GSF *31,500 GSF*	$/unit *13 Units*
Total Cost of Construction			$9,182,484	$291.51/SF	$706,345/unit

Commercial Construction Financing

LTV	70%	Stabilized Projected Value	$7,814,848
LTC	75%	Of Costs	$6,886,863
DSCR	1.15		$7,236,846
NOI, year 3	569,367		
Interest Rate	4.75%		
Term	25 Years		

Construction and Perm Loan, min LTC, LTV, DSC **$6,886,863**

OCAC Mixed Use- Retail/Flex

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Portland State University
Center for Real Estate
Real Estate Course 509

Market Rate Financing

1/22/2016
Version 1.1

Item				Gross Cost	$/GSF *31,500 GSF*	$/unit *13 Units*
Construction Loan			$	6,886,863		
Interest Rate		4.5%				
Amortization Term		30 Years				
Term		10 Years				
Monthly Debt Service	$	(34,895)				
Annual Debt Service	$	(418,737)				

OCAC Mixed Use- Retail/Flex

Oregon College of Art and Craft - OCAC
8245 S.W. Barnes Road
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Portland State University
Center for Real Estate
Real Estate Course 509

Taxable Projection

1/22/2016
Version 1.1

		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
YEAR	Const. 1		1	2	3	4	5	6	7	8	9	10	11
Retail NOI			$ 360,000	$ 370,800	$ 381,924	$ 393,382	$ 405,183	$ 417,339	$ 429,859	$ 442,755	$ 456,037	$ 469,718	$ 483,810
Expected Property Value	$	-	$ 5,142,857	$ 5,297,143	$ 5,456,057	$ 5,619,739	$ 5,788,331	$ 5,961,981	$ 6,140,840	$ 6,325,066	$ 6,514,818	$ 6,710,262	$ 6,911,570
Expected Annual Retail	$	-	$ 89,486	$ 92,170	$ 94,935	$ 97,783	$ 100,717	$ 103,738	$ 106,851	$ 110,056	$ 113,358	$ 116,759	$ 120,261

Taxable Cap Rate	7%
Tax Rate	1.74%

OCAC Shipping Container Studios

EXECUTIVE SUMMARY

Oregon College of Art and Craft - OCAC
8245 S.W. Barnes Road
Portland, Or. 97225

12/22/2015
Version 1.1

Portland State University
Center for Real Estate
Real Estate Course 509

Unit Mix

Type	*Qty*	*RSF*	*RSF/Studio*	*% by Area*	*Rent/SF/Yr*
Studios (45'x 8'x 9'6")	10 Units	3,450 RSF	345 RSF	91%	$0.00/SF
Bath House	1 Units	360 RSF	360 RSF	9%	$0.00/SF
Total	11 Units	100%	**3,810 RSF**	100%	$0.00/SF
Avg			346 RSF		

Building Program

	Gross Floor	*Parking*	*Parking Spaces*	*RSF*	*Common Area*	***Studio Units***	***Bath Houses***	*Total Units*	*Avg RSF/unit*
Ground	6,000 SF			3,450 SF	2,550 SF	10 Units	1 Units	11 Units	314 SF

Uses of Funds

Land Acquisition	$ -	$0/unit	0.0%
Construction	316,884	$28,808/unit	62.8%
Design A&E	25,351	$2,305/unit	5.0%
Soft Costs	105,259	$9,569/unit	20.9%
Finance Costs	-	$0/unit	0.0%
Development Fees	42,214	$3,838/unit	8.4%
Soft Cost Contingency	15,000	$1,364/unit	3.0%
TOTAL USES	**$ 504,708**	**$45,883/unit**	**100.0%**

Sources of Funds

Loan	-
Land Equity	-
Deferred Fees	-
Equity Needed	504,708
TOTAL SOURCES	**$ 504,708**

OCAC Shipping Container Studios

DEVELOPMENT BUDGET

Oregon College of Art and Craft - OCAC

8245 S.W. Barnes Road

Portland, Or. 97225

12/22/2015

Version 1.1

Portland State University

Center for Real Estate

Real Estate Course 509

Item	Inputs			Gross Cost	$/GSF *6,000 GSF*	$/unit *11 Units*
Acquistion Costs						
Land Purchase	$25.00/SF	6,000 sq ft	$	150,000	$25.00/SF	$13,636/unit
Legal Fees	5.0%			7,500	$1.25/SF	$682/unit
GeoTech				5,000	$0.83/SF	$455/unit
Survey				3,500	$0.58/SF	$318/unit
Phase 1 Envi Study				3,350	$0.56/SF	$305/unit
Phase 2					$0.00/SF	$0/unit
Closing Costs	3.0%			4,500	$0.75/SF	$409/unit
Subtotal Acquisition			$	-	$0.00/SF	$0/unit
Hard Costs						
Demolition/	$2.50/SF	6,000 SF		15,000	$2.50/SF	$1,364/unit
Container Costs	$2,300 / Unit			25,300		
Studio Build Outs	$15.00/SF	6,000 SF		90,000	$15.00/SF	$8,182/unit
Parking Paving	$10.00/SF	0 SF		-	$0.00/SF	$0/unit
HVAC	$7,500/unit	allowance		82,500	$13.75/SF	$7,500/unit
Amenity	$20,000	allowance		20,000	$3.33/SF	$1,818/unit
Bathroom Build Out	@ $20 /sqft			68,994	$11.50/SF	$6,272/unit
Hard Cost Contingency	5.0%			15,090	$2.51/SF	$1,372/unit
Subtotal Construction	$52.81/SF		$	316,884	$52.81/SF	$28,808/unit
Design A&E	8.00%		$	25,351	$4.23/SF	$2,305/unit
Soft Costs						
SDC - Retail	$5,000/unit	10 Units	$	50,000	$8.33/SF	$4,545/unit
Water & Sewer Tap Fees	$150/unit			1,650	$0.28/SF	$150/unit
Taxes during development	$0	tax appraisal		-	$0.00/SF	$0/unit
Feasibility/Market Study		allowance		2,500	$0.42/SF	$227/unit
Legal		allowance		25,000	$4.17/SF	$2,273/unit
Builder's Risk Insurance	0.35%	of hard cost		1,109	$0.18/SF	$101/unit
Miscellaneous		allowance		25,000	$4.17/SF	$2,273/unit
Subtotal Soft Costs			$	105,259	$17.54/SF	$9,569/unit
Subtotal Finance Costs			$	-	$0.00/SF	$0/unit
Additional Developent Costs						
Development Fee	10.00%	of project	$	42,214	$7.04/SF	$3,838/unit
Consultant Fees				-	$0.00/SF	$0/unit
Subtotal Development Fees	8.36%		$	42,214	$7.04/SF	$3,838/unit
Soft Cost Contingency	$ 15,000	Allowance	$	15,000	$2.50/SF	$1,364/unit
TOTAL PROJECT USES			**$**	**504,708**	**$84.12/SF**	**$45,883/unit**

OCAC Shipping Container Studios — Construction Financing

Oregon College of Art and Craft - OCAC — 12/22/2015

8245 S.W. Barnes Road

Portland, Or. 97225

Portland State University

Center for Real Estate

Real Estate Course 509 — Version 1.1

		Gross Cost	$/GSF	$/unit
			6,000 GSF	*11 Units*
Item	Inputs			
Total Cost of Construction		$504,707.77	$84.12/SF	$45,883/unit

Commercial Construction Financing

LTV	70% lized Projected Value	
LTC	75% Of Costs	$378,530.83
DSCR	1.15	
NOI, year 3	-	
Interest Rate	4.75%	
Term	25 Years	
monthly payment		

Construction and Perm Loan, mi	**$378,531**
Equity Needed	$126,177

Project Summary

Oregon College of Art and Craft - OCAC
8245 S.W. Barnes Road
Portland, Or. 97225

Portland State University
Center for Real Estate
Real Estate Course 509

Project Summary

	Financing	Equity Contibution	Cashflow (Stable)	Leveraged IRR	Land Value	Return on Cash Equity 1st Year Stabilized	Estimated Development Costs
Apartments Building 1	Public Bonds	$90,179	$123,454	28%	$30.00/SF	137%	$5,359,444
Apartments Building 2	Priving Loans	$479,745	$36,222	20%	$30.00/SF	8%	$5,463,707
Mixed Use Retail/Flex	Private Loans	$725,702	$134,047	31%	$35.00/SF	18%	$9,182,484
Maker Space Studios	No Financing	$504,708	-	-	< $30/SF	-	$504,708
Total for all Projects		**$1,800,334**	**$293,723**	**22%**		**-**	**$20,510,343**

Break Even Summary

	Min Land Value	Max Interest Rate
Apartments Building 1	n/a - 0=21%	8.75%
Apartments Building 2	n/a - 0=17%	8.00%
Mixed Use Retail/Flex	n/a - 0=21%	13.25%
Maker Space Studios	n/a	n/a

Financial Summary

	Land Value	Cash Equity	Estimated Loan	Project Costs	10 yr Revenue	Profitable Difference
Apartments Building 1	$557,280	$90,179	$4,369,662	$5,359,444	$7,559,918	$2,200,474
Apartments Building 2	$630,000	$479,745	$4,097,780	$5,463,707	$6,934,492	$1,470,785
Mixed Use Retail/Flex	$1,155,000	$725,702	$6,886,863	$9,182,484	$899,610	-$8,282,874
Maker Space Studios	$150,000	$504,708	$0	$504,708	0	$0
Total	**$2,492,280**	**$1,800,334**	**$15,354,305**	**$20,510,343**	**$15,394,020**	**-$4,611,615**

Sensitivity Analysis

Oregon College of Art and Craft - OCAC
8245 S.W. Barnes Road
Portland, Or. 97225

Portland State University
Center for Real Estate
Real Estate Course 509

Apartment 1 - Bonded

	Levered IRR	1 Bedroom	2 Bedroom	Avg Ren Per Room	Return on Cash Equity	1 Bed Est Rent	2 Bed Est. Rent
	35%	$1.85/SF	$1.87/SF	$1,320	170%	$1,200	$1,400
Base	28%	$1.67/SF	$1.73/SF	$1,214	137%	$1,085	$1,300
	10%	$1.42/SF	$1.47/SF	$1,030	96%	$925	$1,100
Break Even	0%	$1.15/SF	$1.33/SF	$900	81%	$750	$1,000

Apartment 2 - Market Rate

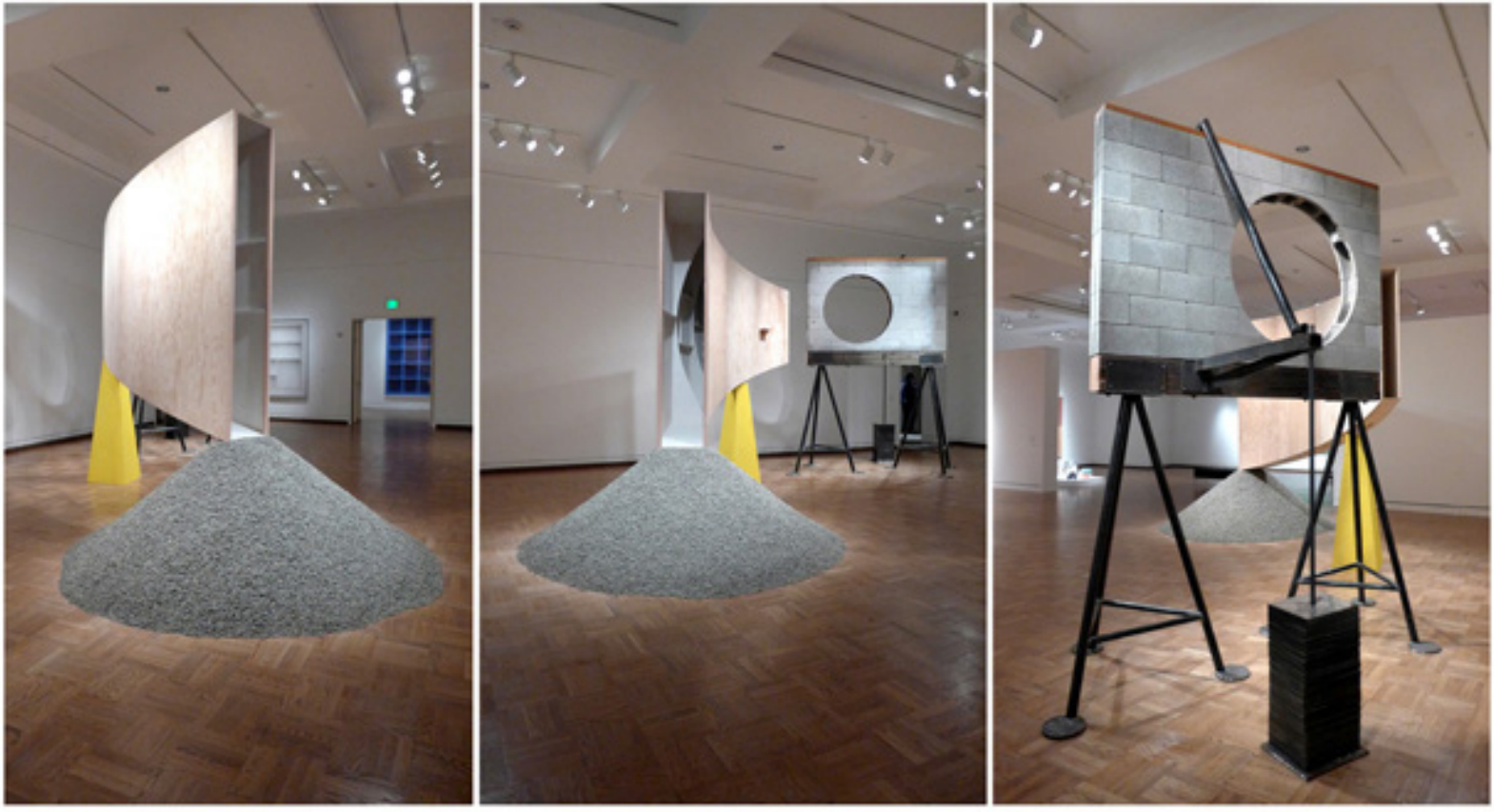
	Levered IRR	1 Bedroom	2 Bedroom	Avg Rent Per Room	Return on Cash Equity	1 Bed Est Rent	2 Bed Est. Rent
	25%	$1.85/SF	$1.87/SF	$1,320	14%	$1,200	$1,400
Base	20%	$1.67/SF	$1.73/SF	$1,214	8%	$1,085	$1,300
	10%	$1.46/SF	$1.57/SF	$1,085	3%	$950	$1,175
Break Even	0%	$1.08/SF	$1.30/SF	$865	1%	$700	$975

Mixed Usess Retail/Flex

	Levered IRR	Retail Rent/SF	Flex/Office Rent	Total Rent	Return on Cash Equity	Retail	Flex
	40%	$27.84/SF	$28.00/SF	$837,600	32%	$2,900	$35,000
Base	31%	$24.00/SF	$24.00/SF	$720,000	18%	$2,500	$30,000
	10%	$19.20/SF	$18.00/SF	$598,800	4%	$2,000	$22,500
Break Even	0%	$12.00/SF	$12.40/SF	$366,000	2%	$1,400	$16,500

OCAC as Office Tenant - 50%

	Levered IRR	Retail Rent/SF	Flex/Office Rent	vg Rent Total Building	Return on Cash Equity	Retail	Flex
	25%	$30.72/SF	$16.60/SF	$700,800	12%	$3,200	$20,750
Base	15%	$28.80/SF	$14.00/SF	$613,200	6%	$3,000	$17,500
	7%	$24.00/SF	$12.00/SF	$540,000	4%	$2,500	$15,000
Break Even	0%	$19.20/SF	$9.60/SF	$391,000	2%	$2,000	$12,000



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