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Redmond Downtown Urban Renewal Update Memorandum

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Subject	Development Target Methodology
Project No.	5073

This memo describes the methodology used to develop residential and employment projections for the Downtown Urban Renewal District (DURD). These projections were used to quantify development opportunities and to develop financial projections for use in the tax increment financial analysis.

DEVELOPMENT TARGET METHODOLOGY

This section addresses assumptions that were common to both the housing and employment projections. Since housing and employment are tied to population growth, the net new housing and employment growth projections for the DURD were both based on the Deschutes County Coordinated Population Forecast, which projects an annual growth rate of 4.42 percent. The methodology was similar for both housing and employment, in that the net new growth over the 20 year period from 2011 to 2030 was divided into four development periods of five-year increments according to the percentages as shown in Table 1. Rather than spread the growth evenly over the 20-year period, we assumed that very little of the net 20-year growth would take place over the next five years due to the current recession, but that this "lost" ground would be made up over the remaining 15 years as the economy returns to normalcy.

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Table 1. Capture of Net New Growth applied to each Five Year Period

Time Period	Capture of 20 Year Total Growth
2011 - 2015	10%
2016 - 2020	30%
2021 - 2025	30%
2026 - 2030	30%
20 year total	**100%**

Source: Leland Consulting Group

The remainder of this memo details the specific methodologies used in the employment and housing projections.

EMPLOYMENT

To arrive at a 20-year total net new employment by land use category, information was taken from the US Census Bureau Local Employment Dynamics (LED) comparing the total employment by two digit NAICS code for the City and the DURD in 2008, which was the latest available data. The employment data were then grouped by LCG into the following land use categories:

- Office/Medical
- Retail/Service
- Industrial
- Lodging and Restaurants
- Other—Agriculture and Education

Table 2 shows the percentage of employment by land use type, currently found in the City, the DURD, and the ratio between the two areas. For example, in 2008, the City had 10,624 total jobs, 40 percent (4,286) of which were found in the medical or office sectors. Thirty-one percent or 1,346 of those 4,286 medical jobs were located within the DURD. The total City employment by land use category was projected out to year 2030, using an annual growth rate of 4.42 percent, matching the population growth rate in the Deschutes County Population Forecast. Normally, we would utilize Business Oregon's regional employment forecasts, but as discussed with you (Heather), there are major discrepancies between the population and employment forecasts and we agreed to base our analysis on the population forecast (which, through 2009, has been relatively accurate, even a bit conservative).

The net new employment growth for the entire City from 2011 to 2030 was then allocated to the DURD based on ratios currently found in each category. The *DURD to City Ratio* was used as the baseline for future employment growth, assuming that the DURD would continue to capture at least the same portion of the City's total employment as it did in 2008 under the low-growth scenario. The mid-range and high-range growth scenarios assume that the City would be able to increase the share of total employment locating in the DURD through the use of successful urban renewal strategies and by targeting more employment opportunities in the DURD, by a factor of 1.25 or 1.5 times the low-growth rate, as shown in Table 3. This does not imply that the entire City's net new employment would increase,

rather it shows alternate scenarios in which a greater amount of the new employment would locate within the DURD, and that less of it would locate in other areas of the City.

Table 2. Employment Percentages by Land Use Category

Area	Employment Total All Jobs*	Employment Percentages by Category				
	2008	Office/ Medical	Retail/ Services	Industrial	Lodging & Restaurants	Other
City	10,624	40%	17%	24%	10%	8%
DURD	2,699	50%	20%	14%	14%	3%
DURD to City Ratio	***25%***	***31%***	***30%***	***15%***	***33%***	***8%***

**Excludes Federal Government Employment (and possibly State and Local Government Employment as well)*

Source: Census LED, 2008, Industry Employment Forecast 2008-2018 Crook, Deschutes and Jefferson Counties, Worksource Oregon, Nov 2009

Table 3. DURD Employment Growth Scenarios

Growth Scenario	Factor
Low	1
Mid	1.25
High	1.5

Source: Leland Consulting Group

As described in the introduction above, the 20-year net new employment growth was divided into the same four five-year periods as shown in Table 1. The net new employment growth was also apportioned according to the low-range, mid-range and high-range growth scenarios in which the DURD receives an increasing amount of the employment. The net new employment was then converted into square feet of net new development based on an average amount of square footage required per employee per employment type, as shown in Table 4.

Table 4. Average Square Feet per Employee

Employment Type	Average SF per Employee
Office/ medical	300
Retail/ Services	470
Industrial	480
Lodging and Restaurants	990
Other (Agriculture and Education)	590

Source: Boulder Average Employment Density for Downtown Uses, 6-11-02, Metro Employment Density Study, 1999

The net new square footage needed to accommodate the new employees was further converted into a net new building value, based on construction cost estimates for different development types as shown in Table 5, the results of which are shown in Table 6 below. The net new employment development value was then combined with the housing growth to produce the summary chart in Table 7.

Table 5 . Construction Costs by Development Type, per Square Foot

Development Type	Average Building Cost per SF*
Office/ Medical	$225
Retail/ Services	$200
Industrial	$135
Lodging & Restaurants	$175
Other	$200

*Building Cost plus Tenant Improvements, does not include land costs.

Source: WHPacific and Leland Consulting Group

For the purpose of determining the impacts of projected development on tax increment revenues that would be collected if the DURD Plan is extended, the growth scenarios shown in Table 6 exclude employment and development growth attributed to tax-exempt businesses and institutions such as St. Charles Hospital, the City of Redmond, Deschutes County, public and private schools, and a variety of nonprofits specializing in social services, health care services, and educational services. Growth in these sectors is anticipated to generate an additional 671 to 1,007 new jobs in the DURD beyond the projections in Table 6. This translates to an additional 200,000 to 300,000 square feet of (non taxable) development between 2011 and 2030.

Table 6. Low-Range, Mid-Range and High-Range Growth Scenarios

Year	DURD Net New 2011-2030	Employment Capture within the Downtown Urban Renewal District Low-Range Projection									
		Office/Medical		Retail/ Services		Industrial		Lodging & Restaurants		Other	
		# employees	SF	# employees	SF	# employees	SF	# employees	SF	# employees	SF
2011 - 2015	165,246	139	41,842	80	37,629	56	26,843	56	55,216	6	3,715
2065 - 2020	495,737	418	125,525	240	112,888	168	80,530	167	165,648	19	11,146
2021 - 2025	495,737	418	125,525	240	112,888	168	80,530	167	165,648	19	11,146
2026 - 2030	495,737	418	125,525	240	112,888	168	80,530	167	165,648	19	11,146
20 year total	**1,652,458**	**1,395**	**418,416**	**801**	**376,294**	**559**	**268,434**	**558**	**552,161**	**63**	**37,153**
Net New Building Value	**$309,699,669**		**$94,143,661**		**$75,258,705**		**$36,238,605**		**$96,628,183**		**$7,430,515**

Year	DURD Net New 2011-2030	Employment Capture within the Downtown Urban Renewal District Mid-Range Projection									
		Office/Medical		Retail/ Services		Industrial		Lodging & Restaurants		Other	
		# employees	SF	# employees	SF	# employees	SF	# employees	SF	# employees	SF
2011 - 2015	206,557	174	52,302	100	47,037	70	33,554	70	69,020	8	4,644
2065 - 2020	619,672	523	156,906	300	141,110	210	100,663	209	207,060	24	13,932
2021 - 2025	619,672	523	156,906	300	141,110	210	100,663	209	207,060	24	13,932
2026 - 2030	619,672	523	156,906	300	141,110	210	100,663	209	207,060	24	13,932
20 year total	**2,065,572**	**1,743**	**523,020**	**1,001**	**470,367**	**699**	**335,543**	**697**	**690,201**	**79**	**46,441**
Net New Building Value	**$387,124,587**		**$117,679,576**		**$94,073,381**		**$45,298,256**		**$120,785,229**		**$9,288,144**

Year	DURD Net New 2011-2030	Employment Capture within the Downtown Urban Renewal District High-Range Projection									
		Office/Medical		Retail/ Services		Industrial		Lodging & Restaurants		Other	
		# employees	SF	# employees	SF	# employees	SF	# employees	SF	# employees	SF
2011 - 2015	247,869	209	62,762	120	56,444	84	40,265	84	82,824	9	5,573
2065 - 2020	743,606	628	188,287	360	169,332	252	120,795	251	248,472	28	16,719
2021 - 2025	743,606	628	188,287	360	169,332	252	120,795	251	248,472	28	16,719
2026 - 2030	743,606	628	188,287	360	169,332	252	120,795	251	248,472	28	16,719
20 year total	**2,478,686**	**2,092**	**627,624**	**1,201**	**564,440**	**839**	**402,651**	**837**	**828,242**	**94**	**55,729**
Net New Building Value	**$464,549,504**		**$141,215,491**		**$112,888,058**		**$54,357,907**		**$144,942,275**		**$11,145,773**

Source: Leland Consulting Group

Table 7. Net New Development Forecast Summary

Land Use Type	Redmond DURD Net New Development Totals, 2011-2030								
	Low-Range Projection			Mid-Range Projection			High-Range Projection		
	Building Value	Dwelling Units/ Square Feet	Population/ Employees	Building Value	Dwelling Units/ Square Feet	Population/ Employees	Building Value	Dwelling Units/ Square Feet	Population/ Employees
Housing	$134,000,000	700	1,500	$246,000,000	1,200	2,800	$414,000,000	2,100	4,700
Office / Medical	$94,000,000	420,000	1,400	$118,000,000	520,000	1,700	$141,000,000	630,000	2,100
Retail / Services	$75,000,000	380,000	800	$94,000,000	470,000	1,000	$113,000,000	560,000	1,200
Industrial	$36,000,000	270,000	600	$45,000,000	340,000	700	$54,000,000	400,000	800
Lodging & Restaurants	$97,000,000	550,000	600	$121,000,000	690,000	700	$145,000,000	830,000	800
Other	$7,000,000	40,000	100	$9,000,000	50,000	100	$11,000,000	60,000	100
Total	**$444,000,000**			**$633,000,000**			**$878,000,000**		

Note: Some totals may not sum correctly due to rounding.

Source: Leland Consulting Group, US Census, Deschutes County.

Source: Leland Consulting Group, Deschutes County Coordinated Population Forecast, PSU Population Center.

HOUSING

The housing forecast started with the most current and reliable population estimate available, which came from PSU's Population Center, and estimated 25,800 residents in 2009, a number which had already surpassed the Deschutes County Coordinated Population Forecast, 2000-2025, which estimated 22,885 residents for the year 2009. The population of 25,800 was then projected through the year 2030 at an annual growth rate of 4.42 percent, the growth rate used in the Deschutes County Coordinated Population Forecast, in order to estimate the 20-year net new population growth for the entire City. The City's net new population growth was then multiplied by the DURD's low-, mid- and high-range forecast to estimate the DURD's housing needs under these different scenarios.

Table 8. DURD Low-, Mid- and High-Range Forecast

	Redmond Current	Long Term Forecast		
		Low	Mid	High
DURD Population as Share of City Population	6.2%	5.0%	7.0%	10.0%

Source: Leland Consulting Group

The DURD population estimates for each scenario were then divided by the household size estimated by ESRI for the DURD of 2.29 shown in Table 9, giving an estimate of the net new households needed under each scenario, in each of the four five-year development periods, based on the percentages discussed in Table 1. The low-range scenario assumes that the DURD would capture fewer households than it has in the past, a scenario seen in the case studies of other cities. The mid- and high-range scenarios assume that the DURD would capture more growth than it has in the past, based on successful urban renewal strategies, as shown in Table 10.

Table 9. Household Size

Area	Household Size
DURD	2.29
City	2.55

Source: ESRI

Table 10. DURD Net New Households, 2011-2030

Year	Downtown Urban Renewal District					
	Net New Population			Net New Households		
	Low	Mid	High	Low	Mid	High
2011 - 2015	154	282	474	67	123	207
2016 - 2020	461	845	1,421	201	369	620
2021 - 2025	461	845	1,421	201	369	620
2026 - 2030	461	845	1,421	201	369	620
Total 2011 - 2030	**1,536**	**2,816**	**4,736**	**671**	**1,230**	**2,068**

Source: Leland Consulting Group, Deschutes County Coordinated Population Forecast, PSU Population Center.

Each new housing unit was multiplied by a $200,000 development value, assuming that the cost to build new homes will put them at least in this price range, even though homes in Redmond may currently be selling for less than this amount. These three housing scenarios then merge with the employment forecast, as shown in Table 7 to show an overall net new development forecast, based on the low-,mid- and high-range scenarios.