Summer 2011

The Benson Blocks: BOMA Real Estate Development Workshop

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Recommended Citation
Wesa, Suvi; Abramowitz, Evan; Brown, Kyle; Hanna, Jennifer; Longfield, Chris; and Reeves, Karen, "The Benson Blocks: BOMA Real Estate Development Workshop" (2011). *Real Estate Development Workshop Projects*. 5.  
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The Benson Blocks
BOMA Real Estate Development Workshop
September 28, 2011

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Agenda

- Existing Site Conditions & Ownership
- The Surrounding Neighborhood
- Redevelopment Vision – Benson Blocks
- Market Analysis
- Development Program & Principles
- Scenario A
- Scenario B
- Acknowledgements
The Site

- Site bounded by Sandy, 16<sup>th</sup>, 20<sup>th</sup> and the Banfield
- Located in Kerns neighborhood
- Lloyd District and Sullivan’s Gulch nearby
- Approx. 14 acres
- 6 blocks
- Approx. 400,000 SF of buildings currently
EXISTING SITE CONDITIONS

• Owned by Joseph E. Weston / Weston Investment Company

• Current inventory predominantly Class B and C office and industrial

• Former Jantzen Apparel Co HQ
Existing Zoning

- EXd – Blocks 1, 2, 3, & 4
- CXd – Blocks 5 and 6
- Superblocks
- Parking
Redevelopment Vision / Brand

• Mixed Use, vibrant and walkable neighborhood

• Regional destination with local flavor

• Community focus for surrounding neighborhoods

• Enhancing property tax revenue

• Increased reliance for alternative modes of transportation

• The Benson Blocks
## Market Analysis

<table>
<thead>
<tr>
<th></th>
<th>Portland Vacancy Rates</th>
<th>NE Close-In Vacancy Rates</th>
<th>Lloyd Vacancy Rates</th>
<th>Portland Rental Rates</th>
<th>NE Close-In Rental Rates</th>
<th>Lloyd Rental Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Apartments</strong></td>
<td>3.8%</td>
<td>4.3%</td>
<td>4.5%</td>
<td>$1.51/SF/year</td>
<td>$1.07/SF/year</td>
<td>$1.49/SF/year</td>
</tr>
<tr>
<td><strong>Retail</strong></td>
<td>6.3%</td>
<td>4.0%</td>
<td>3.6%</td>
<td>$16.45/SF/year</td>
<td>$16.89</td>
<td>$13.78/SF/year</td>
</tr>
<tr>
<td><strong>Class A/Class B Office</strong></td>
<td>11.0%</td>
<td>1.4% (A) 3.5% (B)</td>
<td>3.9% (A) 9.9% (B)</td>
<td>$19.45/SF/year</td>
<td>$19.26 - $21.75/SF/year</td>
<td>$17.67 - $23.63/SF/year</td>
</tr>
<tr>
<td><strong>Condominiums (sales)</strong></td>
<td></td>
<td></td>
<td></td>
<td>$260 - $270/SF</td>
<td>Average $289,950</td>
<td></td>
</tr>
<tr>
<td><strong>Hotel</strong>*</td>
<td>72.9%</td>
<td>71.6%**</td>
<td></td>
<td>$132.88</td>
<td>$116.67**</td>
<td></td>
</tr>
</tbody>
</table>

*Numbers for Hotel represent Occupancy Rate and Room Rates
** Market area is Rose Quarter
## PROJECTED INCOME

<table>
<thead>
<tr>
<th>Product Type*</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>$18.00 - $25.00 / SF/Year</td>
</tr>
<tr>
<td>Office</td>
<td>$16.00 - $27.00/SF/Year</td>
</tr>
<tr>
<td>Residential – Apartments</td>
<td>$2.00/SF/Month</td>
</tr>
<tr>
<td>Residential – Assisted Living</td>
<td>$7.00/SF/Month</td>
</tr>
<tr>
<td>Condominiums</td>
<td>$375 - $435/SF</td>
</tr>
<tr>
<td>Hotel</td>
<td>$85,000/Month HOA</td>
</tr>
<tr>
<td>Institutional</td>
<td>$255,000/Month HOA</td>
</tr>
<tr>
<td>YMCA</td>
<td>Ground Lease - $58,400/Year</td>
</tr>
<tr>
<td>Costco</td>
<td>Ground Lease –$850,000/Year</td>
</tr>
<tr>
<td>Parking</td>
<td>$110 - $190/Stall/Year</td>
</tr>
</tbody>
</table>

*All rents are NNN, except the residential which is FSG*

**Additional Revenue Sources**
Development Program

SCENARIO A “MODEST”

• Build to existing height & FAR
• Residential composed of rental units only
• Urban Costco as a large retailer tenant
• Smaller scale open spaces

SCENARIO B “ROBUST”

• Site is in Central Eastside URA
• Increased density, heights & FAR
• Streetcar along Sandy Blvd.
• Increased bus routes
• “Point” Towers
• PCC Associates Campus
• Limited-Service Hotel
Scenario A - Phasing
Scenario A – Phase 1

- YMCA
- Market of Choice
- Oregon Beer Garden
- Apartments
- Hardscaped Park
- Structured Parking
- Walking Corridor – NE 18th Ave
Scenario A – Phase 2

- Retail – 24,000 GSF
- Apartments – 139,500 GSF (182 units)
- Structured Parking
Scenario A – Phase 3

- Retail – 5,000 GSF
- Senior Housing – 168,550 GSF
- 2nd Floor Sandwich Parking
Scenario A – Phase 4

- Urban Costco – 135,000 GSF
- Apartments – 264,000 GSF (345 units)
- Parking structure
Scenario A – Phase 5

- Creative Office – 60,000 GSF
- Retail – 20,000 GSF
- Apartments – 108,016 GSF (141 Units)
- Structured Parking
COSTS – SCENARIO A

- $284,555,928 – total construction costs (minus YMCA & Costco)
- $38,375,966 – total land costs
- $322,931,894 – total construction and land costs

- 1,949,572 GSF – total development
- 1,208 – total housing units
- 1,450 – total structured parking spaces
FINANCING – SCENARIO A

<table>
<thead>
<tr>
<th>Phase</th>
<th>Loan Amount</th>
<th>Equity Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1*</td>
<td>$61,628,873</td>
<td>$17,209,624</td>
</tr>
<tr>
<td>Phase 2*</td>
<td>$31,985,865</td>
<td>$8,995,289</td>
</tr>
<tr>
<td>Phase 3*</td>
<td>$37,161,493</td>
<td>$10,720,498</td>
</tr>
<tr>
<td>Phase 4</td>
<td>$53,006,565</td>
<td>$17,668,855</td>
</tr>
<tr>
<td>Phase 5*</td>
<td>$35,325,198</td>
<td>$10,853,656</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$219,107,994</strong></td>
<td><strong>$65,447,992</strong></td>
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</tbody>
</table>

*Includes EB5 financing
## PERFORMANCE – SCENARIO A

<table>
<thead>
<tr>
<th>Phase</th>
<th>Levered IRR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1</td>
<td>8.7%</td>
</tr>
<tr>
<td>Phase 2</td>
<td>14.4%</td>
</tr>
<tr>
<td>Phase 3</td>
<td>28.8%</td>
</tr>
<tr>
<td>Phase 4</td>
<td>9.7%</td>
</tr>
<tr>
<td>Phase 5</td>
<td>11.9%</td>
</tr>
</tbody>
</table>
Scenario B
Development Mix

- Hotel: 18%
- Institutional: 20%
- Senior Housing: 29%
- Condominiums: 4%
- Apartments: 9%
- Retail/Restaurant: 4%
- Office: 8%

- Hotel: $229,119
- Institutional: 437,200
- Senior Housing: 492,596
- Condominiums: 700,891
- Apartments: 105,000
- Retail/Restaurant: 300,400
- Office: 197,475

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Scenario B - Phasing
Scenario B – Phase 1

*same as Scenario A Phase 1

- YMCA
- Market of Choice
- Oregon Beer Garden
- Apartments
- Hardscaped Park
- Structured Parking
- Walking Corridor – NE 18th Ave
Scenario B – Phase 2

- Structured parking
- Retail – 24,000 GSF
- Condominiums – 161,000 GSF (182 units)
Scenario B – Phase 3

- Acquire 20,000 SF land
- Creative office – 88,000 GSF
- Retail – 33,300 GSF
- Point Tower Condominiums – 346,775 GSF (393 units)
- Structured parking
Scenario B – Phase 4

- Structured parking
- Retail – 5,000 GSF
- Senior Housing – 197,475 GSF
Scenario B – Phases 5 & 6

- Hotel – 105,000 GSF (142 rooms)
- Class A Office – 349,200 GSF
- Retail – 35,700 GSF
- Apartments – 268,116 GSF (351 units)
- Condominiums – 193,116 GSF (219 units)
- Institutional (PCC) – 300,400 GSF
COSTS – SCENARIO B

- 3,550,989 GSF – total development
- 1,749 - total residential units
- 2,921 – total parking spaces

- $639,774,459 – total construction costs (minus YMCA, PCC, hotel)
- $39,375,966 – total land costs
- $679,150,425 – total construction and land costs
## FINANCING – SCENARIO B

<table>
<thead>
<tr>
<th>Phase</th>
<th>Loan Amount</th>
<th>Equity Amount</th>
</tr>
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<tbody>
<tr>
<td>Phase 1*</td>
<td>$61,628,873</td>
<td>$17,209,624</td>
</tr>
<tr>
<td>Phase 2*</td>
<td>$43,853,124</td>
<td>$12,951,042</td>
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<tr>
<td>Phase 3**</td>
<td>$112,052,762</td>
<td>$44,165,470</td>
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<tr>
<td>Phase 4*</td>
<td>$45,035,923</td>
<td>$12,678,641</td>
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<tr>
<td>Phase 5**</td>
<td>$103,825,193</td>
<td>$35,925,083</td>
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<tr>
<td>Phase 6</td>
<td>$112,836,544</td>
<td>$37,612,182</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$479,232,419</strong></td>
<td><strong>$160,542,042</strong></td>
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</tbody>
</table>

*Includes EB5 financing
**Includes EB 5 and TIF financing
PERFORMANCE – SCENARIO B

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</tr>
<tr>
<td>Phase 2*</td>
<td>10.5%</td>
</tr>
<tr>
<td>Phase 3*</td>
<td>6.5%</td>
</tr>
<tr>
<td>Phase 4</td>
<td>30.3%</td>
</tr>
<tr>
<td>Phase 5</td>
<td>25.0%</td>
</tr>
<tr>
<td>Phase 6*</td>
<td>14.6%</td>
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</tbody>
</table>

*The Levered IRR includes condominium sales and is a weighted percentage.*
Acknowledgements

• BOMA, Portland Chapters
• Joe Weston, Weston Investment Co
• Doug Lindholm, Weston Investment Co
• Gerard Mildner, PSU
• Abe Farkas, ECONorthwest
• Agustin Enriquez, GBD Architects
• Debbie Thomas, Debbie Thomas Real Estate
• Steve Wells, Trammell Crow
• Brian Pearce, Unico
Acknowledgements

• Peter Andrews – Melvin Mark
• Taylor Bailey - GBD Architects
• Laura Belzer – Norris Beggs & Simpson
• Chris Delengis - Ankrom Moisan
• Kurt Doerr – Fairfield Inn & Suites by Marriott
• Ed Dundon – The Dundon Company
• Bob Hall – YMCA
• Kia Hartley – Urban Works
• Steve Iwata – Bureau of Planning & Sustainability
• Jeff Lyon – Q10 National Mortgage Co.
• Steve McArthur – Northwest Atlantic
• Randy McEwen - PCC
• Michael Meyers – Business Oregon
• Bruce Patton - YMCA
• Anastasia Perrigo - BEBA
• Steve Poland – Ankrom Moisan
• Larry Remmers – Wells Fargo
• David Shaeffer – Melvin Mark
• Damin Tarlow - Gerding Edlen
• Rick Williams – Lloyd Transportation Management Assoc.
• Greg Wimmer – Fortis Construction