

Summer 2021

Vancouver Gateway Project, Vancouver, Washington

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VANCOUVER GATEWAY

TWO RIVERS DEVELOPMENT CO.
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PORTLAND STATE UNIVERSITY
MASTER OF REAL ESTATE DEVELOPMENT

REAL ESTATE DEVELOPMENT WORKSHOP
SUMMER 2021



VANGATE

TABLE OF CONTENTS



VANGATE

SECTION 01 - INTRODUCTION.....	PG 4
SECTION 02 - EXECUTIVE SUMMARY.....	PG 5
SECTION 03 - SITE ANALYSIS.....	PG 6
SECTION 04 - NEIGHBORING AMENITIES.....	PG 7
SECTION 05 - ZONING.....	PG 7
SECTION 06 - TRANSPORTATION.....	PG 8
SECTION 07 - MARKET ANALYSIS.....	PG 9
SECTION 08 - OFFICE MARKET ANALYSIS.....	PG 10
SECTION 09 - MARKET-RATE RESIDENTIAL MARKET ANALYSIS.....	PG 11
SECTION 10 - AFFORDABLE HOUSING ANALYSIS.....	PG 12
SECTION 11 - RETAIL MARKET ANALYSIS.....	PG 13
SECTION 12 - GROCERY ANALYSIS.....	PG 13
SECTION 13 - PARKING DEMAND.....	PG 14
SECTION 14 - CONCEPTUAL DESIGN.....	PG 15-16
SECTION 15 - DISTRICT PARKING STRUCTURE.....	PG 17
SECTION 16 - DISTRICT PARKING STRUCTURE RETAIL PRECEDENT.....	PG 18
SECTION 17 - 4 - OVER - 1 AFFORDABLE HOUSING.....	PG 19
SECTION 18 - 4 - OVER - 1 AFFORDABLE HOUSING RETAIL TENANT PRECEDENT.....	PG 20-21
SECTION 19 - 5 - OVER - 1 MULTIFAMILY.....	PG 22
SECTION 20 - 5 - OVER - 1 MULTIFAMILY RETAIL TENANT PRECEDENT.....	PG 23
SECTION 21 - OFFICE - PARKING - FINTESS CLUB.....	PG 24
SECTION 22 - FITNESS CLUB TENANT PRECEDENT.....	PG 25
SECTION 23 - SITE IMPROVEMENTS/PUBLIC SPACE.....	PG 26-27
SECTION 24 - DEAL STRUCTURE.....	PG 28
SECTION 25 - DEVELOPMENT COSTS.....	PG 28
SECTION 26 - OFFICE/GYM PROFORMA.....	PG 29
SECTION 27 - MARKET-RATE MULTIFAMILY PROFORMA.....	PG 30
SECTION 28 - AFFORDABLE HOUSING PROFORMA.....	PG 31
SECTION 29 - DISTRICT PARKING PROFORMA.....	PG 32
CONCLUSION.....	PG 33
ACKNOWLEDGMENTS.....	PG 34
APPENDIX.....	PG 35



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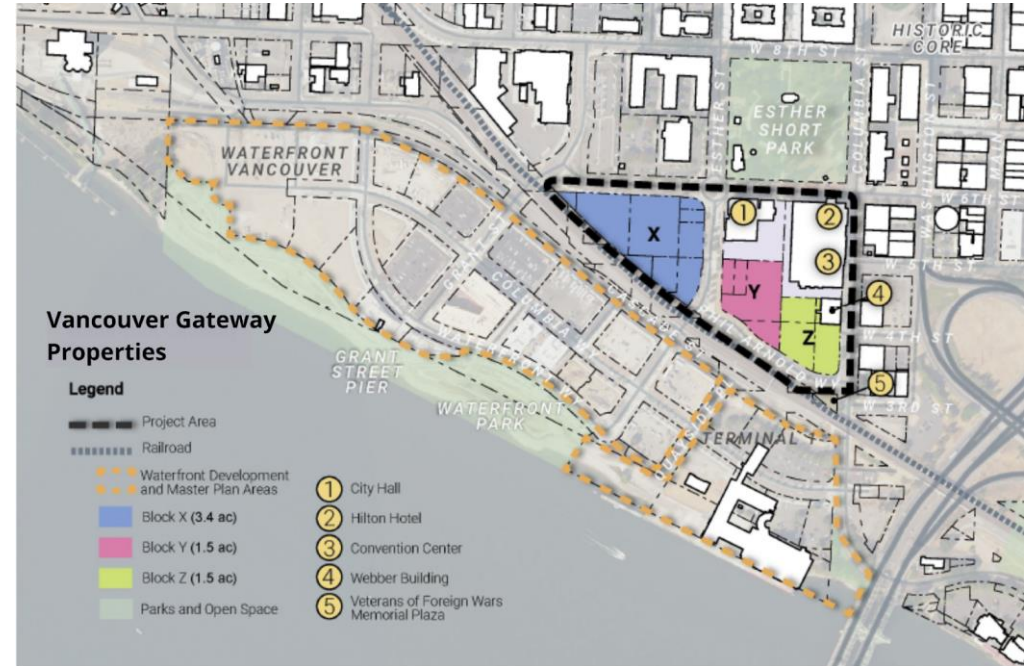
Retail Analyst



INTRODUCTION 01

Located in Southwestern Washington, the City of Vancouver’s Downtown and Waterfront districts have experienced a significant transformation during the past five years, resulting in over 900 new homes, and 88,000 and 170,000 square-feet of new retail and office space, respectively. This central area is poised for exponential growth over the next 5 years focused along the 32-acre Waterfront Vancouver master plan area. At the heart of the city center is an undeveloped 6.4 acre site that has the potential to seamlessly connect the urban fabric of Vancouver.

We view this site not only as an opportunity to connect the City to the Waterfront, but to connect the Waterfront to the City of Vancouver and build around the people of Vancouver and their needs. Our proposed Vancouver Gateway does just that.



We envision a thriving community with 62,000 square-feet of neighborhood retail, 86,000 square-feet of office space, a 42,000 square-foot fitness club, 348 homes - 112 of which being affordable workforce housing, a 9,400 square-foot neighborhood dog park, and accessible and abundant district parking for residents, visitors, and workers alike. Over 40,000 square-feet of plaza space, pedestrian streets, and walkways weaving throughout the neighborhood will offer people a safe and healthy connectivity to everything VanGate and the surrounding neighborhoods have to offer.

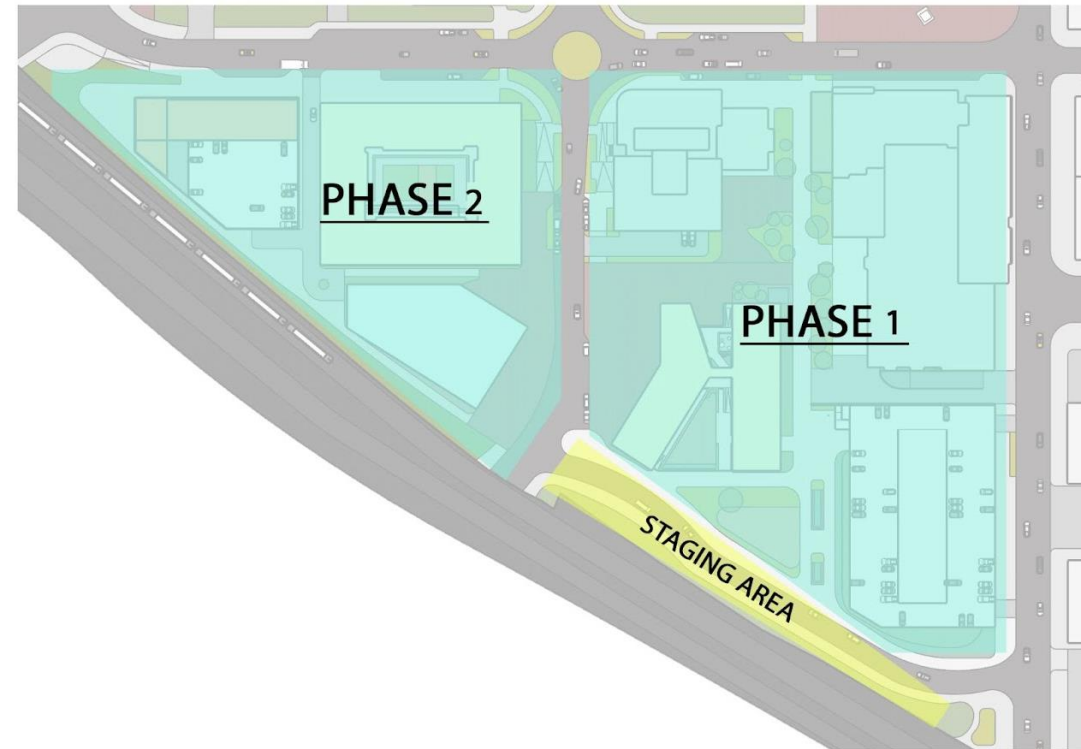


EXECUTIVE SUMMARY 02

Vancouver Gateway (VanGate), will consist of four mixed-use buildings and one district parking structure, along with an intentional reconnection of the street grid through the superblocks BY WAY of pedestrian streets and walkways. The design is focused on making Esther Street both a safe, and pedestrian-friendly thoroughfare, as well as connecting Esther Short Park to the Waterfront.

In an area surrounded by multiple active and future developments, the team at Two Rivers Development took that opportunity to design a program that helps meet the needs of the community that still remain.

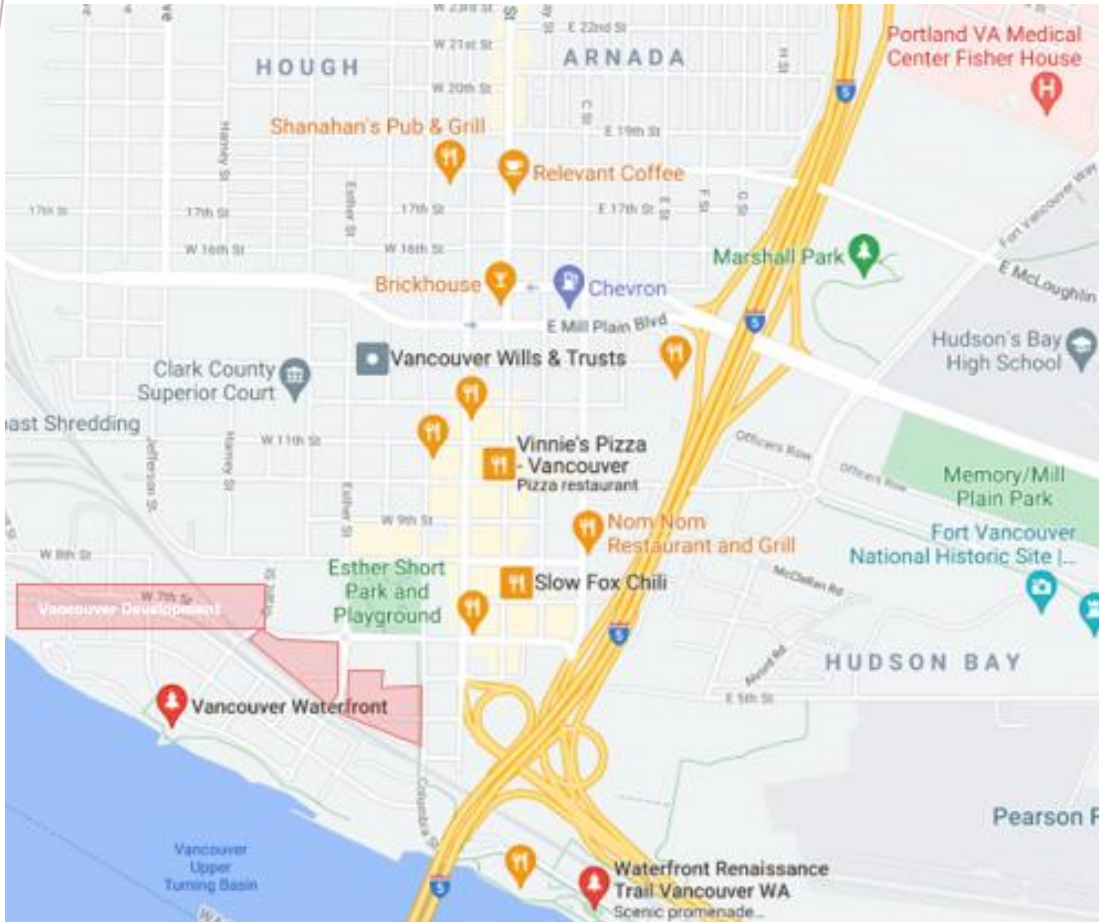
Phase 1	Phase 2
<p><u>4-Story District Parking Garage:</u></p> <ul style="list-style-type: none"> •Convertible design to facilitate adaptive reuse at a later date •Approximately 500 Parking reserved and public spaces. •263,630 SF structure •251,790 SF of parking •11,840 SF of ground-floor retail <p><u>4-over-1 Affordable Housing:</u></p> <ul style="list-style-type: none"> •116,776 SF building •98,176 SF residential •112 units •18,600 SF of ground floor Retail <p><u>Dog Park:</u></p> <ul style="list-style-type: none"> •9,400 square-feet <p><u>Pedestrian walkways and public plaza space</u></p>	<p><u>4-story Concrete Office</u></p> <ul style="list-style-type: none"> •116,740 SF building •44,685 SF office space •Includes fourth floor flex venue <p><u>5-over-1 Courtyard Multifamily</u></p> <ul style="list-style-type: none"> •235,594 SF building •145,894 SF residential •236 units •32,000 SF ground floor retail <p><u>4-story Concrete Office/Gym</u></p> <ul style="list-style-type: none"> •84,300 SF building •42,150 SF office space •42,150 SF gym



SITE ANALYSIS 03

Geographically framed by the Cascade Mountains to the east, the Columbia River to the South, and 10-minute drive to the Portland International Airport, the Vancouver Waterfront boasts an abundance of beauty. Situated on the north bank of the Columbia River, the City of Vancouver has a current population of 185,000 residents, making it the fourth largest city in Washington state. The City was incorporated in 1857 as part of Clark County, under the Portland-Vancouver Metropolitan Statistical Area, the 24th largest MSA in the nation. More than one third of the region's population lives in the unincorporated urban area (North of the city limits). This includes the Salmon Creek, Hazel Dell, Orchards, and Felida communities.

Vancouver's proximity to the City of Portland has resulted in many Vancouver residents working in Portland, deeming Vancouver a "bedroom community" of Portland. A major consequence of the number of people commuting between the two cities is the congestion and traffic spanning both bridges that cross the Columbia River - the I-5 Bridge, and the Glen Jackson Bridge (I-205). However, as of 2021 renewed plans are calling for a new I-5 Bridge, which will help to mitigate traffic potentially including significant mass-transit investments.



NEIGHBORING AMENITIES 04

Vancouver's downtown area has seen an influx of new business and people, with multiple developments on the Waterfront, as well as redevelopments within the Esther Short Park neighborhood. The surge of activity has created a bustling, urban neighborhood featuring many attractions. Just North of the project site lies Esther Short Park, home to the Vancouver Farmers market, and play structures and open gathering spaces for children and family.

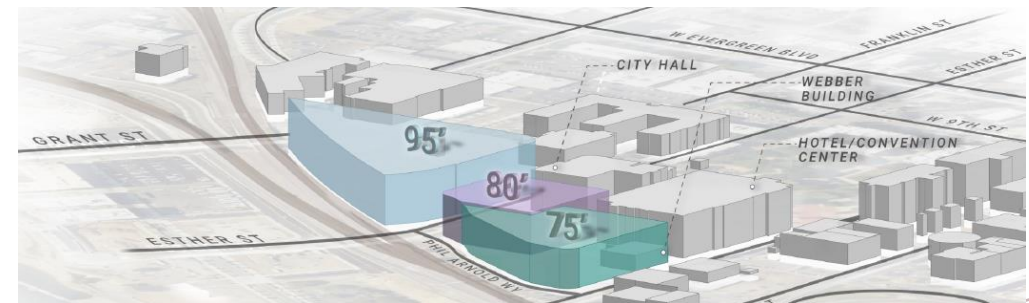


The Waterfront, situated directly within the neighborhood, also offers many amenities, with a combination of popular established restaurants and sites, with new developments that bring more food and retail options.

The project site is adjacent to the Convention Center and the Hilton Hotel, which attract visitors year-round. Furthermore, Clark College, the largest higher education institution in Southwest Washington, is 1.5 miles away. The site is close to dense and diverse employment options, including the Vancouver VA Hospital and Medical Center. Another unique feature of the neighborhood's location is its proximity to Portland. With a 25-minute drive to the City Center of Portland, many Washingtonians have the ability to purchase goods there, avoiding Washington's sales tax.

ZONING 05

The zoning of all parcels is CX -- City Center, allowing for a variety of uses and maximization of lot coverage, with no setback requirement. The site also resides within the Downtown Plan District, this does add additional restrictions on building design along Esther St, 6th St, and Columbia St. There are multiple Zoning overlays that apply to all parcels to note; Noise Impact Overlay District, Maximum Building Height, and Limited Surface Parking. The parking Requirement for this zone is 1 Space per unit or 1 space per 1,000 square-feet. The Waterfront Gateway District has a .25 space reduction for all mixed-use buildings that are not entirely residential meaning .75 parking spaces per unit or per 1,000 SF, including street parking. The Noise Impact overlay zone will add a slight premium to construction costs to account for additional soundproofing materials for all buildings due to the proximity to the Burlington Northern Rail Line. The Limited Surface parking overlay does not affect our proposed development. The Max building Height overlay limits the building height to certain heights due to Pearson Airfield to the East and complying with Federal Aviation Administration Regulations, Part 77h Federal Aviation Administration Regulations. Block X has a maximum height of 95 feet, where as Block Y has a maximum height of 80 feet, and lastly Block Z has a maximum height of 75 feet. Temporary structures are allowed a variance to these limits which will need to be addressed when erecting a crane on-site, however, it should not restrict our ability to use a crane.





Rendering is for discussion purposes only and is subject to change. Transit alignment could be used for bus rapid transit or light rail. -11/27/07

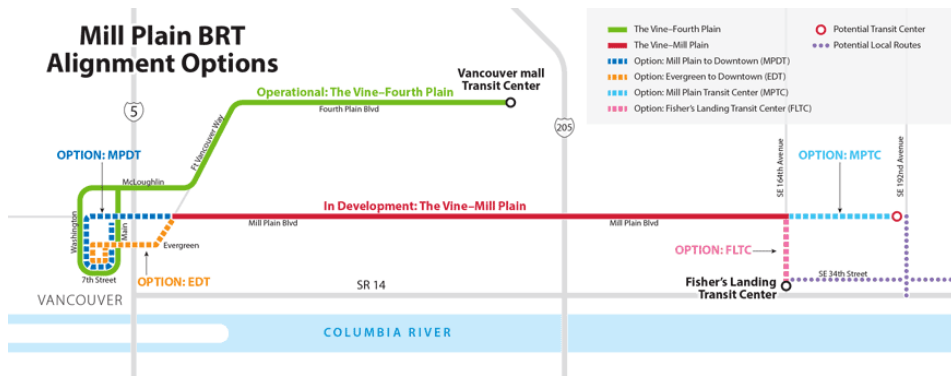
TRANSPORTATION o6

The Esther Short Neighborhood is two turns away after coming off of Interstate-5, which connects Portland and Washington, over the Columbia River, and is heavily trafficked. The town streets are single-lane two-way streets with a parcel sitting on a roundabout at 6th and Ether Streets.

The Columbia River Crossing I-5 replacement is proposed to occur sometime in the next decade (or two) which could bring more efficient transportation to our neighborhood and likely increased transit options. VanGate will be even more connected with Portland once the revived Interstate bridge is constructed

These streets limit speeding traffic and provide safe pedestrian engagement. Car traffic will access buildings in Block Z off of 6th St. Block Z access will come from Columbia St.

The subject site lacks public transportation and only has 1 bus stop within the development site, located on 6th St. A quarter-mile away is a bus station that connects riders to the regions Bus Rapid Transit (BRT) system which will take riders up the 4th Plain Corridor and to the Vancouver Mall Transit Center, plans are in place to include a BRT route East down Mill Plain to a new Transit Center.



MARKET ANALYSIS 07

DEMOGRAPHIC STATISTICS

	1 Mile	3 Miles	5 Miles
2020 Estimated Population	6,980	62,633	229,255
2024 Projected Population	7,517	98,230	244,606
Projected Annual Growth	1.50%	1.80%	1.30%
2020 Est. Avg. Annual HHI	\$70,034	\$72,256	\$82,062
2020 Est. Per Capita Income	\$38,588	\$32,290	\$34,293
2020 Est. Total Businesses	1,851	4,357	11,704
2020 Est. Total Employees	15,576	47,451	126,605

The city of Vancouver has nearly 185,000 residents with continued growth over the last decade. From a county level, Clark County is the second fastest-growing county in the state, and second for net population gain, only behind Franklin County. This can be attributed to a robust job market and low cost of living relative to the Seattle, and Portland metro areas.

The state of Washington has some very distinct advantages over Portland and the state of Oregon, in terms of tax savings. Washington does not impose a corporate income tax, personal income tax, nor does it tax dividends, interest, or capital gains. Based on a 2020 USA Today rankings, Washington was ranked seventh nationally for business-friendly tax policies. In addition, even with the ease of COVID restrictions, work preferences have permanently shifted, specifically with a larger remote workforce and we predict places such as Vancouver should expect to see the most growth



OFFICE MARKET ANALYSIS 08

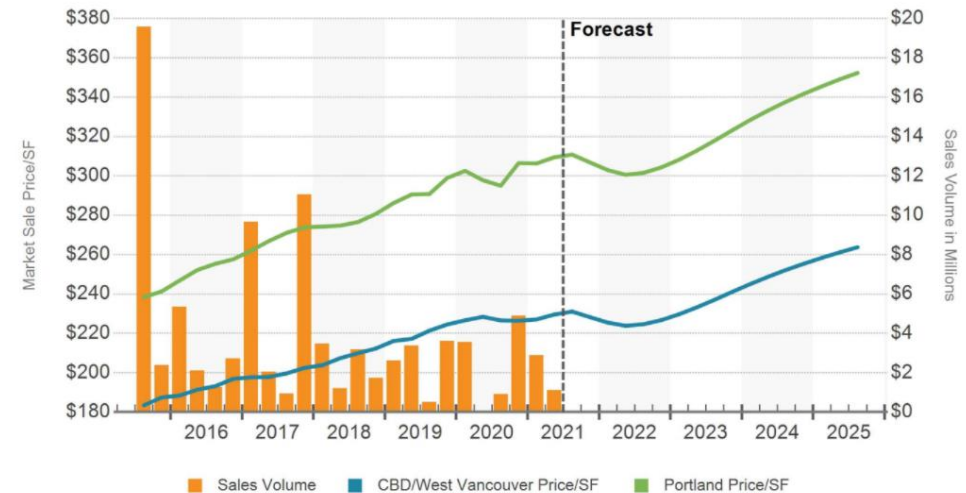
Until recently, there was little new supply of office space in the Vancouver central business district. That has all changed with the ambitious plans with city plans with the Waterfront District. In Q2 of 2021 alone, there is over 125,000 SF under construction which represents its busiest building activity in a decade. A large tenant in the Vancouver CBD is ZoomInfo, a software service company. This tenant is rumored to be moving offices and could command up to 300k SF of office space. Two of the other largest corporate tenants are Wellons, a biomass energy company, and DiscoverOrg, a sales and marketing intelligence software firm. Both are headquartered in Vancouver, each occupying around 55,000 SF. Thanks to strong absorption from smaller tenants, submarket vacancies have tightened.

With everything said, the Vancouver Waterfront looks ripe for office expansion. The area offers new amenities with the large-scale masterplan still underway. The area offers a convenient place for visiting clients and employees to stay during their travels with lodging options such as the newly constructed Hotel Indigo or Hilton Vancouver as well as urban retail lining the Columbia River that creates a more walkable environment.

Two Rivers Development predicts that with such heavy investment in all product types, an agglomeration of office demand will be coming from neighboring metros and with continued focus on users of that space, Vancouver could blossom into a significant destination. As a gauge for Class-A office appetite, we observed lease up for properties such as the Angelo Tower which has seen a rental rate of \$35 NNN and is already 67.7% pre-leased before coming online in September 2021. Another property with heavy interest is the Holland Groups office building that is set to deliver in March 2022 and has 62.8% of its space pre-leased. Current rental rates for that space reach \$28 NNN but both properties have inferior locations to the Vancouver Gateway District and pose good case studies for what we should expect.

	Site	SF	Lease Rate	Date	% Pre-Leased
Under Construction	Block 10	75,000	\$28 NNN	Mar-22	62.80%
	Angelo Tower	52,800	\$35 NNN	Sep-21	67.70%
Proposed	1505 Broadway	37,098	\$29.50 NNN		
	Terminal 1	150,000	N/A		
	Block 2	157,000	N/A		
Recent Delivery	Hurley Office Tower	41,795	\$37 NNN	Feb-20	84.70%

SALES VOLUME & MARKET SALE PRICE PER SF



MARKET-RATE RESIDENTIAL MARKET ANALYSIS 09

The Vancouver Downtown area has been one of the fastest-growing regions in Washington over the past few years, as many people move to the Washington city after being priced out in the Portland area. A short drive across the soon-to-be-replaced Interstate-5 bridge brings you to Portland and ample employment opportunities. Residents find the Vancouver location also for tax benefits, Washington has a sales tax while Oregon has an Income tax. Residents living in Vancouver can work in Portland and purchase non-sales tax items then jump back over the bridge to home where they avoid the 6-10% income tax, that's found just across the river. The growing amenities and lower cost of living have populations flooding to Vancouver and it is looking towards its continued economic growth. The development of Vancouver spurred over the last few years will be well established as a "new" city in the next 10 years once much of the Waterfront and Downtown core has been redeveloped that reflects a major urban city. Bringing strong demand for the area and driving rental rates above expected returns.

Occupancy

Vancouver sees a very up and down vacancy rate as the market is smaller and is affected by a single delivery. As of the 3rd quarter of 2021, the Vancouver Vacancy rate was at 5.5% with a 5-year estimation average of below 4%.

Deliveries/Absorption

Vancouver's smaller and newer comparable properties cause a up and down delivery and absorption rates.

Under Construction

510 Units (Q3 2021)

Deliveries

375 delivered or to be delivered in 2021.

Future deliveries

180 units in 2023

Absorption

Vancouver may not have the historic performance to show strong absorption but we believe this surge in development and population will bring the surge of renters to the newest hip district in the Portland-Vancouver Metro Area. Our Demand-Absorption model showed a lease up timeline of 16-18 months.

Rents

The Rent growth has been strong in the last 2 years in Vancouver, as the first developments on the Waterfront become available and the other developments close behind, the demand has followed the development. In the last 2 years, Rent growth has averaged close to 4.5% per year with estimations that have the YoY growing in 2022 around 11%.

Market rate monthly rent rates for Newly constructed Class A/B Multi-family apartments in 2021:

- **Market Studio - \$1,629**
- **Market 1-bedroom - \$2,090**
- **Market 2-bedroom - \$3,569**



The Aria - 2021
126 Units



RiverWest - 2019
206 Units



AFFORDABLE HOUSING ANALYSIS 10

Affordable Housing is a major priority in the City of Vancouver by government officials, as well as community members who chimed in during the public comment period of the city’s visioning process for the Waterfront Gateway RFQ. With numerous “luxury” multifamily rentals and high-rise condo developments under construction in the Waterfront and around Downtown, many Vancouverites are looking for more attainable housing stock in proximity to this new district. Vancouver has a very active local Public Housing Agency who has completed or is in-development with numerous LIHTC development projects through the city. Other private non-profits like Mercy Housing NW and REACH CDC, among others, are also active in Southwest Washington. The state of Washington and the City of Vancouver have bolstered the availability of funding sources with the Washington State Housing Trust Fund established in 1987 which offers capital funds distributed through the Department of Commerce. The city’s Affordable Housing Fund passed in 2016, is a voter approved \$42 million, seven-year bond fund intending to build and preserve an estimated 790 affordable homes.

Median Income for a family of four in Clark County is \$96,000. Residents making 60% of Area Median Income, which ranges from \$40,620 for a single person, to \$62,700 for a family of five would qualify for affordable housing.

2021 Income and Restricted Rent levels were set for Clark County as follows:

Clark County
MTSP-Income and Rent Limits
Effective 4/1/21
Median Income: \$ 96,900

Set-aside Percentage	1-person	2-person	3-person	4-person	5-person	6-person	7-person	8-person	Set-aside Percentage	Studio	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom	5-Bedroom
20%	13540	15480	17420	19340	20900	22440	24000	25540	20%	338	362	435	503	561	619
30%	20310	23220	26130	29010	31350	33660	36000	38310	30%	507	544	653	754	841	928
35%	23695	27090	30485	33845	36575	39270	42000	44695	35%	592	634	762	880	981	1083
40%	27080	30960	34840	38680	41800	44880	48000	51080	40%	677	725	871	1006	1122	1238
45%	30465	34830	39195	43515	47025	50490	54000	57465	45%	761	816	979	1131	1262	1393
50%	33850	38700	43550	48350	52250	56100	60000	63850	50%	846	906	1088	1257	1402	1548
60%	40620	46440	52260	58020	62700	67320	72000	76620	60%	1015	1088	1306	1509	1683	1857
70%	47390	54180	60970	67690	73150	78540	84000	89390	70%	1184	1269	1524	1760	1963	2167
80%	54160	61920	69680	77360	83600	89760	96000	102160	80%	1354	1451	1742	2012	2244	2477



Esther Short Commons - 2004
Vancouver Housing Authority
160 Units



Isabella Court I & II - 2017 & 2019
REACH CDC
46 & 49 Units

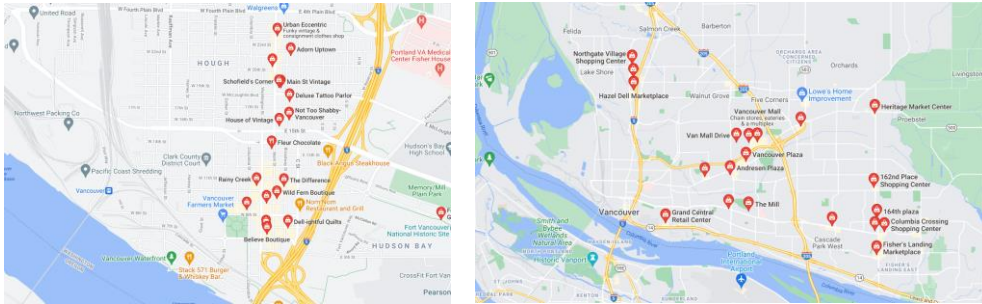


Fourth Plain Commons - 2023
Vancouver housing Authority
106 Units

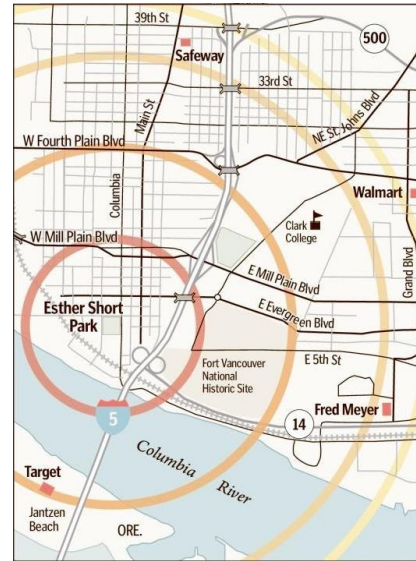
RETAIL MARKET ANALYSIS 11

The Vancouver WA economy is highly influenced by neighboring Portland, Oregon. The State of Washington has no individual or corporate income taxes with a property tax lower than the national average and a sales tax above the national median. Conversely, the State of Oregon has one of the highest state income taxes but no sales tax. For that reason, many Vancouver residents shop in Portland to save the sales tax and live and work in Vancouver where they pay no income tax.

With a combined asset value of 3.3 Billion in Vancouver, the Retail market is off on the rise. With Cap Rates ranging from 6.3% in the Vancouver Mall area to 6.8% in the Orchards area, the slow uptick in Cap rates is beginning. Now is a great time to capitalize on your investments before Cap rates increase further. The 10 Year Average for Vacancy Rates in the retail sector is 6.13%, currently, the market is as low as .2% in the Vancouver Mall Area and average in the CBD/West Vancouver Area at 6.3%.



GROCERY ANALYSIS 12



Two Rivers Development is proposing a Target and CVS Pharmacy as part of the site plan. When it comes to residents of the Vancouver Waterfront, while having many amenities at hand, there are few options for grocery stores. From the VanGate site specifically, the only walkable retail that offers grocery is City Center Market convenience store, located on West 8th Street. The lack of grocery stores (that are accessible for everyone) in the area is so detrimental that in 2019, Vancouver Mayor Anne McEnerny-Ogle labeled it a food desert. The image, courtesy of The Columbian, outlines the distances from Esther Short park that the three closest grocers are: Safeway and Fred Meyer sit 1.8 miles and 2.2 miles from the site, respectively, and Target is 1.8 miles south, on Jantzen Beach.

These grocers vary in size, with Fred Meyer at 191,250 square-feet, Safeway at 31,981 square-feet, and Target, at 118,728 square-feet. Estimated rents range from \$19.00 per square-foot (Safeway), to \$45.00 per square-foot (Fred Meyer). Along with these options, a new, 25,000 square foot New Seasons is in the early stages of development, with projected completion in 2023. Located on Main and West 15th, the new store will be a 13 minute walk from VanGate. This New Seasons, along with Vancouver's Farmers Market (located on Esther Street, and only operational seasonally), make up the options for higher-end health foods for local residents.

The lack of grocery supply in the Vancouver Waterfront area is in part due to grocers that felt hesitant over the projected population increase as development continues, and the lack of current residents to fulfill the demand. However, as mentioned throughout the report, the continued growth will continue to attract residents and businesses, as it becomes more populated.

PARKING DEMAND 13

Close to 70% of the development area is currently used as at-grade surface level, this parking is already in high demand. The new parking will double the total parking while only on 17% overall footprint.

Every person owning a car may soon be a thing of the past, but Vancouver is still a car-dependent market, it lacks the public transportation infrastructure that Seattle and Portland have. This creates a higher demand for parking spaces in the area for all different users visiting the area, especially during convection events and Farmer’s Markets. 96.1% of people employed from the subject ZIP code live outside the Zip, this drives the parking demand higher. Based on hand counts, there are currently about 370 parking spaces located on the development site that would be removed and will need to be replaced. The required parking ratio for Multi-family is one to one and Retail/Office is 1 per 1,000 GSF. The City of Vancouver has allowed a 25% parking reduction for this project - taking this reduction and street parking spaces, the VanGate development will need 645 parking spaces. Hourly and permit parking will be in high demand during and after the development of VanGate, up until car technology and a stronger public transportation system is put in place.

With heavy residential development over the last few years and the proposed developments in place, the population within a 1-mile radius will continue to grow and provide more customers with less need for parking. VanGate is proposing a total of 856 parking stalls. There will be an immediate demand for the 660 permit parking spaces for City Hall employees and the arriving office workers. Hourly rates from Phase 2 the development will be realized from construction workers parking.

350 of these stalls will be flex spaces in the evenings and weekends for visitors of restaurants, retail, and the Farmer’s Market for Hourly or Full day rates.

New comparable developments are pricing parking permits at \$175 per month, for both office and residential users. In these comps, however, the parking is onsite for the user. In VanGate, the parking development does not provide all users to have onsite parking. Ensuring we have priced parking appropriately based on comps, market pricing, and discounts/premiums.

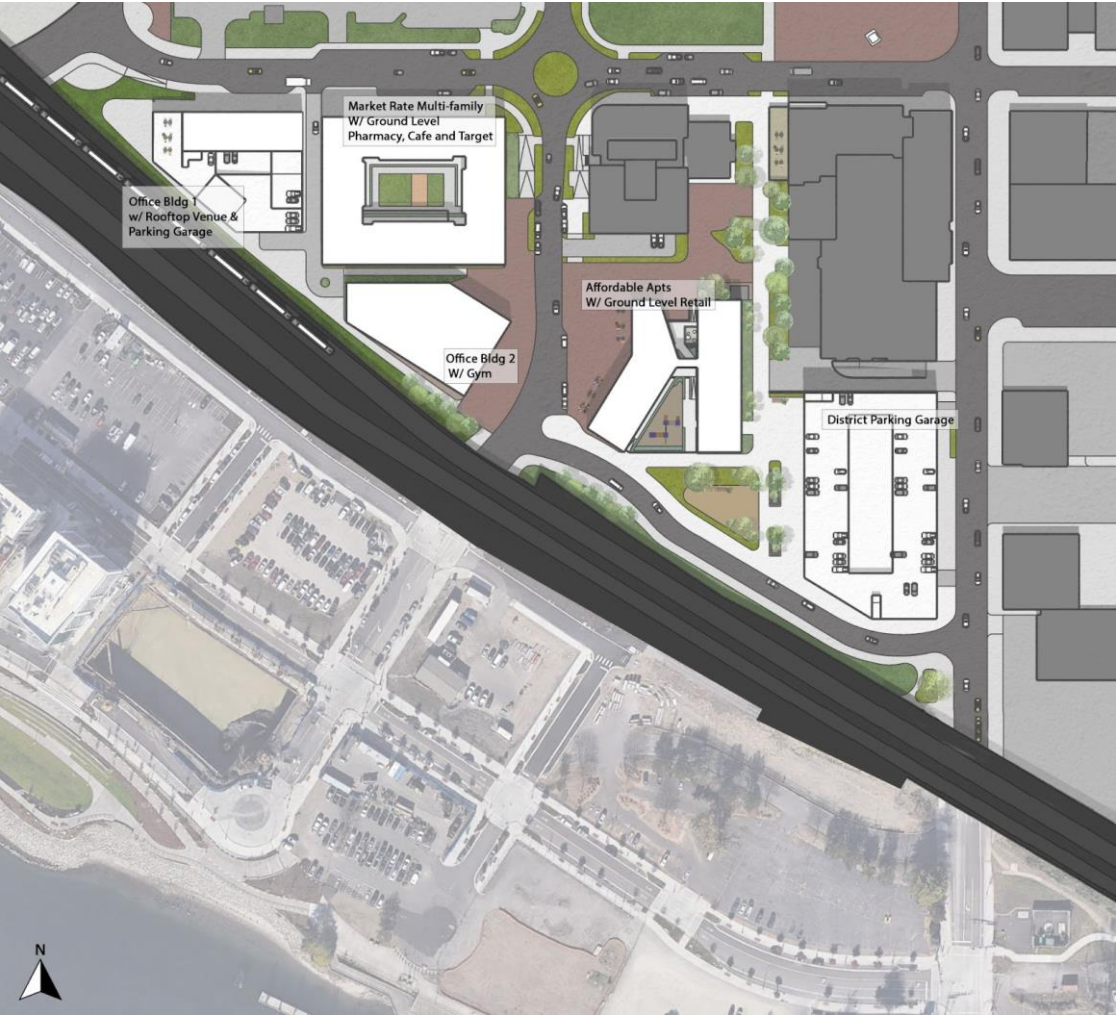
Building / Use	Square Feet	Units	Spots required	Street parking	25% reduction	Total
Block X Residential		236	236	11	177	166
Block X Office(P)	44,685		45		34	34
Block X Office(G)	42,150		42		32	32
Block X Gym	42,150		42		32	32
Block X Retail	32,000		32	3	24	21
Block Y Residential		112	112	10	84	74
Block Z retail	11,840		12	3	9	6
Replace current parking		373	373		280	280
			894	27		645



CONCEPTUAL DESIGN 14

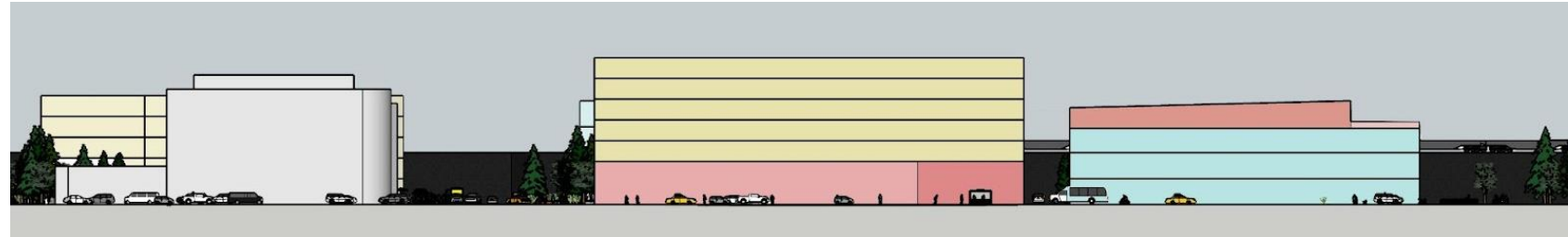
The purpose of this design is to connect the subject site with the surrounding context of the waterfront development and the Vancouver downtown. To accomplish this an anchor plaza divided between the East and West side of the site by Esther street. Building massings along Esther were developed specifically to orient pedestrians toward the waterfront.

The alleyway that divides city hall and the Hilton was extended down to connect with the district parking garage, which can be converted to courtyard office for future use. Parking on both the east and the west sides of the site. Additional ground level parking is available off of 6th street and is located in the market rate/target massing. In order to reduce traffic on Esther to create a more pedestrian friendly environment, parking entrances on the east side are accessed by an added vehicular path that also serves as the connection between the two interrelated office buildings.

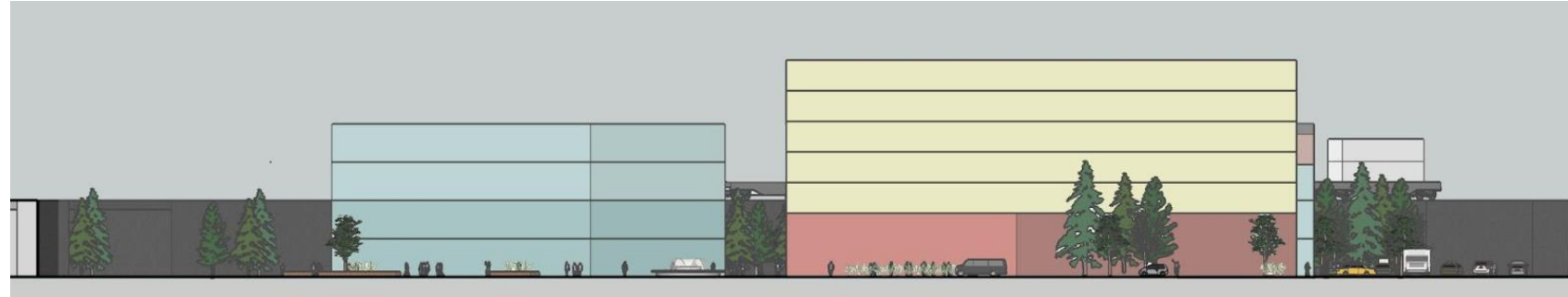


CONCEPTUAL DESIGN 14

There are a total of 5 buildings proposed for development. The office park, made up of two separate buildings, and the multi-family market rate with at-grade target are located on the Western side of Esther Street. The District parking garage, the affordable apartments are located west of Esther. Ground level retail is located on both sides of the side. Additionally rooftop venue space is proposed on the top of the Northwest office building in order to take advantage of the river view.



6th Street Elevation Facing South Towards Subject Site



Esther Elevation Facing Target/Market Rate Multi-family and Office Bldg 2 w/gym



Esther Street Elevation Facing East Towards Affordable Apartments and City Hall

DISTRICT PARKING STRUCTURE 15

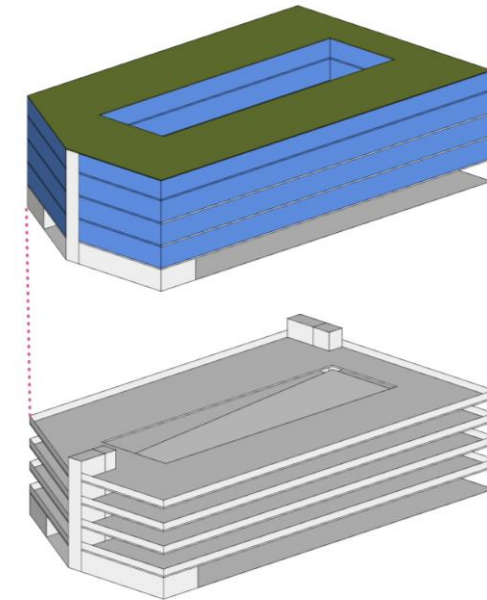
Most of the parking will be located in two large capacity parking building in the NW corner and the SE corner of VanGate. The 'district' parking garage for the district will be located on the corner of Arnold Way and Columbia St. This concrete-steel parking garage will be 4 stories, feature ground-floor retail and 500 parking spaces. With Vancouver continuing to grow into the future, we wanted to be sure to "future proof" this structure. Sometime in the future, fewer people will have their own car and autonomous vehicles will deteriorate the need for parking spaces. This would leave a standard parking garage underutilized and very expensive to convert into a more economical use.

We are proposing a "future-proof" parking structure that features building design and system to allow for an economical conversion to a multi-family or commercial use. Key pieces to this parking structure are taller ceiling heights, a central ramp system that would be removed for flat floor plates, and mechanical system future planning spaces. Costs estimated to convert to office space is priced at and residential conversion, both to turnkey condition, would be \$35 million and \$ 54.6 million, respectively.

Currently, at-grade surface parking occupies approximately 70% of the entire VanGate footprint. In the VanGate development, our parking is only 17% of all ground-floor space.

The City of Vancouver indicated they would want to own and manage this parking garage so we have proposed a turn-key build for the City. This brings value to the city through parking revenue and retail functions as well as in the sale of the property when the time to convert to another use when parking needs have diminished. The underwriting performed was to determine cost to build and basic return structure to value the parking for the city.

To continue to activate the ground floors and Vancouver Gateway area, 11,840 SF of Retail space will be available. This retail space will bring additional revenue in rents and at the same create a frontage that is welcoming and opens out into the planned park space. These retail spaces will be ideal for small restaurants and pet-oriented retail due to the proximity of the park.



Gross and Rentable Area Calculations			
Total Gross Sq. Feet (Project)			222,744
Total Gross Sq. Feet (Retail)			11,840
Retail Efficiency			100.00%
Rentable SF (Retail)			11,840
Total Gross Sq. Feet (Parking)			210,904
Total Parking		500	
	Permit Parking		350
	Daily/Hourly Parking		150

Rent Assumptions			
Retail		\$	28.00 PSF/YR NNN
Daily Rate Totals		\$	175.00 Per Stall/Month
Parking Permits		\$	150.00 Per Stall/Month



DISTRICT PARKING STRUCTURE RETAIL TENANT PRECEDENT 16

Bike Shop/Rentals

To promote the use of non-auto transportation, and bicycling in particular, we propose to incorporate a bike rental in the bottom floor of our South West parking garage. With similarities to Nikes “BikeTown” bicycles in Portland, we wanted to provide visitors and locals with the opportunity to rent a bike and the ability to get to and from their destination without having to use an automobile. We hope that on bikes, residents can take in the breathless sceneries around them while also contributing to a more sustainable mode of transportation. While there may be others, we found one local bike shop/rental/advocacy organization that could work as a prospective tenant in this area, and is known as “Bike Clark County.” Within the bike rental center, in addition to rentals, we also want to provide secure bike parking and a variety of mobility services, including bike related accessories for sale, bike repair, and easy access to information on alternative transportation within the city.

Dog Day Care

The second retail option that we considered for this space was that of a dog day care, so that busy residents of the nearby apartments in the vicinity could have access to the services and boarding available while they may be away from home. We would hope that some of the services offered by the day care center would include overnight, weekend and holiday boarding, as well as spa services. We feel that this store would also be compatible with the pet store that we have selected for the retail space in the affordable housing structure. Because we want owners to feel comfortable and safe with dropping off their pets at this location, we wanted to choose a reputable dog day care, as well as one that is local to the area. Our top choices for this tenant would be: Dogtopia, The Dog House, or Sniff Dog Hotel.



4-OVER-1 AFFORDABLE HOUSING 17



Esther Short park and the Waterfront Vancouver have a variety of play areas, splash pads and public space that attracts families from all over the region. With the exception of Esther Short Commons which was built in 2004, much of the housing built in recent years in this burgeoning area has been targeted at young professionals or retiring baby boomers. An economically and culturally thriving community needs to make space for residents of all income levels. We wanted to create a place for working families and individuals to call home in heart of Vancouver Gateway. 98,176 gross square-foot of residential space, and 18,600 square-foot of ground floor retail to activate this central parcel in the VanGate district. Drawing inspiration from The Abigail, an affordable housing development in Portland, VanGate's 'K'-shaped residential building is also designed to maximize connectivity to both the public realm, with spacious courtyards and plazas, as well as City Hall and Esther Short Park to the north, and Esther Street to the West. To the South will be the new dog park, as well as direct access to the Waterfront. The will consist of 112 total units, comprised of 28 three bedroom units, 20 two-bedroom units, 52 one-bedroom units, and 12 studio units. All of the units will be reserved for tenants earning 60% of the Area Median Income, which ranges from \$40,620 (individual), to \$62,700 (family of five).

4-OVER-1 AFFORDABLE HOUSING RETAIL TENANT PRECEDENT 18

Childcare

Along with the affordable housing aspect of the site, the ground floor is designed to incorporate a preschool or childcare facility. Co-locating this 7,251 SF space in the ground floor of the proposed affordable housing development allows parents the convenience of not having to drive to and from another location, and can instead drop off their children as they head out the door. We found it important to include this service because many lower income families struggle to balance child-care and housing expenses, and many are forced into lower quality or less stable child care arrangements. We will work to ensure it will be an affordable option for the residents through Head Start-like programs or other scholarship based enrollment, recognizing how affordable child care is essential to families' economic stability, ability to work, and the child's healthy development. Some of the ideal tenants we would like to see include: Montessori, KinderCare, Head Start, and Childroots.

Local Pet Store

As we move into 2022, the attitudes and culture around pets, and dogs specifically has increased significantly, so much that the majority of new multi-family developments now include some sort of dog related amenity, whether it be a dog wash to a dog park. Thus we wanted to be a part of the new culture and help accommodate those with pets by providing a pet friendly store. We hope to select a local business rather than a generic Petco, and some of our prospective tenants for this space include: MudBay or Nature's Pet Market.



4-OVER-1 AFFORDABLE HOUSING RETAIL TENANT PRECEDENT 18

Tea/Cafe

Another type of retail uses that we discussed working in one of these spaces would be that of a small scale, local and independent cafe style tenant. The overall floor plan will be relatively small, and thus we figured a tenant that doesn't need a lot of back of the house operation space would be ideal for this location. Since we already have a coffee shop nearby, we were thinking more along the lines of a boba tea, smoothie, or tea bar type feel and believe that it would work well in the market of young professionals located in downtown Vancouver. Again for this tenant type, we would really like to focus on a company with good values that is not only tasty, but organic, and uses only the freshest locally sourced ingredients.

Local food-based tenant

Lastly, along the lines of a local based tenant, we wanted to incorporate one who was not only representative of Vancouver, but Washington and the Pacific Northwest as a whole. We looked to the Esther Short Park Farmers Market and its vendors for inspiration, Olympia Provisions could be an ideal tenant for this space with a popular selection of meats and charcuterie as well as a variety of eatery/public house concepts. The other concept that we thought might work is a local goods store like a "Made in Washington" store. The Made In Washington store is an ideal local tenant because they work with Washington's artists, food makers, entrepreneurs, and small businesses, and are partnered with over 250 iconic Northwest brands, thus appealing to a large market.



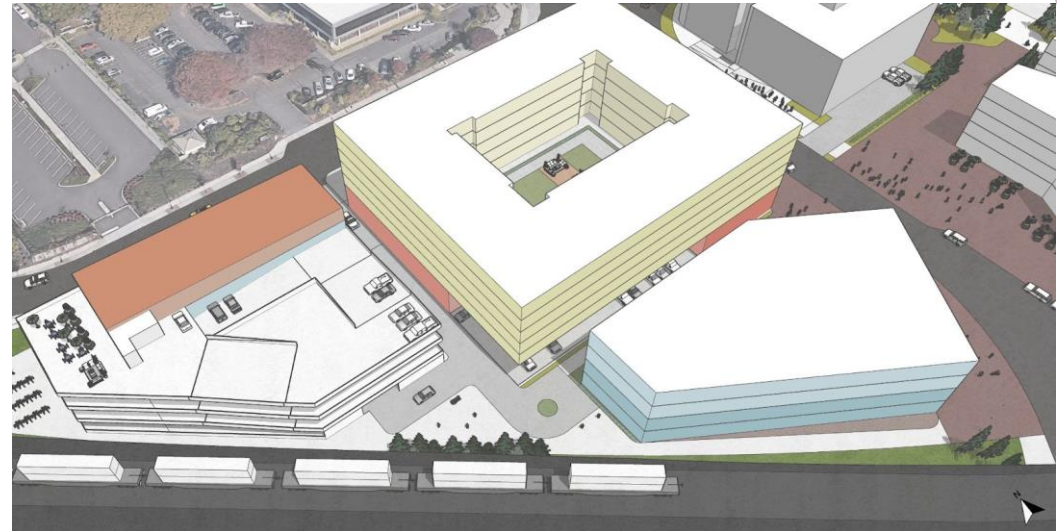
5-OVER-1 MULTIFAMILY 19

VanGate’s market-rate apartments feature slightly smaller than market units, but equal in quality and ideal location. These smaller units and quality build-out will allow attractive rent rates to renters while not sacrificing the rent per square-foot rate for the investment returns.

Totaling 236 units, the unit mix provides many options to renters. Multiple sizes of Studio, 1-beds and 2-beds units, bolster the marketability of VanGate’s Multifamily.

20% percent of total units will be held at 100% AMI rent levels. This gives the property an 8-year property tax abatement through the City of Vancouver’s Multi-family Tax Exemption Program.

The ground floor will be built for an anchor tenant, Target. This 30,000 SF retailer will provide the densely populated area with all basic needs. Another 2,000 SF is on the ground floor, intended for a coffee shop which could be sperate from the target or inside the store. Approximately 40 surface level parking spots serve the retailer’s customers.



Unit Type	# of Units	Avg Unit SF	Monthly Rent (\$/SF)	Unit Rent/ Month	Total Rent/Month
Studio A	36	433	\$ 3.55	\$ 1,537	\$ 55,337
Studio B	10	480	\$ 3.50	\$ 1,680	\$ 16,800
1-Bed B	24	540	\$ 3.25	\$ 1,755	\$ 42,120
1-Bed A	52	561	\$ 3.15	\$ 1,767	\$ 91,892
1-bed A (100% AMI)	49	561	\$ 2.75	\$ 1,540	\$ 75,460
1-Bed+Den	15	726	\$ 3.10	\$ 2,251	\$ 33,759
2-bed, 1-bath	16	803	\$ 3.10	\$ 2,489	\$ 39,829
2-bed, 2-bath A	15	879	\$ 2.85	\$ 2,505	\$ 37,577
2-bed, 2-bath B	19	998	\$ 2.70	\$ 2,695	\$ 51,197
	236	618	\$ 3.09	\$ 1,881	\$ 443,972



5-OVER-1 MULTI-FAMILY RETAIL TENANT PRECEDENT 20

Target

Apart from an office and housing component for our site, we also wanted to implement a wide variety of retail services to better complement the neighborhood. The most important and biggest anchor tenant will be that of a small-format Target 30,000 located on the Southwest corner of Esther St and 6th Avenue. The reason we chose Target as our anchor tenant, was because this area in particular was sort of that of a dead zone, and with the new development of housing, we found that this brand of store offers a lot of products and services used in a day to day lifestyle. Again, with not much in the general vicinity of the site, we found Target a great tenant to offer a wide variety of food and general merchandise, from clothing to household goods, electronics, and toys. We also found that to our advantage, Target will customize the assortment of each store to its neighborhood and our local guests. Thus we hope to see a large inventory of local Portland and Vancouver brands alongside well known products. Target was also chosen as the anchor tenant as even it's small-format stores have a CVS Pharmacy located in most Targets that have been built since 2015.

Coffee Shop

Many Target stores feature an in-store cafe that is exclusively accessible from inside the store. With that in mind, along with the vision to create a pedestrian-oriented environment, VanGate will feature a 2,000 square-foot coffee shop that will be accessible from both the Target, as well as the sidewalk. With potential for Target's national coffee partner, Starbucks, or a local coffee company like Compass Coffee Roasting.

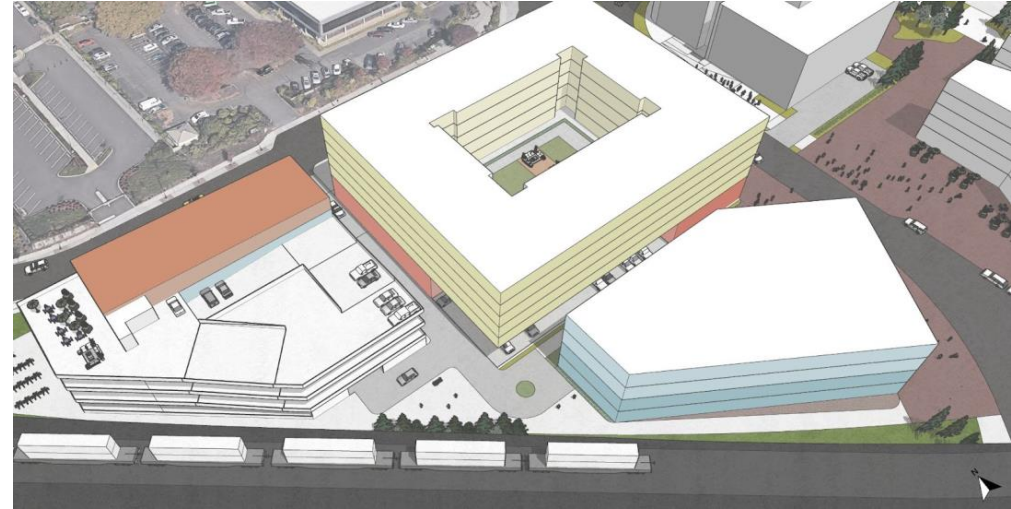


OFFICE – PARKING – FITNESS CLUB 21

The Two Rivers team carefully tested a variety of uses and building iterations on Block X which ultimately concluded with two premier office buildings and structured parking to go along with our market rate multifamily building. Our team was very cognizant of the fluctuating office environment and ready to deliver spaces that should be adaptable to any tenant needs.

The first building, which is located on the north-west corner, will be made up of 4-floors of parking, integrated side-by-side with 4-floors of office. The parking structure will be segmented to accommodate all uses for Block X. The team envisions dedicated areas for the multifamily residents, Target patrons, gym users and office tenants. One of the considerations for the ever-changing office market is that the design should enable the office tenant in this building to have direct access to their particular floor creating as few shared touch points as possible. Additionally a rooftop venue space is proposed on the top of the Northwest office building in order to take advantage of the river view. The parking will be a combined 72,055 SF with over 300 spaces and the office floors will be a combined 44,685 SF. The office will be catered to a variety of tenants with flexible leasing structures.

The second building, on the southernmost corner of Block X, will house a mixed-use building spanning 4-floors. On the first and second floors, a proposed large tenant fitness club will be designed build-to-suit. This tenant will help better serve the needs of our VanGate development and draw use from tenants as well as being an asset for the entire Vancouver Waterfront District. The average floor will be approximately 21,075 SF. The top two floors will be occupied with strictly office tenants delivering a total of 42,150 SF that will be divisible to accommodate multi-tenant space. As developers, we understand the strong demand from office tenants to have rich amenities and we aim to deliver a space that fits their needs.



FITNESS CLUB TENANT PRECEDENT 22

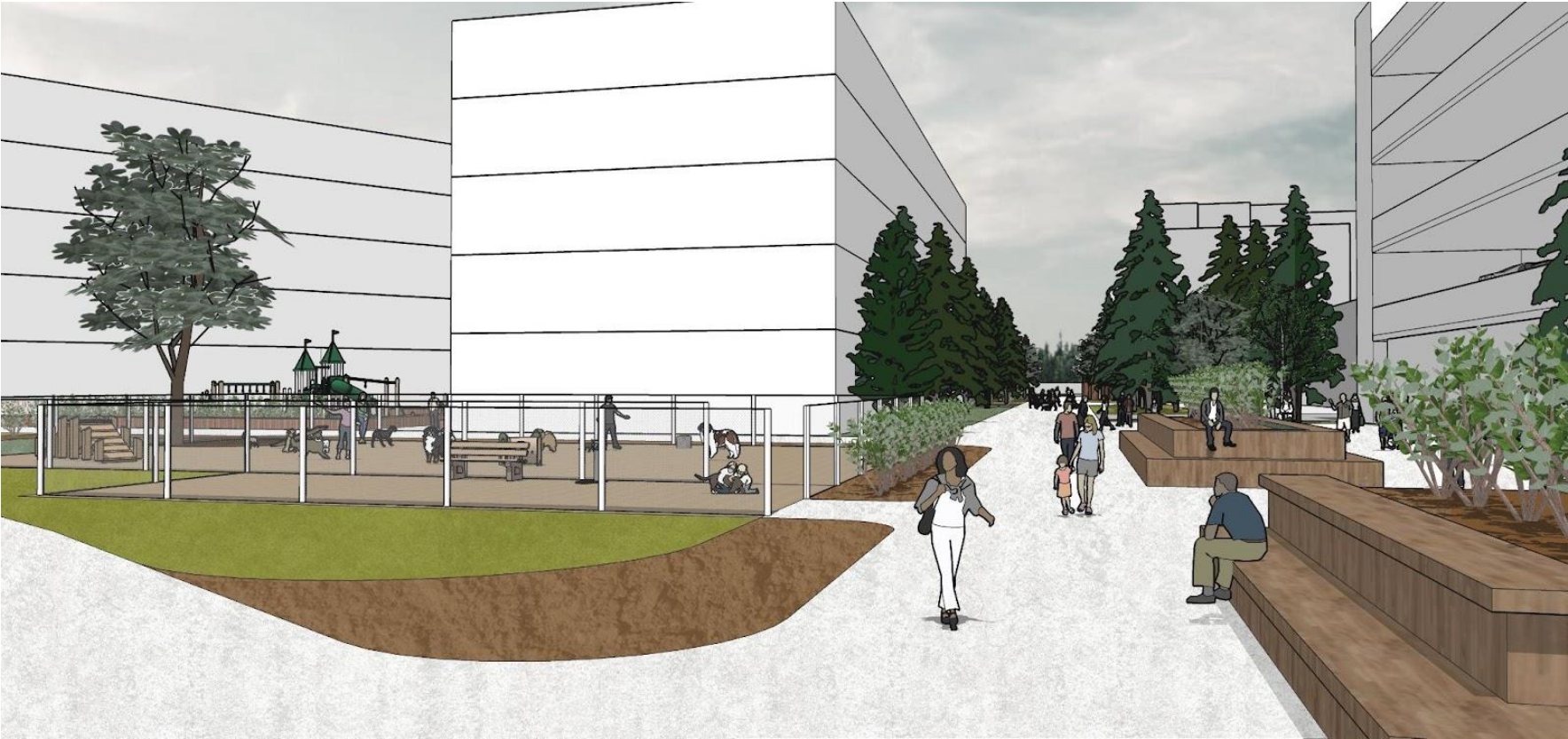
Fitness Club

Another tenant concept that we took into consideration for the ground floor of our office development was that of some sort of fitness club. This fitness club would actually be quite large in comparison to other gyms and clubs nearby and is roughly 42,150 SF. Given the size, some aspects that we would like to see incorporated into our fitness center would be that of a pool, hot tub, basketball courts, weight room, yoga studios, pilates studios, racquetball/tennis court, treadmills, bikes, ellipticals, saunas and ect. While we don't have any specific company lined up with a formal Letter of Interest, some of the tenants that we find a good fit and would like to see in this space include: 24 Hour Fitness, LA Fitness, Courthouse Fitness, Orange Theory and Planet Fitness.

We chose the office ground floor retail location, not just so that the office employees can use the facility, but also the neighboring multi-family apartment development. Proximity to the multi-family tenants, allows us to not have to incorporate a gym in the apartment community and thus can more effectively use the space for other amenity use and more units. While membership won't be free to the tenants, we hope that the marketing and management staff can work out some kind of discount membership for residents.



SITE IMPROVEMENTS/ PUBLIC SPACE 23



SITE IMPROVEMENTS/ PUBLIC SPACE 23



DEAL STRUCTURE 24

Two Rivers Development is able to pull from internal investors to provide the Equity needed for large-scale developments. Working with the public municipalities to further equitable developments, utilizing public incentives and ensuring that the development is successful for all stakeholders by holding for 10-years and being available to help in management services.

Two Rivers Development will secure interest-only construction loans during the building and lease-up periods of each development Phase. Then transitioning to permanent loans or direct sale to City of Vancouver, at this time some Equity reimbursements will be made to Two River’s investors.

The affordable housing is built in partnership with the City of Vancouver and the District Parking will be built as a turn-key style building priced with Developer Fees.

Given the state of the U.S. economy, as it continues to navigate the COVID-19 pandemic, interest rates remain difficult to predict, but we have assumed permanent financing will be obtained at fixed rates at or below 4.25%

	Total (\$) / Average (%) & \$/SF)	Block Z Parking	Affordable Multifamily	Market-Rate Multifamily	Office-Gym-Park
VALUE & LOAN ASSUMPTIONS					
Construction Loan Interest Rate	4%	4.25%	4.14%	4.75%	4.75%
Perm Loan Interest Rate	4%	-	4.14%	4.00%	4.25%
Disposition CAP	6%	N/A	-	5.00%	7.00%
Disposition Value (\$)	\$ 238,970,540	\$ 32,373,037	-	\$ 90,132,764	\$ 116,464,739
RETURN METRICS					
CASH ON CASH	\$ 0		6.32%		6.46%
Return on Cost	7%		7.83%		5.97%
NPV (\$)	\$ 13,291,956		\$ 5,746,138		\$ 7,545,819
LEVERAGED IRR	10.03%		10.25%		9.81%

Two River’s provides the needed Equity in each Phase of development. Working with national mortgage companies to obtain construction and permanent financing. We have worked with these institutions for many years and bring very competitive interest rates.

As the entire development is in partnership with the City of Vancouver, two buildings will be built specifically with the City. The district parking structure on Block X will be built as a turnkey building while the affordable housing is built in partnership with the local PHA or with a Non-profit Developer. Our market rate units also providing housing targeted at median income earners through the City of Vancouver’s tax-exemption program.

DEVELOPMENT COSTS 25

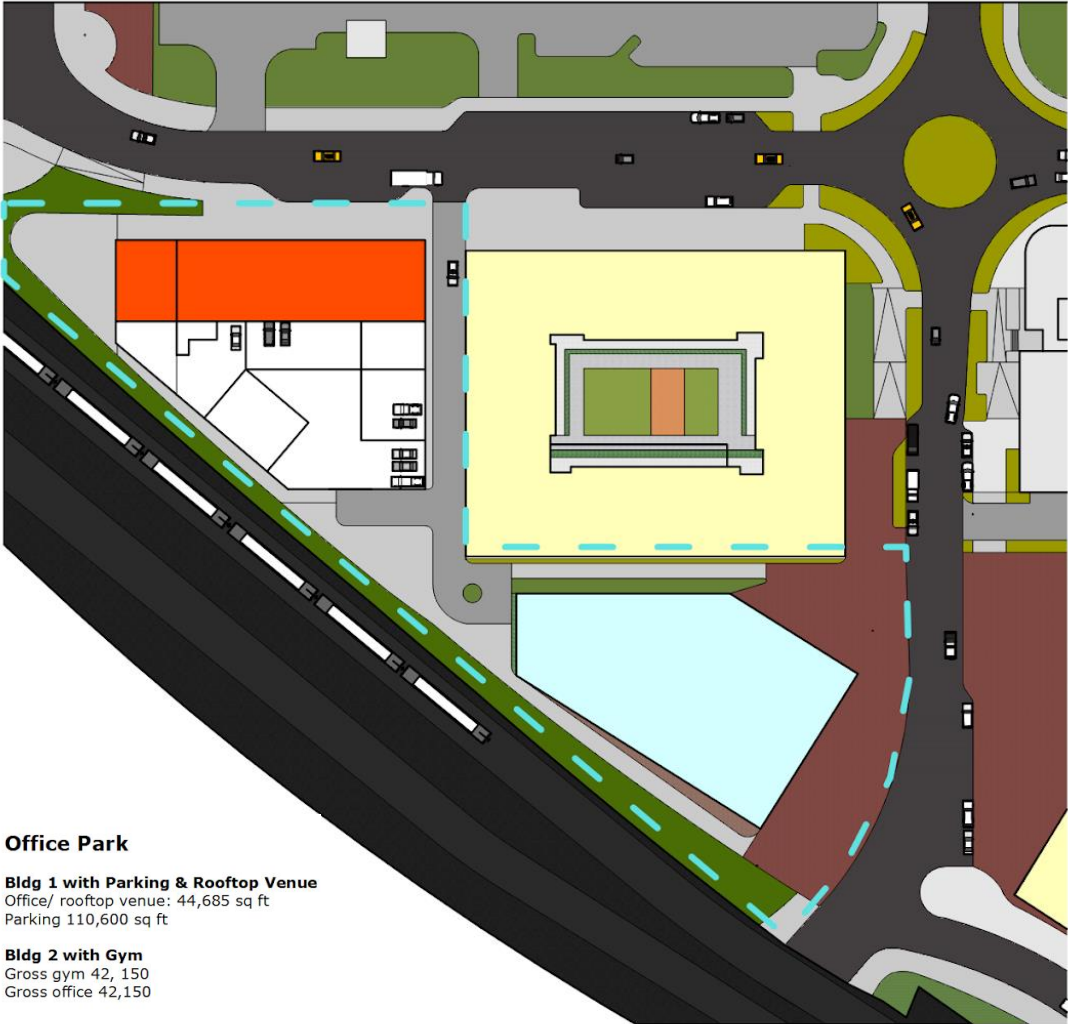
	Total (\$) / Average (%) & \$/SF)	Block Z Parking	Affordable Multifamily	Market-Rate Multifamily	Office-Gym-Park
COST ASSUMPTIONS					
Retail Total Hard Cost	\$ 17,744,959	\$ 1,829,280	\$ 5,835,679	\$ 10,080,000	\$ -
Residential Total Cost	\$ 89,431,048	\$ -	\$ 33,362,938	\$ 56,068,110	\$ -
Residential Hard Cost (\$/SF)	\$ 188	\$ -	\$ 369	\$ 384	\$ -
Residential Cost per Unit	\$ 513,530	\$ -	\$ 297,883	\$ 215,647	\$ -
Office Total Hard Costs	\$ 23,701,613	\$ -	\$ -	\$ -	\$ 23,701,613
Office Hard Costs (\$/SF)	\$ 265	\$ -	\$ -	\$ -	\$ 265
TI Allowance	\$ 6,372,604	\$ -	\$ -	\$ -	\$ 6,372,604
Gym Hard Cost	\$ 14,206,658	\$ -	\$ -	\$ -	\$ 14,206,658
Gym Hard Cost (\$/SF)	\$ 315	\$ -	\$ -	\$ -	\$ 315
Parking Total Hard Costs	\$ 35,635,000	\$ 23,175,000	\$ -	\$ 1,400,000	\$ 11,060,000
Parking Hard Costs (\$/SF)	\$ 78	\$ 112	\$ -	\$ 100	\$ 100
ROW/Plaza/Public Amenity \$/SF	\$ 215	\$ 50	\$ 65	\$ 50	\$ 50
Total hard Costs per SF	\$ 250	\$ 112	\$ 336	\$ 288	\$ 264
Total Soft Costs	\$ 44,295,865	\$ 3,929,519	\$ 10,457,478	\$ 17,081,183	\$ 12,827,686
Total Cost including Taxes on Dev (\$)	\$ 253,150,039	\$ 31,271,913	\$ 49,656,095	\$ 94,529,073	\$ 77,692,958
TOTAL COST (\$/SF)	\$ 335	\$ 140.39	\$ 425.70	\$ 401.24	\$ 370.99



OFFICE/GYM PROFORMA 26

Snapshot Summary:

- 86,835 SF Office
- 42,150 SF Fitness Club
- 316 parking stalls
- \$77,692,958 Total Development Cost
- 10-year hold – 6.46% avg/yr Cash-on-cash return
- Sales price of \$90,132,764
 - 6.75% CAP
- 9.81% IRR - \$7,545,819 NPV



Office Park

Bldg 1 with Parking & Rooftop Venue
 Office/ rooftop venue: 44,685 sq ft
 Parking 110,600 sq ft

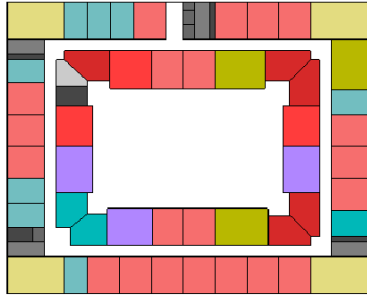
Bldg 2 with Gym
 Gross gym 42, 150
 Gross office 42,150

Profit Metrics (10-Yr Hold)	
	<u>Leveraged</u>
Gross Profit as % of Cost	20.55%
Gross Profit (\$)	\$ 15,963,978
Equity Multiple	1.29
IRR	9.81%
NPV (\$)	\$7,545,819
Avg. COC Return per Year	6.46%

Rent Assumptions		
<u>Office/Gym</u>	Rent per RSF	Annual Rent
Gym	\$ 28.00	\$ 1,180,200
Gym Office Floor 3-4 (Blended Rate)	\$ 35.50	\$ 1,421,509
Parking Office Floors 1-2 (Blended Rate)	\$ 35.00	\$ 781,988
Parking Office Floors 3-4 (Blended Rate)	\$ 35.25	\$ 787,573
Parking Permits Office	\$ 175.00	Per Stall/Month
Parking Permits Residential	\$ 150.00	Per Stall/Month



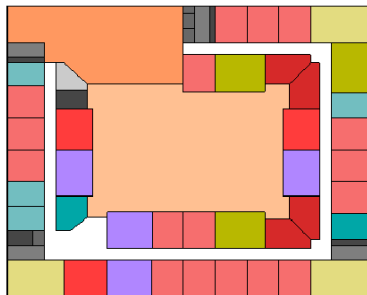
MARKET RATE MULTIFAMILY PROFORMA 27



Level 3-6 (49 Resident Units/FL)

- (8) Studio A: 433 sq ft
- (3) Studio B: 480 sq ft
- (21) 1x1 A: 561 sq ft
- (5) 1x1 B: 540 sq ft
- (3) 1x1 + Den: 726
- (3) 2x1 A: 803 sq ft
- (3) 2x2 A: 879 sq ft
- (4) 2x2 B: 998 sq ft

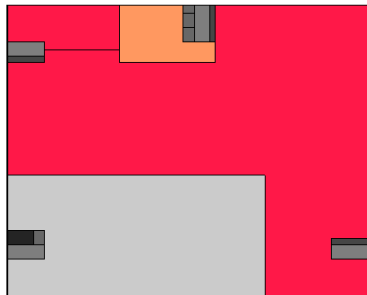
Total Interior Sq Footage: 38,400 sq ft
Hallway: 5840



Level 2 (40 Resident Units)

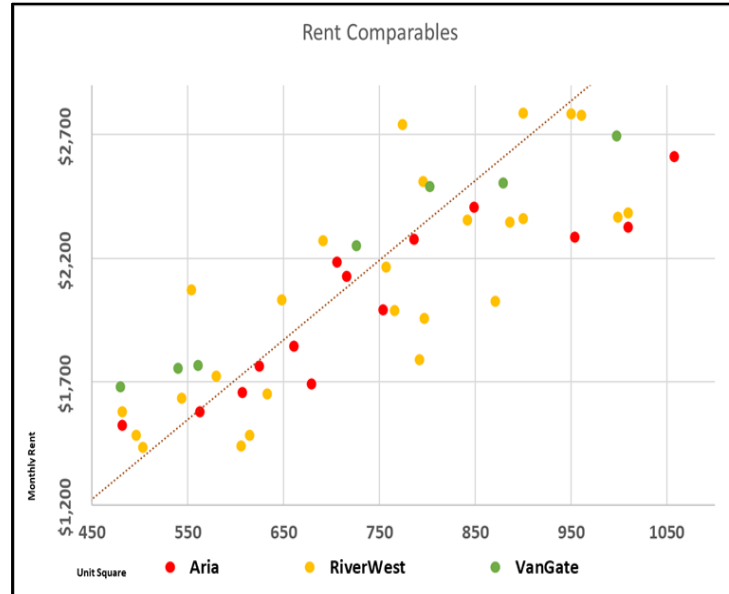
- (4) Studio A: 433 sq ft
- (2) Studio B: 480 sq ft
- (17) 1x1 A: 561 sq ft
- (4) 1x1 B: 540 sq ft
- (3) 1x1 + Den: 726
- (4) 2x1 A: 803 sq ft
- (3) 2x2 A: 879 sq ft
- (3) 2x2 B: 998 sq ft

Total Interior Sq Footage: 38,400 sq ft
Amenity Space: 5480 sq ft
Hallway: 5180 sq ft
Courtyard: 11,600 sq ft



Level 1 Ground

Total Footprint: 50,000 sq ft
Ground Level Parking: 14,000 sq ft
40 stalls (350/stall)
Target + Pharmacy: 30,000 sq ft
Café: 2,000 sq ft
Lobby: 3,000 sq ft
Ancillary Space: 1,000 sq ft



Snapshot Summary

- 236 units
- 145,894 SF of Residential
- 32,000 SF of Retail
- Amenity & Courtyard space
- \$94,529,07 Total Development Cost
- Tax Exempt for 8-years
 - Tax cost added into Sale Valuation
- Sales price of \$116,464,739
 - 5% CAP
- 10.25% IRR - \$5,746,138 NPV

Profit Metrics (10-Yr Hold)

	Leveraged
Gross Profit as % of Cost	25.10%
Gross Profit (\$)	\$ 23,726,893
Equity Multiple	1.39
IRR	10.25%
NPV (\$)	\$5,746,138
Avg. COC Return per Year	6.3%

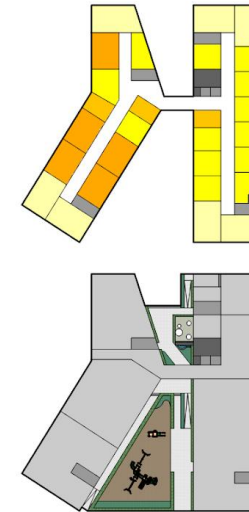


AFFORDABLE HOUSING PROFORMA 28

Summary Snapshot:

- 112 Units
- 116,776 Gross Building SF
- 98,176 SF of Gross Residential
- 18,600 SF of Net Retail
 - Includes 7,200 SF for childcare/preschool
- Outdoor Courtyard space
- \$49,656,095 Total Development Cost
- \$0.92 price per credit assumed
- Development partnership with PHA or non-profit developer
 - 10% Developer Fee - Split 70/30 with Development partner.
 - Exit partnership after Year 15.
- Sources:
 - 4% LIHTC Bond Financing
 - Private Activity Bond
 - City of Vancouver Affordable Housing Fund
 - State of Washington Department of Commerce Housing Trust Fund
 - Deferred Developer Fee

Affordable Housing Sources and Uses	
Uses of Funds	Amount
Hard Costs	\$39,198,517
Soft Costs	\$10,457,578
Total Development Costs	\$49,656,095
Sources of Funds	Amount
Private Activity bond	\$ 14,000,000.00
WA Housing Trust Fund	\$ 3,000,000.00
City of Vancouver - AHF	\$ 3,500,000.00
Deferred Developer Fee	\$ 3,100,000.00
Expected LIHTC Equity	\$ 19,792,952.00
Section 108 Public Facility	\$ 6,263,143.00
Total Sources	\$ 49,656,095.00
Surplus/Defecit	\$ -
Year one DCR	1.19



Affordable Apartments Plan

Level 2-5
 Total Footprint: 25,000 sq ft
 (2) Studio A: 405 sq ft
 (1) Studio B: 430 sq ft
 (13) 1x1: 570 sq ft
 (5) 2x2: 834 sq ft
 (6) 3x2: 938 sq ft
 (1) 3x2: 1079 sq ft

Level 1 Ground
 Total Footprint: 35,000 sq ft
 Courtyards:
 North (amenity): 3000 sq ft
 South(playground): 8000 sq ft
 Net Playground: 4450 sq ft

Interior Sq Footage: 25,000 sq ft
 Retail A: 3200 sq ft
 Retail B: 4300 sq ft
 Retail C: 3900 sq ft
 Childcare: 7200 sq ft
 Lobby/ Int. Amenity: 3200 sq ft
 Leasing Office: 1900 sq ft

Unit Size	% of Median Income	Number of Units	Square footage	Tax Credit Rents	Utility Allowance	Net Tax Credit Rents	Annual Gross Rental Income
Studio	60%	8	405	\$1,015	\$58	\$957	\$91,872
Studio	60%	4	430	\$1,015	\$58	\$957	\$45,936
1 x 1	60%	52	570	\$1,088	\$90	\$998	\$622,752
2 x 2	60%	20	834	\$1,306	\$58	\$1,248	\$299,520
3 x 2	60%	4	938	\$1,509	\$106	\$1,403	\$67,344
3 x 2	60%	24	1079	\$1,509	\$106	\$1,403	\$404,064
Total		112					\$1,531,488



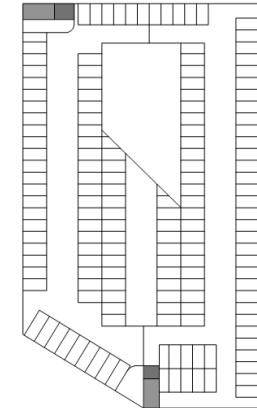
DISTRICT PARKING PROFORMA 29

Snapshot Summary:

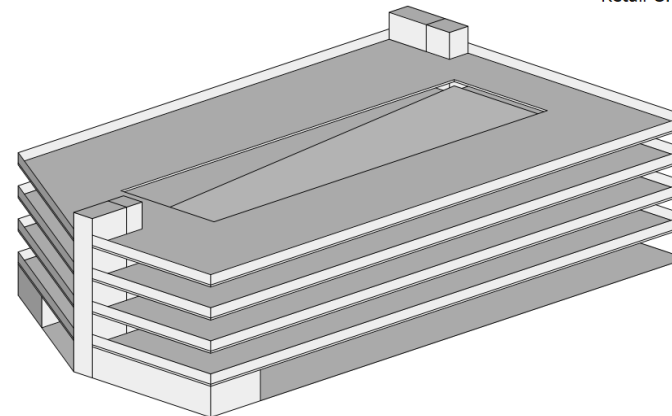
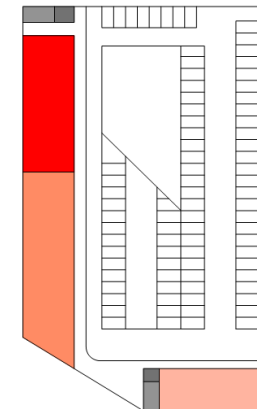
- **Redevelopment ready structural design**
- **63 EV Charging stations**
- **11,840 SF of Retail**
 - Interior access to ground floor retail
 - Flows into public space/dog park
- **500 total parking stalls**
- **\$31,271,913 Total Development Cost**
 - 5% Dev Fee + carry costs + loan interest
 - Sell to City of Vancouver for \$32,373,037

District Parking Garage

Level 2 - 5
Total Plate: 52,726/FL



Ground Level 1
Total Footprint: 52,726 sq ft
Retail A: 4034 sq ft
Retail B: 5352 sq ft
Retail C: 2454 sq ft



Turn-Key Valuation			
Total Development Cost AFTER Taxes (before Fees)			\$ 30,831,464
Development Fee		5%	\$ 1,541,573
Net Sales Price			\$ 32,373,037
Mortgage Balance			\$ (21,890,339)
Equity Proceeds			\$ 10,482,698
- Initial Equity			\$ (9,904,407)
Net Equity Proceeds			\$ 578,291



SPECIAL THANK YOU TO...

Nicolai Kruger – Nicolai Kruger Studio – Portland State University

Gerard Mildner – Portland State University

Jerald Johnson – Johnson Economics

Victor Caesar – Vancouver Housing Authority

John Collum – City of Vancouver

Patrick Gilligan – Lincoln Property Co.

Matt Godt – Walsh Construction Co.

Chuck Moore – Walsh Construction Co.

Adam Tyler – Killian Pacific

Bob LeFeber – Commercial Realty Advisors Northwest LLC

Deniz Arac – Trammell Crow Company

Tamara Fuller – Capacity Commercial Group

Anita Davis – Dogtopia

Adam Bean – Doug Bean & Associates

Ray Dewhirst – 24hour Fitness

Jennifer Dillan – Kaiser + Path

Scott Noble – Kaiser + Path

Victoria Kirkland – Kirkland Development

Dana Gardner – Kirkland Development

David Copenhaver – Cascade Development Partners

Trish Nixon – LRS Architects

Eeshoo Rehani – LRS Architects

APPENDIX

See Attached Zip File.

