TACOMA MIXED USE CENTERS FEASIBILITY ANALYSIS

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INTRODUCTION AND SUMMARY

PURPOSE OF ANALYSIS AND ORGANIZATION OF REPORT

Meeting the objectives for the Mixed Use Centers will require significant investment by private property owners and developers. Such investment can only be attracted if there is adequate entrepreneurial return on that investment. Opportunity sites have been identified within the centers as representative of different development conditions. These sites have been subjected to a feasibility analysis to determine whether development is feasible in the near-term, and what conditions are necessary for feasibility. This report documents the results of the feasibility analysis for representative sites. It is organized in five sections: Introduction and Summary, Development Concepts, Method and Assumptions, Results, and Findings and Conclusions.

SUMMARY OF ANALYSIS

Summary of Opportunity Sites

Four opportunity sites were evaluated to reflect a range of residential density, existing site condition and building reuse potential.

6th and Cedar is intended to be representative of a 5 over 1 mixed use building on a redevelopment site. The site includes four single family dwellings in commercial use. The new building would provide 50 residential units and 9,000 square feet of retail with 58 underground parking spaces.

38th and G is intended to be representative of a 5 over 1 mixed use building on a vacant site. The new building would provide 55 residential units and 7,700 square feet of retail with 53 underground parking spaces.

72nd and Pacific is intended to be representative of horizontal mixed use with a single story retail building next to a residential building with three floors of apartments over parking. The new building would provide 50 residential units and 4,800 square feet of retail with 90 parking spaces.

South Tacoma Way is intended to be representative of the renovation and reuse of existing buildings in established commercial districts. Most of the multistory buildings along South Tacoma Way are narrow and are limited to a small number of residential units. The renovated building considered here would provide four residential uses and 2,250 square feet of retail space with no on-site parking.

Summary of Financial Analysis Method

Several development scenarios are identified for each concept and subjected to a financial feasibility analysis. The proforma feasibility analysis compares the cost of development to completed value to determine the entrepreneurial profit. Entrepreneurial profit is considered the compensation to a developer for incurring the risk of undertaking and completing a project. Entrepreneurial profit for any development plan is compared to a target rate to identify whether that option is feasible. Entrepreneurial return of 15% or more of the development cost is within the typical range for feasible development.

Each case for each site can be evaluated according to two measures:

Does the **entrepreneurial return** exceed 15% of development cost? If so, that case is considered feasible, and could attract private investment.

If a case isn't feasible given the base assumptions, what conditions would be necessary for feasibility and are they achievable? The **necessary conditions** can reflect a combination of higher rents, lower construction costs, lower land costs, and available development incentives.

Summary of Financial Results

The results can be summarized with the two measures shown for three cases for each site in the following table. The cases include a base case, as well as cases with the multifamily property tax exemption, both eight year (with no dedicated affordable housing) and 12 year (with 20% of units as affordable at 80% of median income levels for the county). The cases that represent acceptable rates of return are highlighted in the following table.

Summary of Financial Analysis Results

	Base	MFTE 8 year	MFTE 12 year
6th and Cedar			
Return as Percent of Investment	8.49%	14.18%	8.22%
Necessary Apartment Rent (/SF/Yr)	$23.58	$22.69	$22.42
Assumed Apartment Rent (/SF/Yr)	$21.60	$21.60	$21.60
38th and G			
Return as Percent of Investment	12.18%	18.45%	11.88%
Necessary Apartment Rent (/SF/Yr)	$23.00	$22.11	$21.88
Assumed Apartment Rent (/SF/Yr)	$21.60	$21.60	$21.60
72nd & Pacific			
Return as Percent of Investment	4.10%	10.08%	12.18%
Necessary Apartment Rent (/SF/Yr)	$17.26	$16.63	$16.33
Assumed Apartment Rent (/SF/Yr)	$15.60	$15.60	$15.60
So. Tacoma Wy.			
Return as Percent of Investment	20.71%	24.09%	25.27%
Necessary Apartment Rent (/SF/Yr)	$17.25	$16.62	$16.40
Assumed Apartment Rent (/SF/Yr)	$15.60	$15.60	$15.60

For the **6th and Cedar** site, the development would almost achieve the 15% target rate of return under the eight year tax exemption case. The reduced operating costs under that case improve the operating income and rate of return. With the 12 year exemption, the operating costs are further reduced, but the foregone rental revenue from the affordable units more than offsets that benefit.

For the **38th and G** site, the development would perform somewhat better than the 6th and Cedar concept because the cost of acquiring a vacant site is less than the cost of redevelopment parcels. The eight year tax exemption case is feasible.

For the **72nd and Pacific** site, the development would not achieve the 15% target rate of return under any of the three cases. The reduced operating costs under the eight year case improve the operating income and rate of return. With the 12 year exemption, the operating costs are further reduced, and the rental revenue from the affordable units is not reduced because assumed market rents do not exceed affordable rents. The necessary rents to achieve the target return are within 5% of the assumed levels under the 12 year exemption case, a gap that could realistically close with improved market conditions.

For the **South Tacoma site**, all three cases are feasible, and generate very high returns. These cases are all somewhat speculative as renovation costs could greatly exceed assumed levels if major building upgrades are required. The building currently has residential uses on the second floor, so there would not be a change of use. However, the existing units have to be vacant for a period of at least a year if the project is to be eligible for the tax exemption program.

Summary of Conclusions

1. Based on the results of the analysis, it's likely that 5 over 1 mixed use buildings could be feasible in the MUC's with higher prevailing rents. While the necessary rent for feasibility is somewhat higher than the assumed market rent for the base case, it's possible that this gap would narrow over time.

2. The use of the tax exemption program will enhance the feasibility of the 5 over 1 development concepts. The reduced operating costs under the eight year exemption provides for a greater rate of return. Under the 12 year program, the foregone income for the affordable units would offset the value of the lower operating costs. Use of the 8 year exemption will likely be necessary to provide incentives for this type of development in all but the most popular mixed use centers.

3. The additional cost of site acquisition under a redevelopment scenario (versus a vacant site) provides an additional challenge, and makes the tax exemption incentive important in fully built-out areas.

4. The development of horizontal mixed use should be feasible in most of the MUC's. The lower cost of surface or under building parking and three floor apartments result in a necessary rent level that that is achievable in most MUC's, and is actually affordable at the 80% of median level. Availability of the tax exemption program provides a valuable incentive for such a concept.

5. There are opportunities to redevelop existing buildings in some MUC's, but the opportunities will depend largely on the characteristics and conditions of individual buildings.

6. There are a variety of public improvements that have been identified and which will enhance the desirability of the MUC's and the feasibility of development:
   - Pedestrian improvements.
   - Expanded bike lanes and trails.
   - Streetscape improvements at select locations.
   - Community open space and park improvements.

DEVELOPMENT CONCEPTS

Four sites and development concepts are considered in this analysis as summarized in the following table. While they are based on specific sites, they are intended to be representative of opportunities on other sites in the mixed use centers.

Table 1.
Characteristics of Development Concepts

	6th and Cedar	38th and G	72nd & Pacific	So. Tacoma Wy.
	Mixed Use Redevelopment Site	Mixed Use Vacant Site	Horizontal Mixed Use	Building Reuse
Site Area (SF)	18,000	15,400	35,550	3,000
Floors	6	6	4	2
Gross Building Area (SF)				
Residential	52,500	63,000	56,700	2,250
Commercial	9,000	7,700	4,800	2,250
Subtotal	61,500	70,700	61,500	4,500
Residential Units	50	55	51	4
Parking Spaces				
Surface	-	-	-	-
Under Building	-	-	90	
Underground	58	53	-	-
Subtotal	58	53	90	-

6th and Cedar is intended to be representative of a 5 over 1 mixed use building on a redevelopment site. The site includes four single family dwellings in commercial use. The existing buildings have some contributory value, and thus result in a site acquisition cost that exceeds that of a vacant site. The new building would provide 50 residential uses and 9,000 square feet of retail with 58 underground parking spaces. The development would rely on some on-street parking to meet the overall need.

38th and G is intended to be representative of a 5 over 1 mixed use building on a vacant site. The corner parcel has a food truck, but is essentially a vacant site. The new building would provide 55 residential uses and 7,700 square feet of retail with 53 underground parking spaces. The development would rely on some on-street parking to meet the overall need.

72nd and Pacific is intended to be representative of horizontal mixed use with a single story retail building next to a residential building with three floors of apartments over parking. The new building would provide 50 residential uses and 4,800 square feet of retail with 90 parking spaces. The development would maximize the amount of residential development that is possible without providing underground structured parking.

South Tacoma Way is intended to be representative of the renovation and reuse of existing buildings in established commercial districts. Many of the multistory buildings along South Tacoma Way appear to offer opportunities for reuse of the second story for residential uses. However, a change of use on the second floor to residential would likely trigger requirements for seismic and life safety upgrades. Several buildings have existing residential uses, but the buildings are narrow and are limited to only one to three residential units. Four units is the minimum requirement for eligibility for the multifamily tax exemption program. The renovated building considered here would provide four residential uses and 2,250 square feet of retail space with no on-site parking spaces.

METHOD AND ASSUMPTIONS

The feasibility analysis provides a proforma projection of development performance to determine whether a project provides an adequate return to justify the capital investment. The proforma feasibility analysis compares the cost of development to completed value to determine the entrepreneurial profit. Entrepreneurial profit is considered the compensation to a developer for incurring the risk of undertaking and completing a project. Entrepreneurial profit for any development plan is compared to a target rate to identify whether that option is feasible. A 15% rate for return as a percentage of development cost is considered a typical rate falling within a range of 10% to 20%. Such a rate provides adequate incentive for a developer to assume the risk associated with development.

The value of the completed development is estimated as the capitalized value of the operating income in a stabilized year for a rental project. The capitalized value is calculated by dividing the operating income in a stabilized year by a capitalization rate that reflects investor expectations for projects with a comparable level of risk. The stabilized year is three or more years in the future, after construction and lease-up. Developer cost is calculated as the sum of land acquisition, building construction, and soft costs. Development costs are expressed in today's dollars, as if the development proceeds immediately.

The feasibility analysis is intended to evaluate the feasibility of a base case, and if the project isn't currently feasible, what are the necessary conditions for it to be feasible. While the necessary conditions can reflect a combination of higher rents, lower construction costs, and lower land costs, for this analysis we estimated the necessary apartment rental rate for a 15% entrepreneurial return, assuming all other conditions remain unchanged.

POSSIBLE INCENTIVES

Application of the Multifamily Tax Exemption is evaluated in additional cases to reflect the impact of such incentives. The program is available within the MUC's for projects resulting in four or more units. Any qualifying project is exempt from taxes on the value of property improvements. If 20% or more of the units are affordable, the value of improvements can be exempt from property taxes for 12 years. For market rent projects, improvements can be exempt for 8 years. The estimated present value of this exemption is equivalent to reduced operating costs of $.60 to $.85 per square foot per year for the 8 year case depending on the residential investment, and $.81 to $1.10 per year for the 12 year case. Affordable rents are defined by state statute as affordable to households making 80% or less of the median household income for the area. The median income for Pierce County is identified by the federal department of Housing and Urban Development (HUD) as $71,000. This average affordable rent for one and two bedroom units for households with incomes less than 80% of median is approximately $1.30 to $1.60 per square foot per month, above the assumed market rents of $1.30 used in the analysis for garden style apartments.

The cases also implicitly reflect the floor bonuses available in mixed use centers. While the cases are generally defined to maximize total building area subject to constraints such as structured parking, the cases incorporate features that would qualify for the bonus. In the case of the two 5 over 1 concepts, the provision of all the parking in a structure meets the requirement for two extra floors.

CONSTRUCTION COSTS

Construction cost estimates are based on unit costs that are reflective of similar new projects. The cost of renovation is more difficult to estimate as it depends on the condition of the existing building, and the scope of the new uses. If the building involves a change of use, it may be necessary to upgrade the building to current seismic and life safety standards. Further, it may be necessary to reconfigure existing floorplates. In general, the viability of renovation and reuse is related to the floor plate suitability, replacement of utilities and services, and reuse of exterior cladding (windows, balconies, and changes to appearance). Davis Langdon is an affiliate of AECOM and provides construction cost, contract, and project management. They conducted a study *Cost Model; Residential Units* that was published in *Building Magazine* in September 2011 that explored the cost drivers in conversion of buildings to residential use. The study concludes that: “In high quality residential schemes with new high quality facades and fairly extensive remodeling of structure, the savings [new build versus conversion residential scheme] are likely to be limited to a maximum of 10% of the overall costs. This compares to affordable schemes where the structural and façade elements are likely to form a major part of overall costs, meaning potential savings could be far greater and could reach up to 20% or 30%.” For purposes of this analysis, the cost of new build residential is assumed at $100 per gross square foot for garden apartments, and the cost of renovation is assumed at $65 (60% to 70% of new build).

Assumed construction costs can be summarized as:

Construction Cost	
Apartments Garden (/sq. ft.)	$100.00
Apartments Mixed Use (/sq. ft.)	$140.00
Townhouse/Cottage	$125.00
Office (/sq. ft.)	$180.00
Retail (/sq. ft.)	$110.00
Surface Parking (/sq.ft.)	$5,000
Under Building Parking (/sp.)	$17,500
Underground Parking (/sp)	$24,500

LAND PRICE ASSUMPTIONS

A property price is assumed for each of the development sites in order to make an initial determination of feasibility. The value of a redevelopment parcel determined by its value in its current use. A site with a $240,000 single family home on a 6,000 square foot lot would have a land price of $40 per square foot. A typical commercial property on a primary arterial would have a value of $25. A garden apartment site would have a value of $10 per square foot. There are two existing buildings for sale on South Tacoma Way for $300,000 for a 4,500 square foot building, and $440,000 for a 3,250 square foot building. The lower value of $67 per square foot of building is used in this analysis.

Land Cost ($/sq. ft.)	
Redevelopment Commercial	$40.00
Redevelopment Vacant	$25.00
Multifamily	$10.00

APARTMENT RENT ASSUMPTIONS

Assumed apartment rents are derived from a review of current market rents. Rents are assumed at three different levels:

Rent (/sq. ft./yr.)	
Apartment Garden	$15.60
Apartment Mixed Use	$21.60
Affordable Apartment	$15.60

The assumed market rent for garden apartments of $15.60 peer square foot per year ($1.30 per square foot per month) is equivalent to the current average rent for apartments in Pierce County built since 2008 of $1.22 per square foot per month plus escalation to stabilized occupancy of 3% per year. The assumed market rent for the mixed use buildings of $21.60 per square foot per year ($1.80 per square foot per month) is the approximate published asking rents for the Proctor Station project. The affordable apartment rent is calculated from the median household income for the county.

OTHER ASSUMPTIONS

The other primary assumptions in the analysis are summarized in the following table.

Table 2.
Other Financial Assumptions

Operating Expense (/sq. ft./yr)	
Apartment Garden	$6.25
Apartment Mixed Use	$8.40
Garden Apt w/ 12 yr. Tax Exempti	$5.44
Garden Apt w/ 8 yr. Tax Exemptio	$5.65
MU Apt w/12 yr Tax Exemption	$7.30
MU Apt w/8 yr Tax Exemption	$7.55
Office	$1.00
Retail	$1.00
Parking Rent	
Apartments Secure (/sp./mo.)	$75.00
Apartments Open (/sp./mo.)	$20.00
Office (/sp./mo.)	$75.00
Hotel (/sp./mo. Effective)	$0.00
Soft Costs	
Apartments (% of constr.)	28.0%
Office (% of constr.)	31.0%
Retail (% of constr.)	31.0%
Hotel (% of constr.)	31.0%
Capitalization Rates	
Apartments	5.0%
Office	6.5%
Retail	6.5%

Operating expenses reflect gross leases (landlord pays expenses) for residential uses, and office and retail leases are net (tenant pays expenses).

RESULTS

The results of the analysis are summarized for each site in the following tables.

6TH AND CEDAR

The 5 over 1 mixed use building is evaluated for the base case and the two tax exemption cases.

Table 3
Feasibility Analysis of Development Concepts
6th and Cedar: Mixed Use Redevelopment Site

	Base	MFTE 8 year	MFTE 12 year
Description			
Site Area (SF)	18,000	18,000	18,000
Gross Building Area (SF)			
Residential	52,500	52,500	52,500
Commercial	9,000	9,000	9,000
Residential Units	50	50	50
Parking Spaces	58	58	58
Estimated Capital Investment			
Land Acquisition	$720,000	$720,000	$720,000
Construction	9,851,000	9,851,000	9,851,000
Soft Costs	2,768,660	2,768,660	2,768,660
Total	$13,339,660	$13,339,660	$13,339,660
Financial Performance			
Annual Operating Income	$764,955	$802,886	$763,170
Capitalized Value	$14,472,485	$15,231,110	$14,436,785
Entrepreneurial Return	$1,132,825	$1,891,450	$1,097,125
Return as Percent of Investment	8.49%	14.18%	8.22%
Necessary Condition for 15% Return			
Necessary Apartment Rent (/SF/Yr)	$23.58	$22.69	$22.42
Assumed Apartment Rent (/SF/Yr)	$21.60	$21.60	$21.60

Considering the Return as % of Investment line, only the Eight Year Exemption case achieves close to the target return of 15%. The reduced operating costs under that case improve the operating income and rate of return. With the 12 year exemption, the operating costs are further reduced, but the foregone rental revenue from the affordable units more than offsets that benefit.

The necessary condition line for the residential uses compares assumed residential rents to the rents that would be necessary to achieve a 15% return with all other assumptions held constant. As shown, the necessary rent for the eight year exemption is close enough to the assumed rent that it’s reasonable to expect that the necessary rent could be achieved by the end of the lease-up period.

Based on these results it’s likely that a 5 over 1 mixed use building would be feasible at this site with the use of the eight year tax exemption.

38TH AND G

The 5 over 1 mixed use building is evaluated for the base case and the two tax exemption cases.

Table 4
Feasibility Analysis of Development Concepts
38th and G: Mixed Use Vacant Site

	Base	MFTE 8 year	MFTE 12 year
Description			
Site Area (SF)	15,400	15,400	15,400
Gross Building Area (SF)			
Residential	63,000	63,000	63,000
Commercial	7,700	7,700	7,700
Residential Units	55	55	55
Parking Spaces	53	53	53
Estimated Capital Investment			
Land Acquisition	$385,000	$385,000	$385,000
Construction	11,042,500	11,042,500	11,042,500
Soft Costs	3,095,750	3,095,750	3,095,750
Total	$14,523,250	$14,523,250	$14,523,250
Financial Performance			
Annual Operating Income	$849,956	$895,474	$847,814
Capitalized Value	$16,291,905	$17,202,255	$16,249,065
Entrepreneurial Return	$1,768,655	$2,679,005	$1,725,815
Return as Percent of Investment	12.18%	18.45%	11.88%
Necessary Condition for 15% Return			
Necessary Apartment Rent (/SF/Yr)	$23.00	$22.11	$21.88
Assumed Apartment Rent (/SF/Yr)	$21.60	$21.60	$21.60

Considering the Return as % of Investment line, the eight year exemption case achieves the target return of 15%. The indicated return from the development is higher than the 6th and Cedar case because the cost of acquiring a vacant site is less than the cost of redevelopment parcels. The retail component provides sufficient return to offset the lower than 15% return for the residential use in the eight year case.

The necessary condition line for the residential uses compares assumed residential rents to the rents that would be necessary to achieve a 15% return with all other assumptions held constant. As shown, the necessary rent in all case is close to the assumed rent. It's reasonable to expect that the necessary rent could be achieved with modest improvements in market conditions.

Based on these results it's likely that a 5 over 1 mixed use building would be feasible at this site with use of the eight year tax exemption.

72ND AND PACIFIC

The horizontal mixed use are evaluated for the base case and the two tax exemption cases.

Table 5
Feasibility Analysis of Development Concepts
72nd and Pacific: Horizontal Mixed Use

	Base	MFTE 8 year	MFTE 12 year
Description			
Site Area (SF)	35,550	35,550	35,550
Gross Building Area (SF)			
Residential	56,700	56,700	56,700
Commercial	4,800	4,800	4,800
Residential Units	51	51	51
Parking Spaces	90	90	90
Estimated Capital Investment			
Land Acquisition	$355,500	$355,500	$355,500
Construction	7,300,750	7,300,750	7,300,750
Soft Costs	2,013,280	2,013,280	2,013,280
Total	$9,669,530	$9,669,530	$9,669,530
Financial Performance			
Annual Operating Income	$525,351	$554,268	$564,389
Capitalized Value	$10,066,161	$10,644,501	$10,846,920
Entrepreneurial Return	$396,631	$974,971	$1,177,390
Return as Percent of Investment	4.10%	10.08%	12.18%
Necessary Condition for 15% Return			
Necessary Apartment Rent (/SF/Yr)	$17.26	$16.63	$16.33
Assumed Apartment Rent (/SF/Yr)	$15.60	$15.60	$15.60

Considering the Return as % of Investment line, none of the cases achieve the 15% target. The eight year exemption case performs better than the base case because of the reduced operating costs. With the 12 year exemption, the operating costs are further reduced, and there is no foregone rental revenue as the market rate is less than the affordable rate.

The necessary condition line for the residential uses compares assumed residential rents to the rents that would be necessary to achieve a 15% return with all other assumptions held constant. As shown, the necessary rent for the 12 year case is within 5% of assumed rents. It's reasonable to expect that the necessary rent could be achieved soon with reasonable improvements in market conditions.

This development concept benefits from the relatively low cost of providing over half of the parking in a surface configuration. If all the parking were under the building or a plaza deck, the additional cost would drive the rate of return below the target value.

SOUTH TACOMA WAY

The building reuse concept is evaluated for the base case and the two tax exemption cases.

Table 6
Feasibility Analysis of Development Concepts
South Tacoma Way: Building Reuse

	Base	MFTE 8 year	MFTE 12 year
Description			
Site Area (SF)	3,000	3,000	3,000
Gross Building Area (SF)			
Residential	2,250	2,250	2,250
Commercial	2,250	2,250	2,250
Residential Units	2	4	4
Parking Spaces	-	-	-
Estimated Capital Investment			
Land Acquisition	$300,000	$300,000	$300,000
Construction	292,500	292,500	292,500
Soft Costs	86,288	86,288	86,288
Total	$678,787	$678,787	$678,787
Financial Performance			
Annual Operating Income	$48,340	$49,488	$49,889
Capitalized Value	$819,341	$842,291	$850,323
Entrepreneurial Return	$140,554	$163,504	$171,536
Return as Percent of Investment	20.71%	24.09%	25.27%
Necessary Condition for 15% Return			
Necessary Apartment Rent (/SF/Yr)	$17.25	$16.62	$16.40
Assumed Apartment Rent (/SF/Yr)	$15.60	$15.60	$15.60

Considering the Return as % of Investment line, all three cases achieve the 15% target return. However this result should be viewed with the following caveats.

- The estimated development costs are based on general relationships rather than specific requirements and building conditions. In particular, it is assumed that there is no change of use and therefore no requirement to bring the building up to current life safety and seismic standards.

- There are a limited number of two story buildings in this MUC, and most of those are narrow and have a small footprint. The scale of any redevelopment project may not be great enough to attract interest.

- Use of the tax exemption program may be limited by the requirement that the resulting development have four or more units, and units in the existing building must be vacant for at least a year.

Given these caveats, it's logical to conclude that there is an opportunity to redevelop existing buildings in this MUC, but it will depend largely on the characteristics and conditions of individual buildings.

APPLICABILITY TO OTHER MIXED USE CENTERS

The concepts evaluated in this analysis are intended to be representative of opportunities in other mixed use centers. In particular, they are intended to reflect market opportunities and site conditions. The concepts can be extrapolated to other centers as summarized in the following table.

Table 7.
Feasibility Analysis of Development Concepts
Applicability to Other MUC's

	6th and Cedar Mixed Use Redevelopment Site	38th and G Mixed Use Vacant Site	72nd & Pacific Horizontal Mixed Use	So. Tacoma Wy. Building Reuse
Sixth Avenue and Pine				
Narrows				
Proctor				
McKinley				
56th and South Tacoma Way				
Lincoln				
Westgate				
Lower Portland				
72nd and Portland				
34th and Pacific				
72nd and Pacific				
James Center				
Tacoma Central				

CONCLUSIONS

1. Based on the results of the analysis, it's likely that 5 over 1 mixed use buildings would be feasible in the MUC's with higher prevailing rents. While the necessary rent for feasibility is somewhat higher than the assumed market rent for the base case, it's possible that this gap would narrow over time

2. The use of the tax exemption program will enhance the feasibility of the 5 over 1 development concepts. The reduced operating costs under the 8 year exemption provides for a greater rate of return. Under the 12 year program, the foregone income for the affordable units would offset the value of the lower operating costs. Use of the 8 year exemption will likely be necessary to provide incentives for this type of development in all but the most popular mixed use centers.

3. The additional cost of site acquisition under a redevelopment scenario (versus a vacant site) provides an additional challenge, and makes the tax exemption incentive more important in fully built-out areas.

4. The development of horizontal mixed use should be feasible in most of the MUC's. The lower cost of surface or under building parking and three floor apartments result in a necessary rent level that that is achievable in most MUC's, and is actually affordable at the 80% of median level. Availability of the tax exemption program provides a valuable incentive for such a concept.

5. There are opportunities to redevelop existing buildings in some MUC's, but the opportunities will depend largely on the characteristics and conditions of individual buildings.

6. There are a variety of public improvements that have been identified and which will enhance the desirability of the area and the feasibility of development:
   - Pedestrian improvements.
   - Expanded bike lanes and trails.
   - Streetscape improvements at select locations.
   - Community open space and park improvements.