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The Morrison Mercantile: BOMA Real Estate Development Workshop

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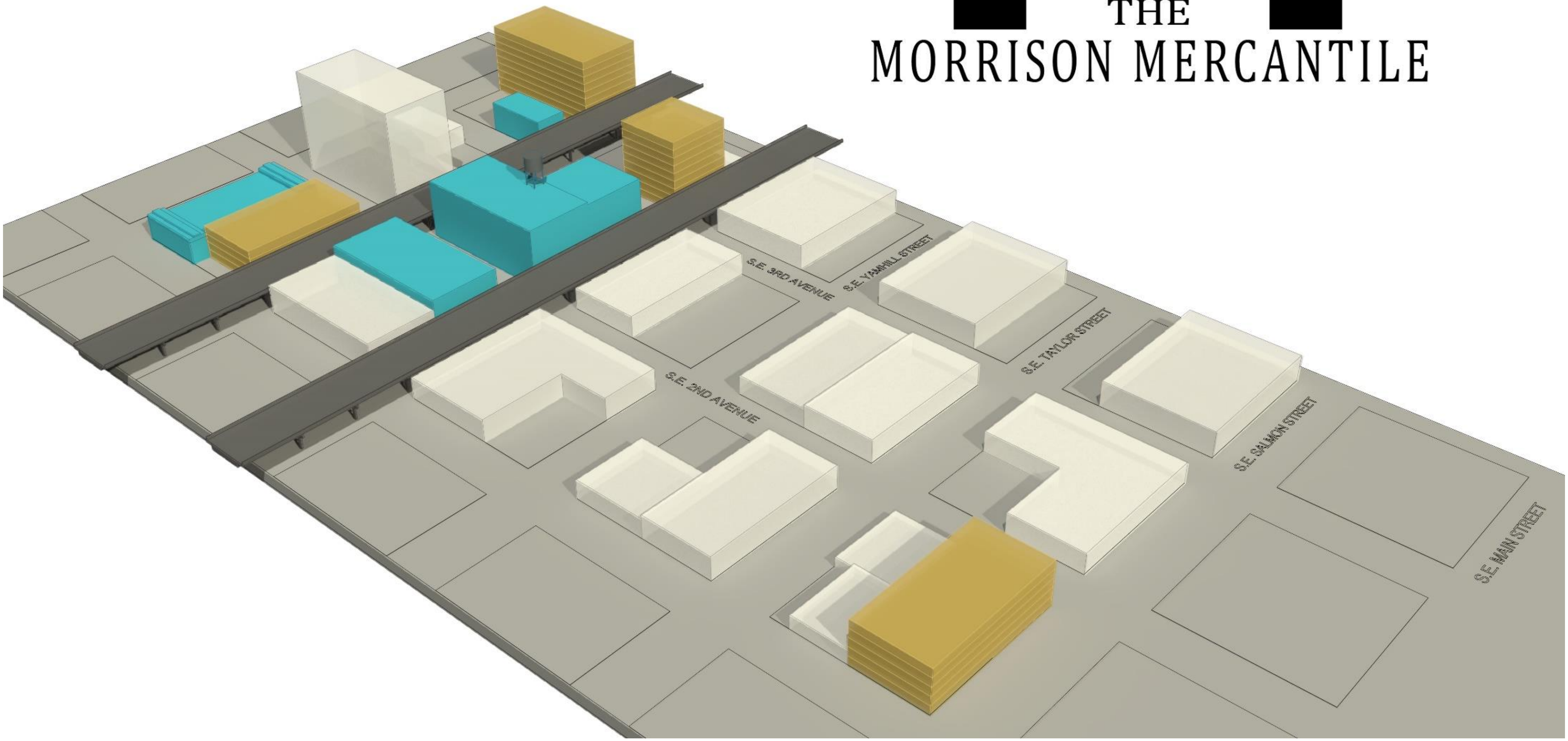
THE MORRISON MERCANTILE



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Executive Summary

While Portland has experienced rapid growth in recent years, the Central Eastside has experienced rapid renovation. Located just a short ½ mile streetcar ride north to the Lloyd Center and the Red Line Light Rail Transit (LRT) to the airport and downtown, and ½ mile streetcar ride south to the Tilikum Crossing and the Orange Line LRT, this prime real estate is ripe for development. The Tilikum Crossing, the longest bridge dedicated to pedestrians, bicyclists and transit, opens new avenues to the Central Business District (CBD) on the west side of the Willamette River.

Combining the close proximity to Portland's CBD and its transportation grid, the Central Eastside Industrial District (CEID) draws many new startups and businesses to the area. Adding in the gritty appeal and historic industrial charm, the CEID has become a destination point for many of today's young entrepreneurs. This influx of business has spurred a frenzy of creative office development and a movement for protection of the industrial area. This encapsulates the two forces at play that will drive the area's future.

The properties under discussion in this document are owned by the Pelett Family. Eight buildings on 12 properties centered on the Morrison Avenue Bridge Viaduct offer a unique opportunity to activate the Central Eastside. This proposal diversifies a real estate portfolio for the Pelett Family that builds on the acquisitions that Walt Pelett made to provide warehousing space for the City Liquidators business. Thus, the proposal makes small steps to expand the Pelett Family knowledge, experience and willingness to risk. The team proposes that the project begin with the Pelett Family's rebranding of their City Liquidator business; this also represents the transition of the business management from Walt's generation to the next. However, it also represents evolution from the post WWII salvage business to the upscale urban offerings, and evolution from the Baby Boomer Generation to the Millennial Generation. Targeting the Millennial Generation, the proposed development anticipates minimal new traffic as this generation seems to prefer walking and bicycling to work at spaces that are collaborative, open and full of historic character.

Thus, the demand for office space has changed over the years as the mix of companies in the region becomes more diverse and less dependent on the physical manufacturing of goods and more dependent on creating software technologies and informational products. Currently, these tenants have been drawn away from suburban office parks and more towards renovated buildings that showcase reclaimed industrial wood beams, polished concrete floors, and exposed structural infrastructure. Vacancy rates for all office classes in the Central Eastside are the lowest in the region at 5 percent. Portland's industrial scene is as diverse and scattered across the city as the food carts that have made the city famous. Coming into 2015, Portland has seen incremental increases in manufacturing but has seen healthy increases in food processing, medical support and professional management and administration. Consumers in the local region have been active in spending as a reflection of Portland's healthy economic growth. According to the Bureau of Labor and Statistics, Portlanders outspent those in other US cities across the board in 2014 – most heavily in food items and energy costs.

As such, the development team proposes to significantly renovate the Alder Building, Royal Hotel, and Studebaker Building, while minor renovation is proposed for the PUL Building and the Salmon Buildings. To activate the streetscape under the Morrison Viaduct, the team proposes a container food/bar pod, a park, a new entrance to the Main City Liquidator store, and a coffee/container pod on Martin Luther King (MLK) Junior Boulevard. Enhanced lighting to provide an inviting atmosphere is also proposed. This will bring new employment into the Central Eastside and in turn will add users of the new public spaces.

As the market continues to grow, the project team proposes four new buildings and it is up to the Pelett Family to decide which buildings to construct first and the timing of the construction. The four buildings include a new residential tower with retail on the bottom two floors on MLK Boulevard frontage between Alder and Morrison behind the Royal Hotel to take advantage of the multiple-use zoning (EXd), a new creative industrial office building on the vacant lot behind the Alder Building, fronting on Morrison Avenue, a new tower at the PUL Building with the possible acquisition of portions of the rest of the block to take advantage of the multiple-use zoning classification, and a new creative industrial office building at the Salmon Buildings half-block.

Six key strategies are proposed for this development:

Activate underutilized space and buildings

Preserve character and historic structures

Evolve the brand, business and real estate strategy for long-term prosperity

Diversify uses, activities, and users to produce a well-rounded hub

Grow the place incrementally through intelligent, innovative investment and strategies

Mature the area into a proud, attractive, accessible place.

History

Pelett Family History

Walt Pelett's career as a wholesaler and his connection to Portland's Central East Side dates back to the 1950s. Early in his career, Walt was a purchasing agent for Peerless Pacific, a plumbing supply company. Peerless occupied the King Fisher Mattress Company building, which later became known as the Gotham Building. He was the youngest agent at Peerless when he started and after working there for 11 years, he was the youngest agent when he left.

After leaving Peerless Pacific, Walt went to work for Pay N' Pak, a home improvement center based out of Kent, Washington. Walt later decided to start his own company, Mission Plumbing and Electric. His business sold to customers in California, Oregon and Washington. In December 1975, Walt's business suffered a devastating fire. Walt, always the savvy investor, began purchasing real estate early in his career. At the time of the fire, he owned approximately 500 apartment units.

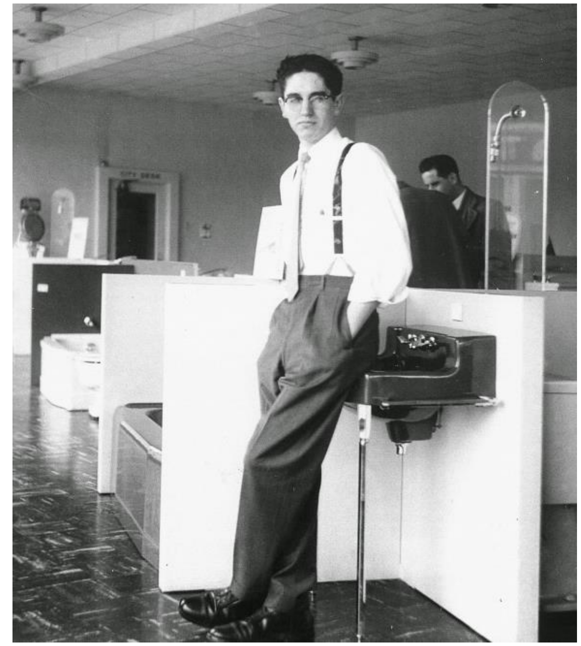

Figure 1 Walt Pelett

Looking for his next business opportunity, Walt wanted to start a business to supply people with a commodity they used every day. In 1978, he began by importing antique office furniture from the United Kingdom. Walt stated, "To them it was rubbish, to us it was treasure." Also during this time, Londoners were paying 10 pounds to have their home pianos hauled away. Many of them had so little value in England at the time that the pianos were burnt up as firewood. Piano owners in the United Kingdom would pay Walt to haul them off. He then would have them loaded on shipping containers so he could sell them in the US. Thus began Walt's career as a liquidator.

Figure 2 PUL Building 2015

During this time, Walt started Public Utility Liquidation (PUL), which was the first location of City Liquidators and now houses the company's used merchandise store. In the 1980s, PUL carried furniture purchased from phone companies, and savings and loans that were downsizing as a result of the recession.

Walt realized that many of his competitors were often unable to make large purchases because of a lack of storage space. Walt determined early on that he would not allow himself to be subject to this limitation. "I will never be afraid to buy something. That is never going to be me. I am never going to say 'no' because I don't have space." It is this belief that serves as the basis of City Liquidators strategy for real estate acquisition. As Emma Pelett puts it, "This speaks to the entire dynamic of our business."

Over the years, Walt has developed what he calls a list of procedures that drives the way he does business. "It takes years to build a reputation, so stick to the truth. At the end of the day, it's about family. It's about doing the right thing not about the product because it is your family's name that is on the line." Walt has passed this wisdom on to his family.

Walt and his wife Pam raised their three children Zach, Emma and Ellie in the business. As Emma states, "It's a family business; everybody works!" The children would go on buying trips with their parents. Walt and Pam would take their children to visit factories all over the world to see how the products they sold were made. It was during these times that the children developed a passion for retail and their skill in merchandise purchasing.

Emma says, "I love being a buyer." Her first job was pricing merchandise in the basement of their store. "I love making unique finds, making that available to people in Portland and online around the world. By doing that, I am playing a part in helping people make their house a home. It is an incredible opportunity our parents gave us."

Pelett Property History

From humble beginnings to a juggernaut in the furniture business and all things liquidated, City Liquidators has been an eastside staple for more than 37 years. Offering 500,000 square feet of stocked new furniture alone, business is booming in line with the

Figure 3 Aerial Photo of Pelett Properties

Central Eastside. Owning eight buildings in the Central Eastside, there is excitement about what may be in-store for redevelopment of these classic wood and brick structures. The Peletts also own three vacant properties. The City of Portland has been active in seeking to protect industrial businesses within the Central Eastside Industrial District (CEID), as well as the scarce amount of industrial land near the downtown core.

PUL (830 SE 3rd Avenue)

The PUL Building was built in 1910. Walt Pelett bought the PUL building in 1977. It was the first City Liquidator store. PUL, which stands for Power Utility Liquidation, acquired its name in the 80s when major phone companies and banks were downsizing and/or consolidating. Walt opened the PUL store to sell their used furniture and equipment.

Figure 4 PUL Building 2015

Main Store (823-839 SE 3rd Ave)

The Main Store Building was first built by Mitchell, Lewis and Staver of Racine, Wisconsin, as a new building for their Portland branch. Prestigious architects, William Whidden and Ion Lewis designed the structure, which was first occupied in early 1908. The company used the building as a warehouse for its manufactured wagons and farm implements.[i ii] In 1923, the building was sold to Wadhams & Co., a wholesale grocery company. In 1928, the company built a quarter block addition at the corner of SE 3rd and Belmont. Wadhams & Co. and other property owners sued Multnomah County when ramps to and from the new Morrison Bridge were constructed in 1957. They claimed that the ramps "hinder light, air and access to their property."[iii] The Peletts bought the building in late 1970s, and it is now the main City Liquidator store.

Figure 5 Main Store Entrance on SE 3rd Avenue

Figure 6 Main Store Storage at corner of SE 3rd and Morrison

Studebaker Building (130 SE Morrison St.)

Built as the Studebaker wagon factory in 1905, the Building later became a Studebaker automobile showroom with storefronts on Morrison Avenue (now under the viaducts). It was acquired by the Peletts in 1980, and is now used by City Liquidators as an inventory warehouse.[iv]

Figure 7 Studebaker Building 2nd Avenue Frontage

Figure 8 Studebaker Grand Staircase

Figure 9 Studebaker Architectural Details

Corno's (Gravel) Lot (711 SE 3rd Ave)

The Independent Fruit & Produce Company was located at this site in 1929. Corno's & Son (John and Jimmy) acquired the building and started operating their produce company around 1952. Corno's & Son was a destination for produce products for several decades. The Peletts bought the building in 1990 and used it as part of their furniture business. The building was taken by eminent domain in 2005 because the site was chosen for the Alder shaft of the City of Portland's Eastside "Big Pipe" sewer project. The building was demolished in 2006.[v] The Pelett family salvaged the famed produce signs and plan to use them in the future.

Figure 10 Corno's Gravel Lot

Figure 11 Famed Corno's Produce Sign

Alder Building & Lot (100 SE Alder St.)

The building was built in 1915 as a produce storage warehouse. The Peletts bought the building on 1991[vi], and now use it as a warehouse for their furniture business. This building has been featured as a location for several movie and film productions.

Figure 12 Alder Building Clerestory Windows and Large Wood Beams

Figure 13 Elevator Shaft and Historic Equipment

Figure 14 Alder Building Frontage on Alder Street

Royal Hotel (301 SE Morrison St)

The building was acquired by the Peletts on 1992[vii]. It was originally built in 1905 as a flophouse. Currently, the main store tenants are the Montage restaurant and Le Merde bar, and the top two floors are used as film and television locations.[viii]

Figure 15 Royal Hotel looking north

Figure 16 Royal Hotel looking south

Salmon Buildings West (109 SE Salmon St.) and East (133 SE Salmon St.)

The Salmon Buildings, built in 1928, were both purchased by the Pelett family in 1993. Currently, tenants include a maker-artist, music recording and photography studios, hair salon and a pottery wholesaler.

Figure 17 133 SE Salmon (East)

Figure 18 109 SE Salmon (West)

Central Eastside History

Much of the area that we now identify as the central east side was originally settled in 1845. The eastern bank of the Willamette was covered in wetlands providing an abundance of fish and wildlife. Unfortunately this also made development difficult and streets were often built on trestles to make the area navigable.

Figure 19 Central Eastside Industrial District with Pelett Properties

One of the most prominent settlers of the time was James B. Stephens who acquired his property from a French-Canadian British subject, by the name of Porier, for $200. Gideon Tibbetts laid claim to an additional 640 acres a few years later under the Oregon Donation Land Act of 1850 in an area south of what is currently Division Street. Tibbets used his land to cultivate hay and fruit trees. Stephens, on the other hand, is credited with incorporating the City of East Portland, though Tibbetts did create an addition to the town. Tibbetts eventually sold much of his land to Stephens. He established the first regular ferry service across the Willamette to downtown Portland, though regular ferry service across the river had existed as early as 1848. He also owned the region's first cedar mill. His ferry allowed farmers and manufactures to transport their wares to the west side of the Willamette. Stephens is also responsible for the Central Eastside grid pattern, which was established 1861 mimicking the grid pattern on the west side of the Willamette in the City of Portland.[ix]

The industrial economy began to develop in the central eastside in 1869 due to the arrival of the Eastside Oregon Central Railroad, which connected Portland with Salem in Oregon. This was a windfall for Stephens because it increased the value of his land astronomically. In 1883, Northern Pacific completed the third transcontinental rail route, which links Portland to the national railroad network. By 1884, Portland had become the terminus of the nation's fourth intercontinental railroad. [x]

The City of East Portland was incorporated in 1870. The area was connected to the City of Portland by the Morrison Bridge, which was built in 1887. The first Steel Bridge opened for rail traffic connecting Portland on the west side of the Willamette with rail yards in Albina on the eastside, a year later. This had a significant impact on the economy of the area because speculative developers started building new subdivisions and business districts on the eastside of the river. Once east Portland was annexed in to the City of Portland in 1891, Portland became the Pacific Northwest's largest port. Rail lines eventually connected the area to the eastern US and California, and became a hub for produce distribution and industry[xi].

During the 1950s, the dominance of rail and shipping declined as trucks became the new mode for moving freight across the US. Many distribution centers left central eastside, as companies sought single story structures in suburban areas of Portland over the multi-story structures that were prevalent on the eastside.

The Central Eastside Industrial District (CEID) has recently become an industrial sanctuary for the Portland Metropolitan Statistical Area (MSA). In an effort to preserve some of the city's last industrial land[xii], the City of Portland implemented measures and zoning to protect and enhance industry in the central city.

In recent years, the central eastside industrial district has seen a resurgence in activity as sole-proprietors, entrepreneurs, and millennials gravitate to the area for its authenticity, grit, and close proximity to central downtown. In the CEID, there are coffee shops, breweries, restaurants, offices, and warehouses interwoven with industry. It is not uncommon for the coffee shop to roast the very beans used to make the cup of coffee served either on-site or near-by, such as Portland's iconic *Stumptown Coffee.* In the Pittman II building, a shared kitchen space, local eateries or caterers can rent the space for their respective needs. Additional uses are for test kitchen space and young companies just starting out. Office space is also offered at the Pittman II building. The influence of the Innovation Quadrant, OHSU, and The Knight Cancer Challenge has also drawn interest from medical supply and medical manufacturing companies. Light industrial use is the basis by which the City of Portland plans to ignite the CEID.

The Central Eastside Industrial Council (CEIC) supports the city's efforts, and is the voice for businesses in the Central Eastside area. Their mission is to protect the 681-acre district encompassing property south of I-84 to Powell and the river to SE 12th and its 1,122 businesses and over 17,000 employees[xiii]. Issues that the CEIC has tackled include taxes, parking, graffiti, land use, public transportation, and trespassing. Census tracts were used to estimate a current population of 6,031 people in the CEID.

The CEIS has evolved over time to meet business needs of the day, from shipping to rail to trucking. Warehouses used for produce distribution are being converted to industrial office and small scale manufacturing. Today, the diverse collection of businesses within the central eastside has developed a symbiotic relationship with one another as they have created what some describe as an industrial ecosystem. The Central Eastside remains vital in creating jobs, supporting light industry and providing goods and services to the region.

Neighborhood Context









Site Analysis

Existing Conditions

The Pelett property holdings in the Central Eastside include seven sites. Most of the sites are grouped around the Morrison Street Viaduct, however all of the properties fall within a space bounded by SE Alder Street to the north, SE Martin Luther King Junior Boulevard to the east, Rail Road Right of Way to the west (formerly SE 1st Avenue), and SE Salmon Street to the south.

Located to the East of the Willamette River, and two blocks from the waterfront, the Pelett properties are part of Portland's Central Eastside Industrial District (CEID). Proximity to Portland's central business district (CBD), on the west side of the Willamette River, is 1.2-miles away. This short distance translates to six minutes by car, 20 minutes by bus, eight minutes by bike, or 27 minutes on foot to walk to the CBD. This area is bracketed by the Morrison and Hawthorne Bridges.

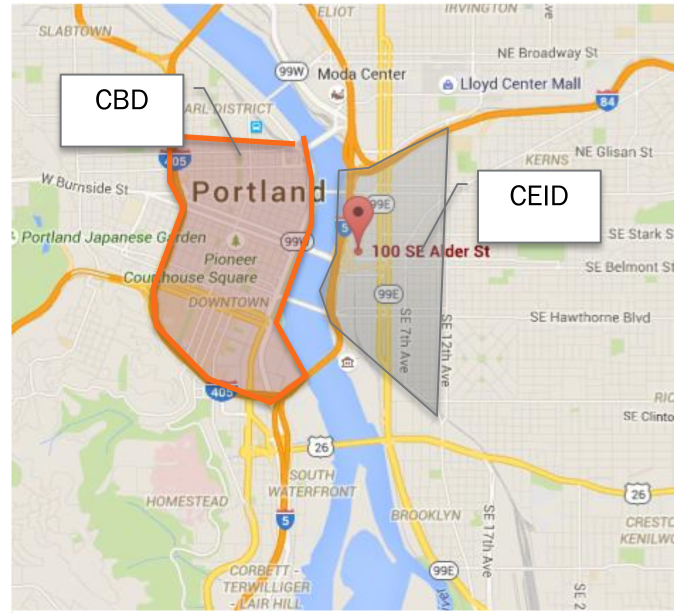

Figure 20 Central Eastside Industrial District in relation to Central Business District

This area includes side streets, main thoroughfares, and highways. The main thoroughfares include Grand Avenue and Route 99E, also known as Martin Luther King Jr., Boulevard. The interstate highways (I-5, I-84, I-405, and I-205) aid in moving goods, services, and people through Portland.

Combining the close proximity to Portland's CBD and its transportation grid, the CEID has drawn many new startups and businesses to the area. Adding in the gritty appeal and historic industrial charm, the CEID has become a destination point for many of today's young entrepreneurs. This influx of business has spurred a frenzy of creative office development and a movement for protection of the industrial area. This encapsulates the two forces at play that will drive the area's future.

Central Eastside Plan

The Pelett properties fall under the City of Portland Southeast Quadrant Plan ("Plan"). The overarching goal of the Plan "is to increase the number of jobs per acre and new industrial types in the Central City, while preserving traditional industrial uses, activating increasing accessibility to the waterfront, improving fish and wildlife habitat, providing parking solutions and managing increased activity in this emerging area of economic creativity and growth." The Plan envisions the Central Eastside as the Central City's largest and most vibrant industrial employment district. The area is a prime area, because of its central location close to the customer base and workforce with strong ties to local and regional markets. The District's vision is to locate retail, commercial office, and residential mixed-use projects along main street corridors that feed into inner Southeast Portland, while reinforcing industrial areas as places where businesses operations and investments are protected from encroachment. The Plan's four goals are:

1. Expand employment opportunities.
2. Protect industrial businesses from incompatible uses.
3. Foster safe and vibrant transit station areas.
4. Create a regional waterfront destination.

The Plan, if implemented, will increase district-wide employment density by 9,000 jobs by 2035. Measures to achieve the anticipated jobs include expanding the Employment Opportunity Sub-area to cover the entire industrial sanctuary, clarifying the "industrial office" use category in zoning, converting new light rail station areas to Commercial Employment zoning, and establishing Central City ground floor design standards. The Plan will mitigate conflicts between uses to protect industrial businesses through the establishment of an industrial disclosure statement for new tenants, and create design standards for transition areas. Vibrant and safe station areas will be created through higher-density development brought about by the conversion of light rail stations to Commercial Employment zoning, ground floor design guidelines, and updated station-area-specific design guidelines. A regional waterfront destination will be created through zoning code amendments to allow desired riverfront uses, actively partnering with OMSI and other property owners to facilitate the development of recreational and habitat improvements, and east-west pedestrian and bicycle connection improvements.

Related Plans

The Southeast Quadrant Plan is the final of three specific plans that make up the Central City 2035 Plan. These plans grow out of the Central City 2035 concept that projects Portland's Central City as a center for innovation and exchange. The Central City is thus envisioned and planned with quality design, development, and connections that support creative energy and productivity with a concentration of activities, people, and businesses. The final Central City 2035 Plan will be incorporated into the Portland Comprehensive Plan which will guide long-range growth, land use, and development in the city.

Pertinent Plan Changes

The Southeast Quadrant Plan has five specific changes that will affect the regulation of the Pelett family's real estate holdings. The Employment Opportunity Subarea is being amended and expanded, the zoning of some parcels will be converted from General Industrial 1 (IG1) to Central Employment with Design Review (EXd), parking regulation changes will take effect, a bike lane to the river on SE Salmon Street will be added, and streetscapes under viaducts will be enhanced.

Employment Opportunity Sub-area

The Employment Opportunity Sub-area (EOS) was adopted for a 48-acre portion of the district between SE Water Avenue and SE 3rd Avenue in 2006. The EOS originally allowed 60,000 square feet of industrial office on a single site, and 5,000 square feet of retail or traditional office per site. It also allowed the creation of 60,000 square feet of traditional office, and more than 60,000 square feet of industrial office as a conditional use. The new EOS regulations would expand the area of the district inside the subarea to all General Industrial (IG1) zoned land, and change the allowance of uses to encourage increased rehabilitation of larger sites. The new EOS regulations allow:

Retail Sales and Service:

- Up to 5,000 square feet only.

Traditional Office:

- Up to 5,000 square feet; up to 60,000 square feet conditionally.

Industrial Office:

- Rehabilitations: The entire existing structure of building may be converted to industrial office uses.
- Sites with an area less than 20,000 square feet: up to 60,000 square feet.
- Sites with an area greater than 20,000 square feet: limited to a maximum floor area ratio of 3 to 1.
- Use allowances of IG1 Zone: All allowed, prohibited, conditional, and limited use provisions applicable to IG1 remain in effect.

Central Employment Zone Change

The Southeast Quadrant Plan recognizes that 44 parcels within about 10 acres, between SE 3rd and SE 6th Avenues are currently zoned IG1, though they are designated Central Employment with Design Review (EXd) in the existing Comprehensive Plan. The Southeast Quadrant Plan corrects these parcels zoning to EXd to match the intended Comprehensive Plan designation.

Parking Reform

The Southeast Quadrant Plan seeks to rectify the inefficient use of parking brought about by current policies. Often, on-street parking is heavily used, and off-street parking has significant vacancies. In order to reverse this trend, the Plan will amend zoning to allow shared parking and provide incentives for off-street parking use.

Bikeways and Paths

The new Plan plans to complete a designated bikeway on SE Salmon Street that connects the Eastbank Esplanade to Mt. Tabor. Added signals are expected to be added at SE 12th, SE 11th, SE 7th, SE Grand Avenue, and SE Martin Luther King, Jr Boulevard. Addition of a painted bike lane is proposed on Salmon Street.

Viaduct Streetscape Improvements

The Plan seeks to revive the historic main streets that occupy the space under the viaducts that provide vehicular access to highways and bridges. In this effort, the Pelett family has joined with the Portland Landmarks Commission and the Bosco-Mulligan Foundation to work on an initial plan to activate the ground level on SE Morrison Street. The city would like to use new sidewalks, storm water treatment, lighting, signage, and removable bollards to activate the streetscape. The plan calls for these elements to be publicly funded, but tied to investment by adjacent property owners.

Figure 21 Southeast Quadrant Plan Viaduct Streetscape Improvements

Zoning

All of the Pelett's properties fall into two zones: General Industrial Zone (IG1) with Employment Opportunity Sub-area (EOS) overlay, or Central Employment with Design Review (EXd). The properties west of SE 3rd Avenue fall in the General Industrial zone, while those east of 3rd fall within Central Employment.

IG1, EOS:

In this zone most industrial uses are allowed, and uses that could conflict are restricted or prohibited. The General Industrial zone is meant for the city's older industrial areas with small lots on a grid-patterned street network.

EXd:

This zone is intended for areas in the center of the city that have primarily industrial type development, and allows for a mixture of uses. This zone is intended to allow commercial and industrial uses in need of a central location. Residential uses are allowed. The Design Review overlay requires that additions, alterations, or new construction obtain approval from PDC.

According to initial calculations, and the SE Quadrant Plan, the EOS accounts for 13 percent of the CEID's area, and 19 percent of the properties currently zoned IG1.

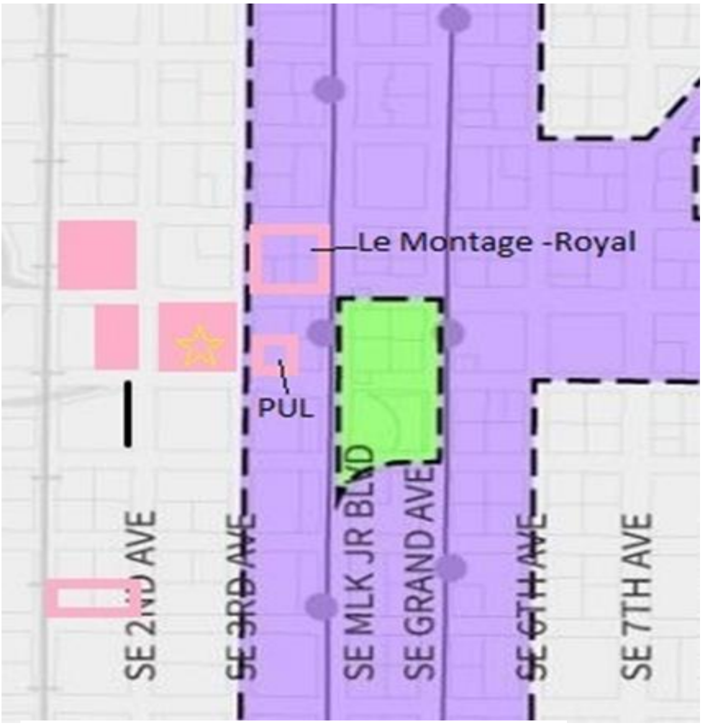

Figure 22 Zoning and the Pelett Properties

Parking

Parking capacity is critical to the success of the redevelopment of the Pelett family's properties. Indeed, parking is already at premium in the Central Eastside Industrial District (CEID). The 2012 Central Eastside Parking Management Plan (CEPMP) found that the district had 6,324 on-street parking spaces, and 8,281 off-street spaces. The on-street spaces reached a peak occupancy of 76.5 percent between the hours of noon and 1 PM. The off-street spaces reached a peak occupancy of 60.4 percent between 11 AM and noon. Currently, the CEPMP allows Area Parking Permits (APP) to be issued to 100 percent of employees in the area. The permits cost $70 annually, and allow for employees to park on the street longer than the posted time limits. However, the 100 percent allocation is expected to change because the city projects job growth could result in a district-wide deficit of 1,148 on-street spaces by 2035. Given this high demand, it is important to both fully use and grow the off-street parking resources the Pelett family controls, in order to maintain smooth operation of retail enterprises and to keep new tenants happy.

The Pelett properties are currently served by a dedicated surface parking lot with 39 stalls at SE Martin Luther King, Junior Blvd and SE Morrison Street. Looking ahead, it will be important to incrementally add off-street parking with development as the district matures and new real estate projects increase pressure on on-street parking. However, it is equally important to avoid constructing too much parking, since it can be expensive to build and in some cases can displace important revenue-generating space in development.

Central Eastside Parking **Supply and Occupancy**		
Parking Type	**Number of Stalls**	**Peak Hour Occupancy Rate**
On-Street	6,324	76.5%
Off-Street	8,281	60.4%
Total	14,605	67.6%
Source: Central Eastside Parking Management Plan (2012)		

The first phase of our development plan would convert the basement of the Alder building into parking, creating approximately 30 spaces. Additionally, the western portion of Alder's surface lot would be available to store delivery trucks, and could also provide five to ten parking stalls. This would bring the number of off-street spaces the Pelett family controlled to roughly 75, plus storage for delivery trucks. We anticipate that this capacity—together with the ability to obtain Area Parking Permits and the presence of other existing off-street parking assets—will represent ample parking supply for employees and customers through the early phases of this development plan. We also project that new parking assets will be added in the long term through our proposed new construction phases.

Based on projected employment and development growth in the CEID, we see a need to include parking facilities in the new construction components of our proposal. Three of these new construction phases (at the Royal, Alder, and Salmon sites) include parking facilities. The new Royal tower would include one level of subterranean parking, some ground-level parking, and a full level of parking on the second level. We estimate this will generate between 75 and 95 parking stalls. New construction on the Alder site will include a single level of subterranean parking, coordinated with the entrance to the existing building's basement, to produce approximately 30 new stalls. A new building at the Salmon site would use the existing excavated basements by converting that space into subterranean parking to produce between 30 and 40 stalls. We have not proposed for any subterranean parking to extend beyond a single level below grade given the extremely high water table in the area and the unknown nature of the land fill in the reclaimed sites.

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APP Zone Business Permit Allocations		
Zone	**Annual Fee**	**Employee Permit Allocation**
Zone A: Goose Hollow	$60	50%
Zone B: Gander Ridge	$60	50%
Zone C, D, E: HomeStead	$60	50%
Zone F: Lair Hill	$60	50%
Zone G: Central Eastside	$70*	100%
Zone J: Eliot	$60	100%
Zone K: Northwest	$60	100%**
Zone M: Northwest	$60	100%**

*** $10 Zone G surcharge provides funding to the Central Eastside Industrial Council's Transportation and Parking Advisory Committee**

**** The Northwest District employee allocation will reduce to 85% in 2018**

Urban Renewal Area

The Central Eastside Urban Renewal Area (URA) is one of eleven existing URAs in the City of Portland. Urban Renewal is a state-authorized program that uses public resources to finance capital improvement projects such as parks, streetscape improvements and community centers. The planning and implementation of these projects are led by the Portland Development Commission (PDC). The PDC takes an integrated approach that is unique to each district, focusing its efforts on transit, street, residential, commercial and mixed-use development and public parks.

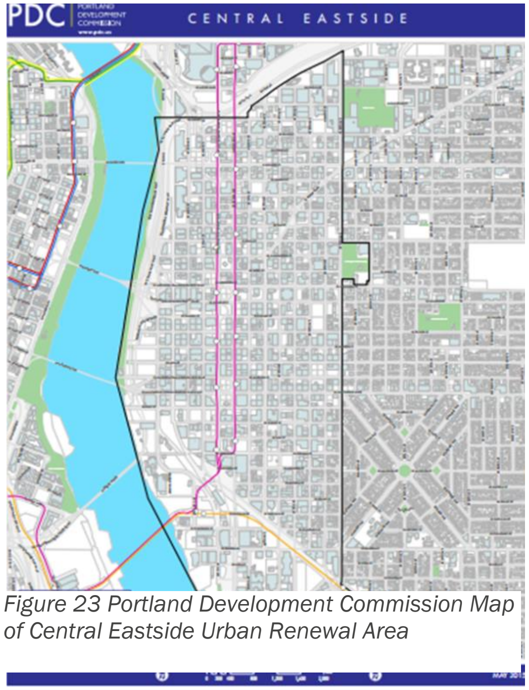


Figure 23 Portland Development Commission Map of Central Eastside Urban Renewal Area

The boundaries of the Central Eastside URA are the Willamette River to the west, Interstate 84 to the north, SE 12th Ave to the east and SE Powell Blvd to the south, as shown on the map to the right.

According to the PDC, the plans and goals of the Central Eastside URA are:

> "Encourage expanded opportunities for housing and jobs while retaining the character of established residential, neighborhood and business centers."
>
> "Improve the level, distribution and stability of jobs and income for resident industry, businesses and people."
>
> "Enhance the Central Eastside as a close-in job center featuring a diverse industrial base with compatible, supportive and appropriately located commercial and residential activities. Encourage the vitality of existing firms, provide an attractive climate for complementary ventures, and offer a positive environment for adjacent neighborhoods.[xiv]"

The work of the URA, under the guidance of the PDC, seeks to encourage and foster new commercial and industrial businesses and to ensure that the district remains attractive to specialty manufacturing and distribution firms. The Central Eastside is not only highly visible from the Central Business District but it serves as a gateway to residential neighborhoods of the eastside. As such, the PDC seeks to promote high quality design standards that complement the overall business climate of the district and surrounding neighborhoods. PDC will continue to work to improve the parking system and the overall transportation network of the district. PDC also continues to work to implement the Willamette Greenway Plan, which seeks to promote development south of the Broadway Bridge for residential, business and recreational uses. The plan will also look to improve access to the Willamette River and as well as the overall quality of life for surrounding neighborhoods all while preserving the river as a working resource.

Transportation and Access

The project site provides excellent access to regional transportation networks being centrally located with quick access to Interstates 5, 405 and 84. This provides direct access to Vancouver, WA to the north, the southern portion of the metro area and Salem to the south. The proximately to Interstate 5 and 84 also provides access to the industrial developments near Airport Way as well as providing less than 30 minutes travel time to the Portland International Airport. International transportation hubs such as the Ports of Portland, Tacoma and Seattle are all within half a day's travel.

The main thoroughfares of Grand and MLK provide direct access to the communities of Northeast Portland. The Pelett's central eastside holdings are in close proximity to many new mixed use and multi-family developments such as Hassalo on Eight, Oregon Square, and the Lloyd Cinemas Redevelopment. The Pelett properties conveniently connect with the residential neighborhoods of Buckman to the east and Sellwood, Eastmoreland and Westmoreland to the south via McLoughlin Boulevard.

The majority of the project sites are within a few blocks of the Portland Streetcar stops at SE MLK and Morrison and SE Grand and Belmont. Both stops are serviced by the new A and B Loops which directly connects the southwest area of the city near Portland State University via Tilikum Crossing Bridge. This provides greater connectivity for commuters and shoppers coming from southwest Portland. The parcels surrounding the main store are less than ½ mile from the East Bank Esplanade and the Salmon Buildings are approximately two blocks from the Esplanade's Salmon Street entrance.

Market Analysis

Portland and the National Economy

The 2008 recession is notably one of the largest economic downturns since The Great Depression. Defined as a slowdown of economic activity, business cycles, and a reduction in the amount of goods and services produced and sold; the 2008 recession is classified as one of 10 total recessions between the years 1948 and 2011[xv].

From July 2013-June 2014, average expenditures increased 1.0 percent[xvi]. Much of this increase is due to an increase in healthcare spending. This 1 percent increase was compounded with a -0.90 percent decrease in the average consumer income (See Table A at right.)

A breakdown of the expenditures and their respective percentages is shown on Table B at right:

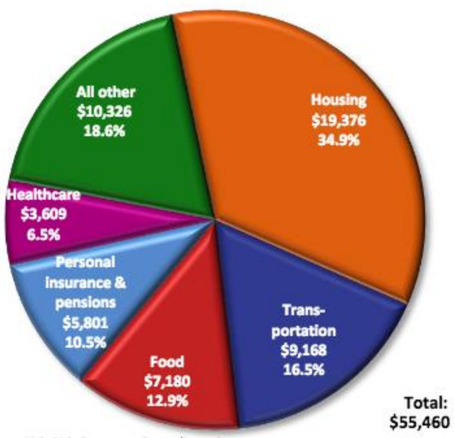
Table A. Average expenditures and income of all consumer units and percent changes

Item	July 2012 - June 2013 Average	July 2013 - June 2014 Average	Percent change July 2012 - June 2013 to July 2013 - June 2014
Income before taxes ..	$65,029	$64,432	-0.9
Average annual expenditures ...	51,408	51,933	1.0

Table B. Shares of average expenditures on selected major components by income quintiles, July 2013 through June 2014

Item	Income quintiles				
	Lowest 20th percentile	Second 20th percentile	Third 20th percentile	Fourth 20th percentile	Highest 20th percentile
Food ...	16.0	14.3	13.4	13.2	11.2
Housing .	40.6	37.6	34.6	32.2	30.7
Transportation ..	14.6	17.4	19.4	18.5	16.9
Healthcare .	8.3	9.0	8.2	8.0	6.3
Personal insurance & pensions.	2.1	4.9	7.9	11.0	15.6

West Region average annual expenditures 2013



Source: U.S. BLS, Consumer Expenditure Survey.

As shown in the tables to the right, the largest expenditure for consumers is housing, followed by transportation and food. Regionally, the Portland metro area is within the West Region and has similar expenditures to the national average, and at times exceeds the national average[xvii]:

In the Portland metro area, there is a sizeable (+/-) $10,000 dollar difference in expenditures ($55,460 vs. $64,432). However, looking at the graph (to the left) the West Region correlates positively with the national figures, sometimes even exceeding the national trend. Further mirroring the correlations between the Western Region and the national average is income, which mentioned earlier was down -0.90 percent nationally. In a survey of private sector employers, the total average compensation for hourly wages and benefits were $34.14 for the Pacific and $31.32 for the U.S., representing an 8.26 percent difference.

The Pacific region refers to Alaska, California, Hawaii, Oregon, and Washington in the calculation. Another survey calculated household data on the median weekly earnings of full-time wage and salary workers[xviii]. From their findings, they deduced a median weekly earning from $719-$871 dollars.

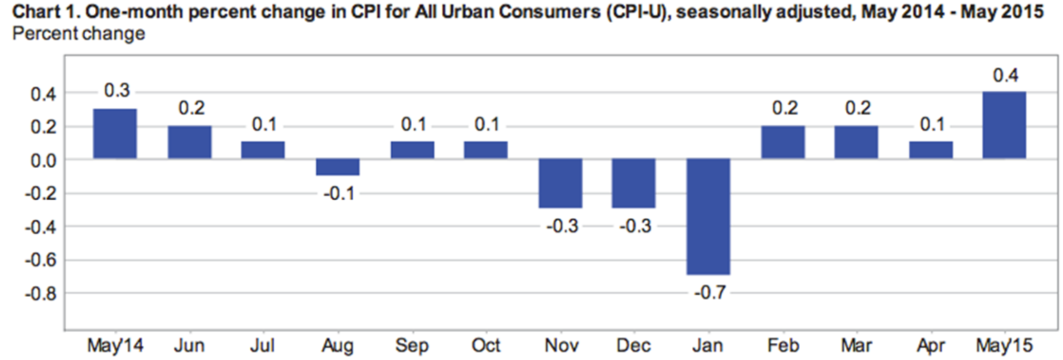
A measure of purchasing power, the Consumer Price Index dated May 2015, reported a 0.40 percent increase in the Consumer Price Index for All Urban Consumers (CPI-U). As for the Portland-Salem Oregon CPI-U, there was a recent change of 2.36 percent from 2013 to 2014. This is compared to a 20.78 percent increase from 2004 to 2014, and a long-term change of 95.65 percent from 1914 to 2014.

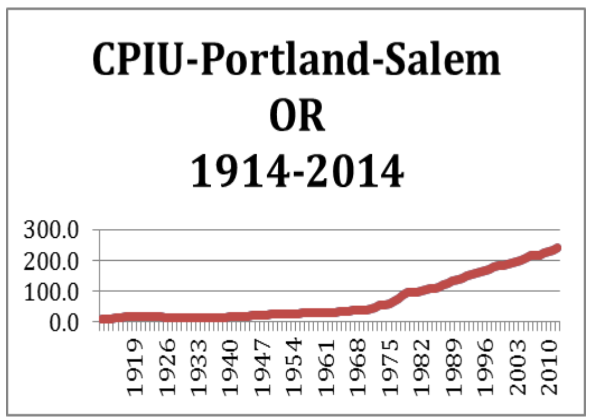
Combining positive gains in income, as well as positive signs in consumer spending, the Pacific Northwest, Oregon, and the Portland MSA appear to be safe markets to invest in, considering the metrics. Additionally, the regional governmental body, METRO, forecasts continued growth and migration the Portland area in their recent 2035 projections[xix]. A looming factor, inflation, is one area that could offset the benefits that increased income and spending bring to an area. However, in looking at the figures, this is not the case.

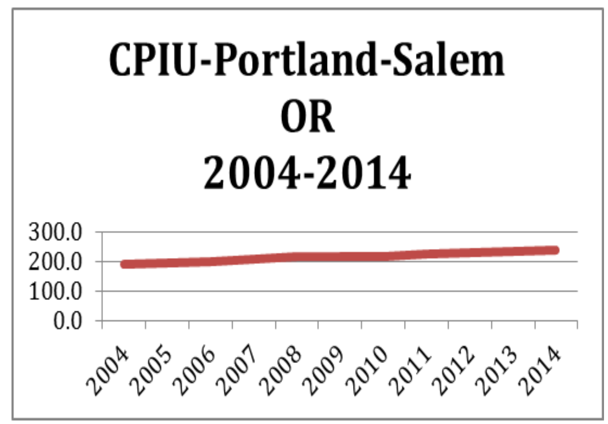
[Numbers in thousands]

Occupation	2014					
	Total		Men		Women	
	Number of workers	Median weekly earnings	Number of workers	Median weekly earnings	Number of workers	Median weekly earnings
Total, full-time wage and salary workers	106,526	$791	59,450	$871	47,076	$719

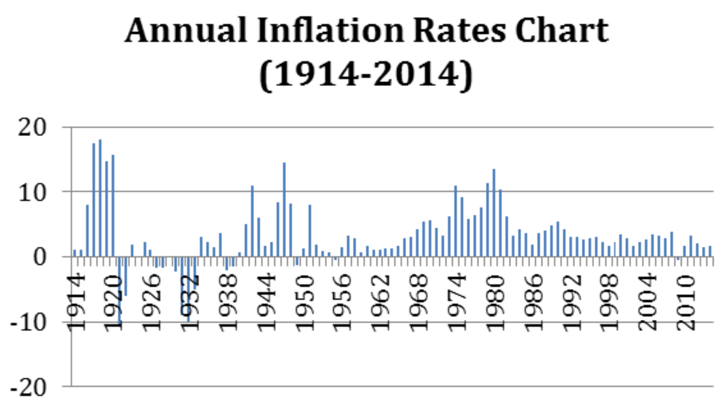
Chart 1. One-month percent change in CPI for All Urban Consumers (CPI-U), seasonally adjusted, May 2014 - May 2015

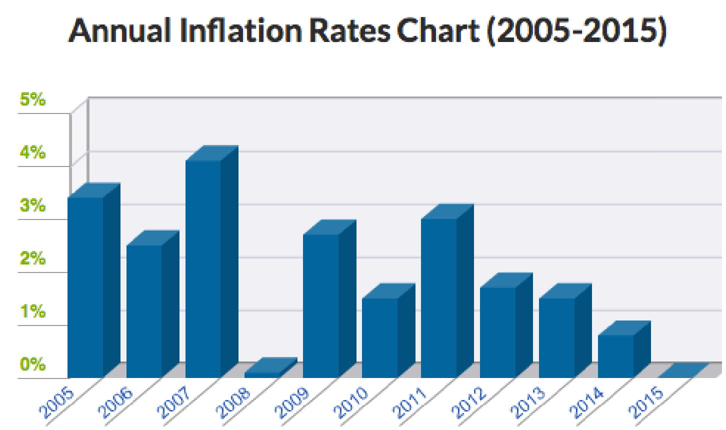






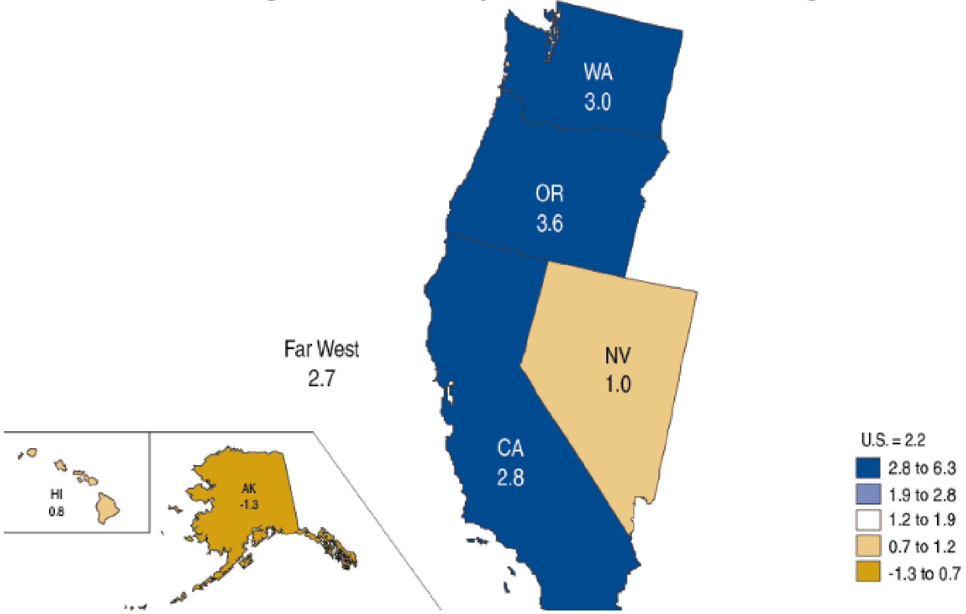
From the period between 2014 to the present, inflation remained relatively unchanged with a slight decrease of -0.68 percent. On a long-term analysis, the change was similar but slightly lower with a slight change of -0.37 percent from 1999-2014[xx].





In the U.S., the GDP decreased in the first quarter at a rate of -0.20 percent[xxi]. As for the state of Oregon, there was a 3.60 percent change in 2014, last updated by the U.S. Bureau of Economic Analysis (BEA) on June 5th, 2015[xxii].

Percent Change in Real GDP by State in the Far West Region, 2014



Note:

Relation of GDP by state to U.S. Gross Domestic Product (GDP). An industry's GDP by state, or its value added, in practice, is calculated as the sum of incomes earned by labor and capital and the costs incurred in the production of goods and services.

National Trends and Forecast Review[xxiii]

National employment trends reflected unusually slow job growth between 2000 -2008. However from 2009-2013, employment began to look more optimistic as the nation saw 1.4 percent increase in jobs annually. Currently, the total number of seasonal adjusted non-farmhand jobs upheld in the United States as of May 2015 was 250,455,000. According to the BLS, this accounts for 62.9 percent of the country's workforce population.

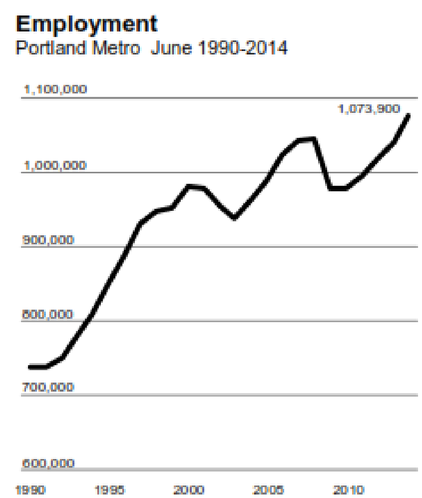
National unemployment during the latest decade has steadily decreased since the recession in 2008. As of May 2015, the unemployment rate was recorded at 5.5 percent with the total number of unemployed persons to be 8.7 million. This reflects a statistically significant drop from the results listed in the May 2014 report, which indicated national unemployment as 6.3 percent with 9.76 million unemployed people. However, unemployment rates between 2015 quarters remained relatively unchanged.

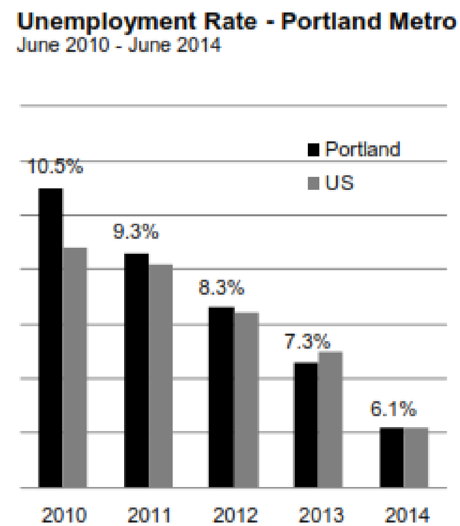
Portland Employment

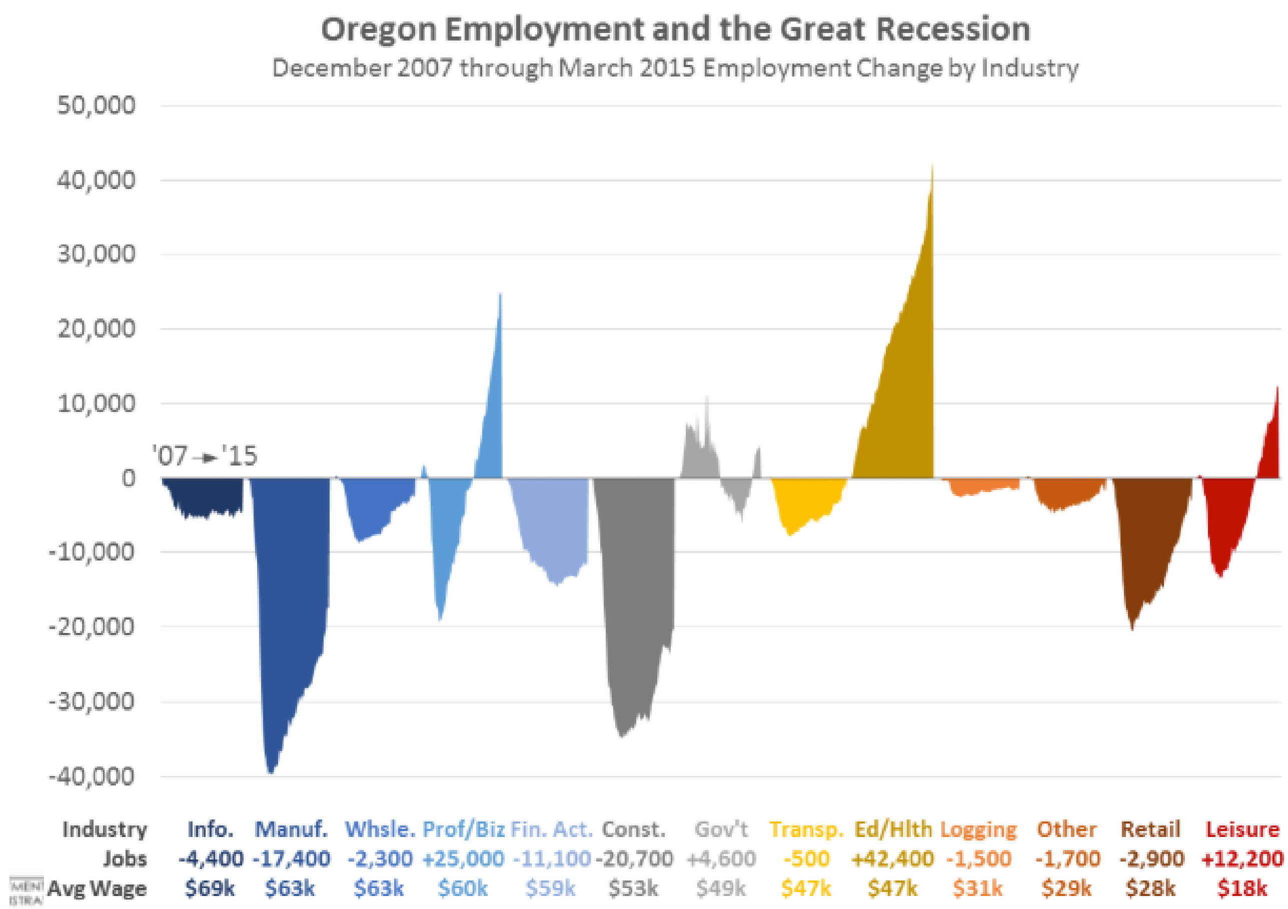
In 2014, Portland reported a 1.02 million-person employment base between the 7-county MSA. From 1980 to 2008, Multnomah County added approximately 114,800 new jobs, which represented a 1.1 percent annual jobs growth rate. After 2000, both regional and city job growth slowed substantially as only approximately 3,100 jobs were added between 2000 and 2008. According to the BLS, the 2000-2008 periods reflected a loss in manufacturing jobs by about 3.3 percent per year, with all industrial employment dropping at an annual rate of 2.6 percent. This trend closely follows national trends. Since 2008, local job growth has rebounded recovering 23,000 jobs previously lost in Portland and 63,000 jobs lost in the region between 2008 and 2010.

The unemployment rate in the Portland MSA has trended closely with national rates of unemployment. However in 2015, Quarter 1 BLS reports showed that the unemployment rate locally was higher (6.1 percent) than the national average (5.5 percent). However, the close of Quarter 2 showed significant improvement in the local employment market as the rate dropped to 5.1 percent by the end of May.

Focusing from 2014 Q1 to 2015 Q1, Portland achieved above average gains in the Professional/Business sector. This above average growth helped place Oregon, as a whole, 5th in the nation according to a recent Arizona State University study. Of the 13-standard industries, Professional/Business, Government, Educational/Health, and Leisure have been the driving forces for Oregon's job growth since the 2008 recession.






Oregon Employment and the Great Recession
December 2007 through March 2015 Employment Change by Industry
50,000
40,000
30,000
20,000
10,000
0
-10,000
-20,000
-30,000
-40,000
'07 → '15
Industry Info. Manuf. Whsle. Prof/Biz Fin. Act. Const. Gov't Transp. Ed/Hlth Logging Other Retail Leisure
Jobs -4,400 -17,400 -2,300 +25,000 -11,100 -20,700 +4,600 -500 +42,400 -1,500 -1,700 -2,900 +12,200
Avg Wage $69k $63k $63k $60k $59k $53k $49k $47k $47k $31k $29k $28k $18k

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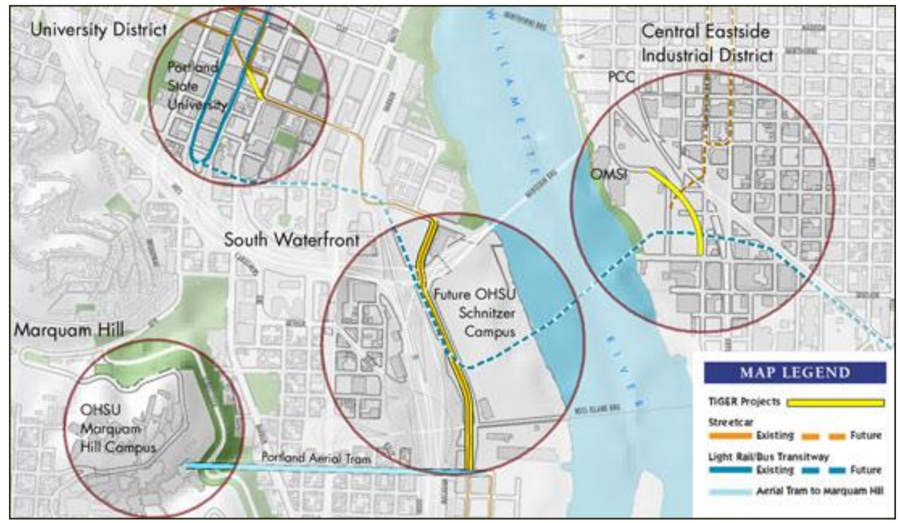
Site Context

The Impact of OHSU

Supporting the growth in both the Professional/Business and Educational/Health sectors is Oregon Health Science University (OHSU), as the largest employer in the Portland-Vancouver Metropolitan Statistical Area (MSA). OHSU directly impacts the local economy due in large part to OHSU's success as both a medical facility and teaching hospital, and boosted by $500-million dollar endowment, and a $1-billion dollar *Knight Cancer Challenge* by Phil and Penny Knight of Nike. The challenge allows for campus expansion and for OHSU to position itself as *the* cancer research center in the country. As their website touts, "Our next countdown is to cancer's end."

The Innovation Quadrant

Long known for its natural resources and manufacturing in the Portland MSA has undergone changes since the in migration of people from surrounding states such as California. With this in migration the job strata has also changed and the MSA is moving to become the most sustainable economy in the world[xxiv], and at the hub of this aim is the Innovation Quadrant. Comprised of a collaboration among educational institutions, medical sciences, Portland entrepreneurs, and industry, the quadrant gets its name from the four distinct areas that comprise it. The innovative groups that are a part of it are: 1). The University District, 2). Marquam Hill, 3). The South Waterfront, and 4). The Central Eastside Industrial District (CEID). Invested partners include Portland State University (PSU), Portland Community College (PCC), OHSU, Oregon Museum of Science and Industry (OMSI), and the various businesses in the South Waterfront and Central Eastside Industrial District. “Together, the four districts of the quadrant are projected to grow by approximately 30,000 jobs and 11,000 households over the next 25 years.” Connecting these areas is a new Orange-light-rail line, the Portland Streetcar and Tilikum Crossing multi-modal bridge.



The University District

The district supports nearly 6,000 jobs with recent annual job growth of 8 percent. PSU generates more than $1 billion annually in regional economic activity and has a vision to become one of the world's leading academic institutions in the field of sustainability.

Marquam Hill

It is the primary campus for OHSU, a top-20 nationally ranked academic medical research institution and the fourth largest private employer in the state. OHSU generates close to $3 billion annually in economic activity.

The South Waterfront

This 120-acre district encompasses the Central City’s largest supply of remaining vacant land.

The Central Eastside Industrial District

This Central City district provides valuable industrial, distribution and business incubator options within one-half mile of downtown. The CEID supports close to 16,000 diverse jobs as well as key workforce and cultural institutions.

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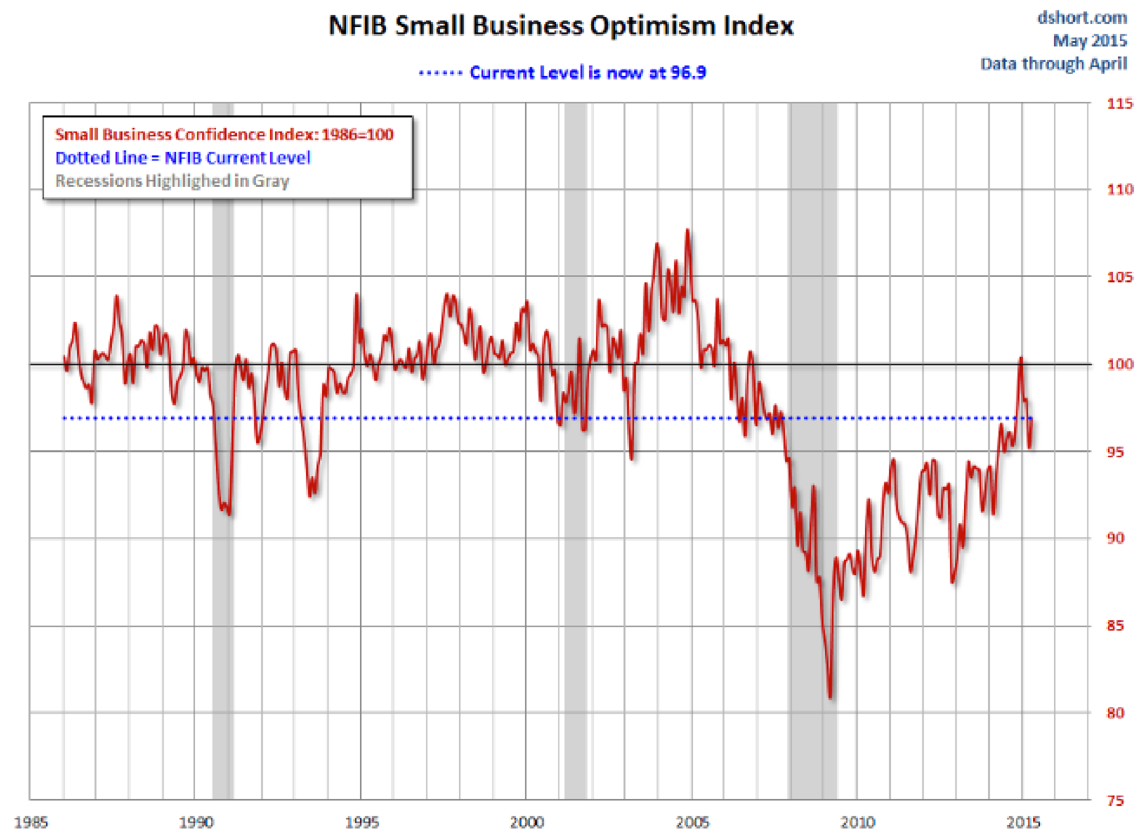
Small Business and the Central Eastside

Venture Portland cites that 19,000 businesses are represented in various Portland Neighborhood business districts, of which 98 percent have fewer than five employees[xxv]. Within the CEIC, there are 1,122 businesses. After taking a big fall during the recession, Oregon small businesses are on the rise. As noted by the Small Business Optimism Index, the trend is on a steady upward trajectory.



Overall, the historic trend for new firms is down, though the short-term numbers are up. Positives for the area are certainly the increased employment numbers for the Professional/Business, and the Educational/Health Service industry segments. This is highlighted with the Knight Cancer Center and the city's goals for the Innovation Quadrant as previously mentioned. Start-ups have historically signified innovation and the creation of new ideas; the innovation quadrant will be the incubator that small businesses coming to the area need. As illustrated by the Small Business Optimism Index above, the outlook for new ideas is bright, as optimism seems to be recovering from its recessionary low. Lastly, Oregon's Office of Economic Analysis predicts that Portland, and Oregon's, advantage has been, and will continue to be, its central location between large markets such as California, Vancouver, and Asia; clean water; low business rents and living costs; and an increasingly diverse industrial base.

On the Horizon

The Portland Development Commission (PDC) is tasked with the challenge to draw employers to the city center, and in selling the Portland labor force. Coined "target industry clusters[xxvi]" the PDC has focused their attention on the following:

Athletic & Outdoor	Advanced Manufacturing	Clean Tech
Entrepreneurship	Film & Digital Media	Software
Exports & Market Research	Recruitment & Foreign Direct Investment	

In an effort to entice these types of businesses, the PDC has developed ancillary programs such as *The Enterprise Zone (E-Zone) Program*, *The Storefront Improvement Program, and Green Features Grant Program* to name a few. One of particular importance is the E-Zone program, and its role in spurring industrial growth.

The E-Zone Program is an economic development program that provides a property tax exemption with a corresponding capital investment[xxvii]. "Over 50 companies have participated in the program, and approximately 25 projects are active. Since 1996, the City's E-Zone program has leveraged over one billion dollars and has created and retained over five thousand full-time, quality jobs." By taking these steps, the PDC has been enticing industrial firms to enhance their operations through capital improvements. Another step to support and to foster industrial growth and sustainability is the establishment of the Southeast (SE) Quadrant Plan, a plan put in place to save industrial land[xxviii]. Industrial is a loose term, used here to describe any business that produces a product for sale.

Further aiding the industrial firms is *Venture Portland*, an all-volunteer organization comprised of business owners. Venture Portland's goal is to be "a key partner in the city's economic development efforts to create new jobs and stimulate neighborhood business vitality[xxix]." Venture Portland's goal is to help businesses and their communities succeed; with events such as *Summer Local*, an event promoting Portland's 31 business districts, businesses and entrepreneurs alike will be further drawn to the Portland marketplace.

Local Market Analysis

The gritty Central Eastside is a district rich in character reflecting generations of ambitious hard work from entrepreneurs and the salt of the earth industrious workers that shaped east Portland into the rough and iconic scene so many wish to be a part of. Throughout the United States, districts similar to the Central Eastside, are being transformed from blue collar labor environments to creative and innovative mixed use areas catering to the affluent and trendy. However, these refurbished districts are not entirely void of their industry roots, in fact, districts like New York

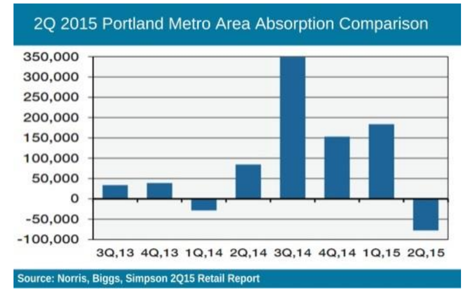
City's Meat Packing district on Manhattan or San Francisco's Pier Blocks have purposely left the soul of these old blue collar districts, giving offices and homes a much more historic feel. With younger generations' desire to surround themselves with unique spaces than traditional 1980s and 1990s spaces, industrial rehab projects within these old labor districts are commanding significant rents.

For Portland, the Central Eastside is a treasure trove of potential with full block brick buildings dating back to the early 20th century and remnants of old wares and architecture left dated and worn. However, the most significant feature of the Central Eastside is its proximity to the Willamette River and the downtown core. Because of this proximity, real estate in this district is prime for industrial, office, retail and multi-family uses.

The general real estate market in the Central Eastside has been on the rise with total vacancies dropping from 12.8 percent in 2006 to an even 5.0 percent in the second quarter of 2015. Concurrently, per square foot rents among industry, office, and multi-family have increased nearly 83 percent since 2006 to $28.47.

Retail

Retail vacancy levels for the Portland MSA have been relatively steady since 2013 at around 6 percent while absorption for the first half of 2015 has been lagging steadily, leaving approximately 78,000 square feet of retail space unclaimed despite the increase in construction. The overall asking rate for the MSA just over was $17 per square foot during the close of 2Q15 according to Kidder Matthews' 2015 2Q Retail Report. The asking retail rental rate for the central eastside was only slightly higher at $18 per square foot, while the Central Business District saw an area high of $21 per square foot.



Currently, the central eastside has 28 buildings dedicated to retail activity with 5,724,959 square feet of space. Of that, 4.38 percent (250,529 square feet) is vacant and available for leasing. Contrary to the metro trend, absorption for the eastside is a positive 21,296 square feet with 32,000 new square feet of construction in the pipeline.

Consumers in the local region have been active in spending as a reflection of Portland's healthy economic growth. According to the Bureau of Labor Statistics, Portlanders outspent those in other U.S. cities across the board in 2014 -- most heavily in food items and energy costs. The average Portland MSA worker is currently earning a weighted average of $24.38 per hour, with weekly take home earnings of $682.

Among all careers surveyed, software engineers and registered nurses were at the top of pay scale and retail salespersons and food industry workers were at the bottom of the scale.

Industrial

Portland's industrial scene is as diverse and scattered across the city as the food carts that have made the city famous. Coming into 2015, Portland has seen incremental increases in manufacturing but has seen healthy increases in food processing, medical support and professional management and administration.

Industrial	Portland MSA	Eastside Total	Portland MSA	Eastside Total
	4Q'14	4Q'14	1Q'15	1Q'15
Inventory (SF)	1,181,815,063	91663973	1,823,838,616	91,987,054
Vacancy Rate	4.8%	1.3%	5.4%	0.4%
Net Absorption (SF)	421,223	389800	373,102	340,345
YTD Net Absorption (SF)	3,606,539	1178539	373,102	340,345
Asking Lease Rates/ SF	$0.58	$0.51	$0.58	$0.51

Relative to the national standard, Portland's industrial market has been slower in recovering than other cities with underperformance in construction, manufacturing, general distribution, and production. Portland is transitioning away from its blue collar roots into fields requiring more flexible office space with tenants that are looking for tailor-made accommodations.

The vacancy rates within the Portland MSA was reported at 4.8 percent at the close of the second quarter coming down from 5.7 percent in 2014[xxx]. Despite adding more square feet to the market, the year to date net absorption is still positive due to the first quarter of 2015 which reflected a positive net absorption of 940,731 square feet. Kidder Mathews projects that the year ends net absorption for the Portland MSA will be a net positive and similar to the close of 2014 at 2.1 million square feet.

With little industrial space in the urban core, the industrial inner eastside is carrying a significantly lower vacancy rate at 1.3 percent compared to the city average. Year to date net absorption for the Central Eastside was reported as a net positive 0.3 percent, with the year-end projection slightly higher.

Lease rates for industrial flex, manufacturing and warehouse space have risen from $0.46 per square foot to $0.48 per square foot since 2014, with office buildouts commanding an $0.80 per square foot premium[xxxi]. Average lease rates for the CEID came in well above regional averages at $0.84 per square foot, with manufacturing shell rates averaging $1.50 per square foot[xxxii].

Creative Office

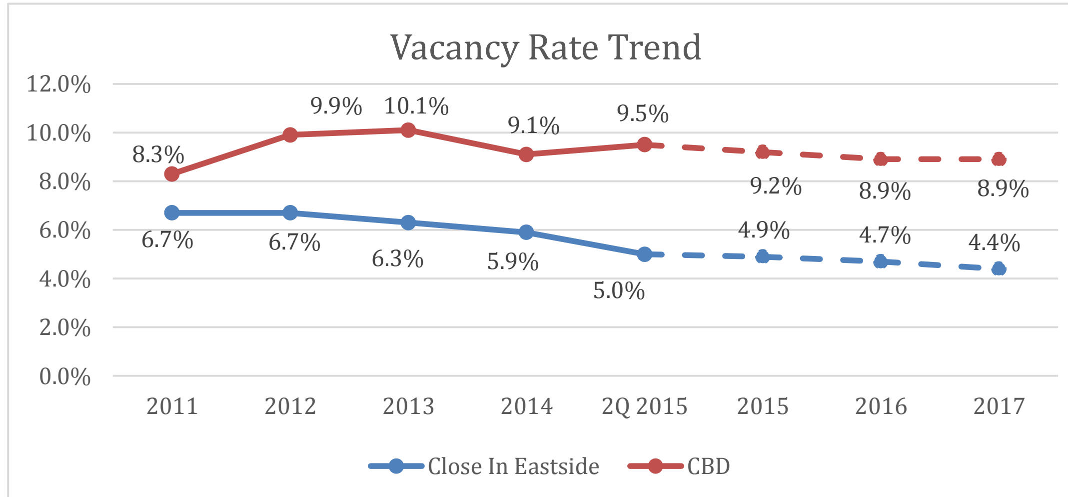
Demand

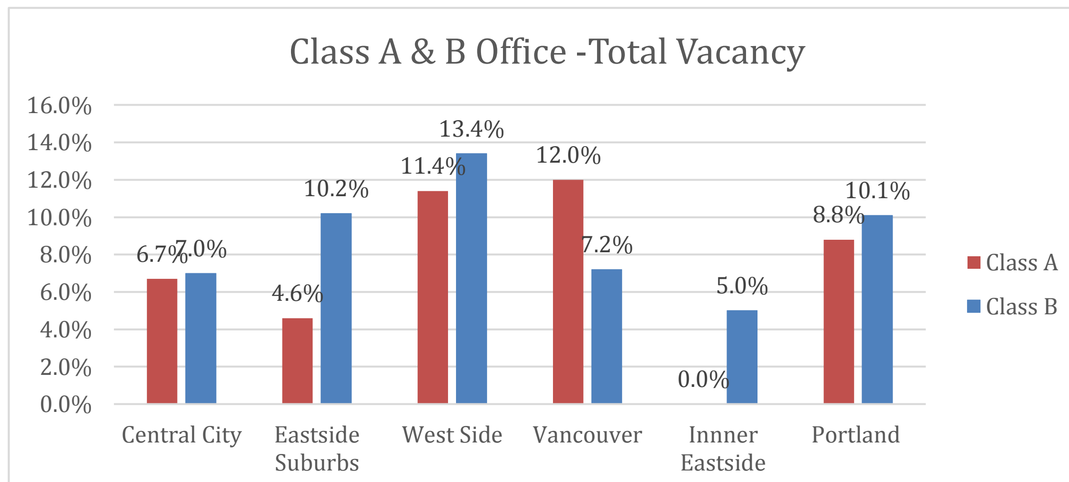
The demand for office space in the city has changed over the years as the mix of companies in the region becomes more diverse and less dependent on the physical manufacturing of goods and more dependent on creating software technologies and informational products. Currently, these tenants have been drawn away from suburban office parks and towards renovated buildings that showcase reclaimed industrial wood beams, polished concrete floors, and exposed structural infrastructure.

The revitalized Pearl District is Portland's most recent example of the popularity for leasing Class A quality space in keeping with the district's original rustic aesthetics. Currently, the peripheral blocks of the inner eastside have seen a tremendous amount of construction and leasing activity for retail, housing, and office renovations.

Vacancy Rate

Vacancy rates for all office classes in the Central Eastside are among the lowest in the region at 5.0 percent with only the Lloyd Center and St. John's/Central Vancouver districts showing lower vacancies.[xxxiii] Regionally, the vacancy rate closed out at 9.1 percent with the Central Business District closing at 7.4 percent.





Tenant Profile

Portland is becoming an increasingly popular destination for promising start-ups and well established companies looking to fulfill their workloads with highly skilled and well educated employees. The Portland Development Commission (PDC) is focused on attracting companies in the clean tech, software, and athletic & outdoor industries. Companies operating in advanced manufacturing, film and media, and athletic & outdoor seeking customizable creative office space that can be built to suit with nearby warehousing will look closely to the Central Eastside due to its proximity to the CBD and its multi-use availability.

Market Rents

Lease rates for newly renovated class A space is between $24 per square foot and $26 per square foot triple net with lease rates as high as $30 per square foot. According to Jones Lang LaSalle's 2Q 2015 Office Report, the average triple net asking rate for Class A space in the Close-In Eastside district was an astounding $36 per square foot. This is a 20 percent increase compared to the CBD's average $30 per square foot and a 35 percent increase from the regional leasing average for office.

Multi-Family Residential

The multi-family market has seen an increase in number of units on the market and a decrease in vacancy rates. According to Colliers' International Q2-2015 Multi-Family Report, the vacancy rate for downtown Portland is 5.10 percent with most of the new units (11,500) being built in the downtown metro area. Focusing the assessment to the Central Eastside Industrial District (CEID), a NAI Norris Beggs & Simpson Q2-2015 report cites vacancy in the CEID at 2.27 percent. Speaking to this high demand for multi-family is the Hassalo on Eighth

project and the Burnside Bridgehead (BBH) Project Block 67.

Multi-Family Residential	Inner Eastside 4Q'14	Eastside Total 4Q'14	Inner Eastside 1Q'15	Eastside Total 1Q'15
Inventory (SF)	9,750,170	91663973	9,154,837	91,987,054
Vacancy Rate	1.0%	1.3%	0.9%	0.4%
Net Absorption (SF)	68,488	389800	-19,007	340,345
YTD Net Absorption (SF)	569,996	1178539	-3,200	340,345
Asking Lease Rates/ SF	$0.79	$0.51	$0.89	$0.51

Further speaking to the increasing trend towards multi-family is the drastic rise in rents with the average rent broken down as: studios ($1,278), 1-Bedroom ($1,553), and 2-Bedroom ($2,017). Another development in the multi-family market is the decrease in unit size, with the averages broken down as: studio (471 sf), 1-Bedroom (651 sf), and 2-bedroom (954 sf). Unique to the multi-family market are also the rise of the "micro-unit" apartment projects. Here, rents demand a 1-bedroom premium for a below studio size of 321 square feet.

To help combat these issues, the City suggests simplifying the parking system, establishing a new permit and meter district, expanding the permit program by making more spaces 2-hour or 3-hour parking and creating customer priority areas. By enacting these measures, the City hopes to avoid many of the previous parking woes on the eastside.

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Multi-Family Project Pipeline

Trending in the Central Eastside Industrial District (CEID) are mixed-use projects in creative office and industrial office space. In recent years the Central eastside has seen resurgence in activity as sole-proprietors, entrepreneurs, and millennials gravitate to the area for its authenticity and grit, which has driven up rents and decreased vacancies. For recently completed projects, as well as proposed projects, office space is a popular allocation. Two tables highlight projects on the drawing board, under construction, and recently completed. By looking at the column labeled "Type" one can see the mix of buildings being proposed and soon to be entering the market.

#	Project Name	Type+	Location	Developer	Architect	Est. Size (SF)SF
1.0	HASSALO ON EIGHTH	AOR	1088 NE 7TH AVE., PORTLAND OR 97232	AMERICAN ASSET TRUST	GBD ARCHITECTS	592,616
2.0	100 MULTNOMAH	OR	100 NE MULTNOMAH ST., PORTLAND OR 97232	STAR TERRA LLC	ANKROM MOISAN ARCHITECTURE	500,000
3.0	BBH BLOCK 67	AR	5 NE 3RD AVENUE, PORTLAND OR 97214	BEAM/KEY DEVELOPMENT	SKYLAB ARCHITECTURE	334,000
4.0	MODERA BELMONT	AR	818 SE 6TH AVE., PORTLAND OR 97214	MILL CREEK RESIDENTIAL TRUST	SERA ARCHITECTS	230,000
5.0	LOCA @ THE GOAT BLOCKS	AR	1004 SE BELMONT ST., PORTLAND OR	KILLIAN PACIFIC	ANKROM MOISAN ARCHITECTURE	133,000
6.0	BBH BLOCK 75	AO	111 NE MARTIN LUTHER KING JR. AVE., PORTLAND OR 97214	BEAM DEVELOPMENT	WORKS PARTNERSHIP ARCITECTURE	130,000
7.0	HOTEL EASTLUND	RH	1021 SE GRAND AVE., PORTLAND OR 97232	GRAND VENTURES HOTEL LLC	HOLST ARCHITECTURE	126,706
8.0	OREGON SQUARE	R	825 NE MULTNOMAH ST., PORTLAND OR 97232	AMERICAN ASSET TRUST	GBD ARCHITECTS	80,000
9.0	240 SE CLAY	ROI	240 SE CLAY, PORTLAND OR 97214	KILLIAN PACIFIC	MACKENZIE	70,000
10.0	THE DUMBBELL	OR	11 MARTIN LUTHER KING JR. BLVD PORTLAND, OR 97214	GUERRILLA DEVELOPMENT	FFA ARCHITECTURE	64,700
11.0	LOWER BURNSIDE LOFTS	AR	30 SE 10TH AVE.., PORTLAND OR 97214	URBAN ASSET ADVISORS	VALLASTER CORL ARCHITECTS	53,000

+ Key: Residential (A), Office (O), Retail (R), Industrial (I), Hotel (H)

	Project Name	Type +	Location	Developer	Architect	Est. Size (SF)
12.0	MONT BLANC BUILDING	ORI	714 NE HANCOCK ST., PORTLAND OR 97212	NORTH RIM DEVELOPMENT PARTNERS	RICHARD BROWN ARCHITECT	34,444
13.0	2422 SE 9TH AVE.	O	2422 SE 9TH AVE., PORTLAND OR 97214	SOLTERRA CITIES, LLC	DESIGN FOR OCCUPANC ARCHITECTURE	34,000
14.0	811 SE STARK	OR	811 SE STARK ST., PORTLAND OR 97214	MICHAEL QUINN	WORKS PARTNERSHIP ARCITECTURE	31,500
15.0	THE REDD	ORI	831 SE SALMON ST., PORTLAND OR 97214	ECO TRUST	GREEN GABLES ARCHITECTURE	16,000
16.0	THE PITTMAN II	ORI	1430 S WATERMAN AVE., PORTLAND 97214	NORTH RIM DEVELOPMENT PARTNERS	DECA ARCHITECTURE	15,700
17.0	THE I.O.O.F.ORIENT LODGE	R	706-710 SE 6TH AVE., PORTLAND OR 97214	CHEFSTABLE	JOHN WEIL ARCHITECT	15,000
18.0	1306 NE 2ND AVE.	AO	1306 NE 2ND AVE., PORTLAND OR 97232	MIRACLES CENTRAL APARTMENTS LLP	CARLETON HART ARCHITECTURE	
19.0	9TH & BELMONT	R	915 SE BELMONT ST., PORTLAND OR 97214	FORESIGHT DEVELOPMENT & REAL ESTATE	ANKROM MOISAN ARCHITECTURE	
20.0	REGAL CINEMA LLOYD CENTER 10	AR	1510 NE MULTNOMAH ST. PORTLAND OR 97232	AMERICAN ASSET TRUST	HOLST ARCHITECTURE	
21.0	514 SE BELMONT	AR	514 SE BELMON ST, PORTLAND OR 97214	BBB ENTERPRISES LLC	VALLASTER CORL ARCHITECTS	
22.0	ELEMENT 78	A	139 SE MARTIN LUTHER KING JR. BLVD., PORTLAND OR 97214	BRIDGE HOUSING CORPORATION	ANKROM MOISAN ARCHITECTURE	

The old-wood and brick buildings in the CEID are great candidates to be developed as creative office. Due to high demand, the Employment Opportunity Sub-Area (EOS) land use regulation was passed for the CEID to allow for more office use. The EOS allows for the following:

Industrial Office	Provisions allow up to 60,000 square feet of industrial office uses per site, with the ability to develop up to 60,000 square feet as a conditional use. Industrial office uses are defined as those that focus on the development, testing, production, processing, or assembly of goods and products.
Traditional Office	Up to 5,000 square feet of traditional office is allowed per site, with the ability to develop up to 60,000 square feet through conditional use process.
Retail Sales	Provisions also allow up to 5,000 square feet of retail uses per site.

The Central Eastside has experienced rapid growth over the last couple of years, and with the number of cranes dotting the cityscape. Some of the most notable projects which will impact the Central Eastside are Hassalo on Eighth, the Burnside Bridgehead (BBH) projects, the Oregon Department of Transportation (ODOT) blocks, and the Goat Blocks.

Hassalo on Eighth

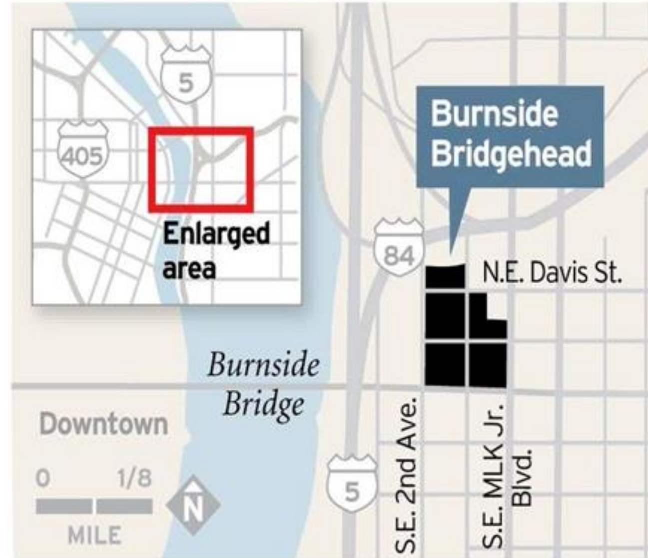
Consisting of three (3) buildings (*Velomor, Elwood, & Aster Tower)* with a central square called *Oregon Square*, the project being spearheaded by American Asset Trust (AAT) and GBD Architects is the largest project coming to the Portland area.

According to GBD Architects, the project will include 657 for-rent housing units, 592,616 gross square feet (GSF) of housing, 58,107 GSF of retail space, 271,582 GSF of office space, and 1,200 underground parking stalls.

Hassalo on Eighth made headlines for a number of reasons, mainly its size and scope, especially because of its large number of residential units. There is also a proposed project at the Lloyd Center Regal Cinemas site with an additional 980 housing units.

Burnside Bridgehead (BBH)

Comprised of five total blocks (Blocks 67,68,69,75, and 76), the BBH development project was offered for public bid in 2010. The winning bidders include, but are not limited to: Key Development, Trinsic Residential, Urban Development Partners, Bridge Housing, Guerrilla Development, and Beam Development. The BBH project is part of a large push by the Portland Development Commission (PDC) to stimulate job creation and economic growth while also promoting the Central Eastside.



DAN AGUAYO/THE OREGONIAN

The two blocks that set the tone for the Bridgehead projects are Block-67 (Key Development) and Block-76 (Guerrilla Development). Block-67 is a 21-story mixed-use building. Programming for the site includes 284 market-rate apartments and over 24,000 square feet of retail space with high-end finishes and amenities; Block-67 brings the Pearl District feel and polish to the Eastside.

Guerrilla Development's project, The Fair-Haired Dumbbell, echoes the whimsy and creative side of the Central Eastside with a paisley exterior. It is currently the same paisley exterior, which has also stirred controversy including design delays for the project. Programming for the dumbbell includes both office and retail space for a total of 64,700 square feet. Guerrilla Development describes the dumbbell as green without being smart, handsome without being expensive and lucrative without being greedy.

The ODOT Blocks

The ODOT Blocks are situated directly across from the Portland central business district (CBD) and offer the opportunity to purchase 2.10 acres of land, and lease 2.20 acres. Applicants need to promote high wage jobs as well as growth in four target businesses: Software, Athletic and Outdoor, Advanced Manufacturing, and/or Clean Technology. The ODOT Blocks offer one of the largest contiguous developments in the CEID.

The development opportunity involves three parcels of land owned by Oregon Department of Transportation (ODOT) bounded by SE Taylor Street, SE Madison Street, Water Avenue, and I-5. PDC is acting on behalf of the City of Portland to facilitate the sale of approximately 2.1 acres of a total of 4.3 acres of land. Water quality requirements and future transportation needs necessitate that ODOT retain ownership of approximately 2.2 acres. However, there is an additional opportunity to negotiate a lease for allowable interim uses on the 2.2 acres of land that will remain in ODOT's ownership.

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LOCA @ The Goat Blocks

After sitting vacant for a number of years, two contiguous parcels of land in the heart of the Central Eastside are finally being developed. Nicknamed The Goat Blocks, for the short period of time that goats were used to tend over-growing grass and weeds, the name stuck and the goats took on an iconic stature. Sitting at the intersection of 10th and Belmont, the two full city blocks will consist of 97,000 square feet of retail space, 247 apartments, and over 300 parking spaces. The retail anchors for the site will be both a grocery store and a hardware store.   LOCA is a combination of Location-Locavore-& Crazy. The Goat Blocks have the location, they have the local flare, and some considered them crazy when they used goats. It appears that visitors to The Goat Blocks can expect classic Eastside LOCA when the project is complete.

Development Plan Concept Statements

Mission Statement

Establish a development that is a center for a diverse range of businesses and services by cultivating emerging and growing firms, while enhancing existing ones. Develop a kaleidoscope of uses and structures that are vibrant and complimentary. Create an attractive experience for employees, residents, and visitors.

Making A Great Place

- Sociability: Creation of interactive and welcoming public and semi-public space through interim activation, enhanced streetscape, and increased activity.
- Access & Linkage: A balanced multimodal approach that promotes connectivity and accessibility. Utilize an efficient mix of parking, freight access, bicycle facilities, and walkability to ensure convenient access.
- Uses & Activities: An active, vital, and real mixture that incubates a productive, sustainable community.
- Comfort & Image: A safe and charming place that encourages exploration and is desired.

Strategies

Activate underutilized space and buildings.

Preserve character and historic structures.

Evolve the brand, business, and real estate strategy for long-term prosperity.

Diversify uses, activities, and users to produce a well-rounded hub.

Grow the place incrementally through intelligent, innovative investment and strategies.

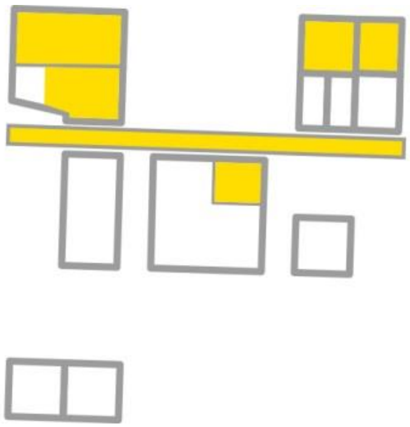
Mature the area into a proud, attractive, accessible place.

Development Program and Phasing

Parameters

The Pelett family and City Liquidators are at a crossroads. The Central Eastside ecosystem is evolving and the family is making plans for a generational transfer. Furthermore, the Pelett Properties have primarily supported the retail operation, yet the family foresees a future in which a real estate business operates alongside of and compliments the retail business. To that end, the family has decided to undertake a process of growing their commercial real estate experience. Central to this goal is an imperative for the family to retain full control over their existing holdings. To accomplish this while building development experience, we have proposed a phased and cumulative development program for the Pelett Properties. The phasing plan provides the family with the ability to realize the full potential of their holdings and grow their sophistication as commercial real estate developers and operators. This includes navigating such constraints as easements involving public entities, zoning, and prevailing market forces. In later phases, the accumulation of experience and a successful track record with financing partners will allow the family to undertake more substantial new construction projects. This plan allows the Peletts to realize their goals, contribute increased economic activity, and cultivate a lively place.

Phase I: Activate and Renovate



Phase 1 will create a new public place in the Central Eastside enhancing the visual appeal of the neighborhood and providing needed amenities for the growing number of employees and visitors of the area. By generating new interest in the neighborhood through place making, this phase begins to realize the changing perception of the area as a city asset. Bold public art installations will be added throughout the Pelett blocks and previously unappealing or little used spaces will be made more inviting. This phase will begin to build momentum towards a 24-hour neighborhood by adding events and retail activities. Cash flow will also be generated through new retail and office tenants to help recoup this initial investment. The Alder Building will be the first full renovation of the Pelett properties adding employment to the district, while significantly increasing cash flow for the Pelett family upon stabilization, providing the development experience needed to pursue future developments. Temporary development on vacant lots will activate the area and allow for future development on a much larger scale. A light facelift to the City Liquidators storefront will add to the activation and help create a sense of place.

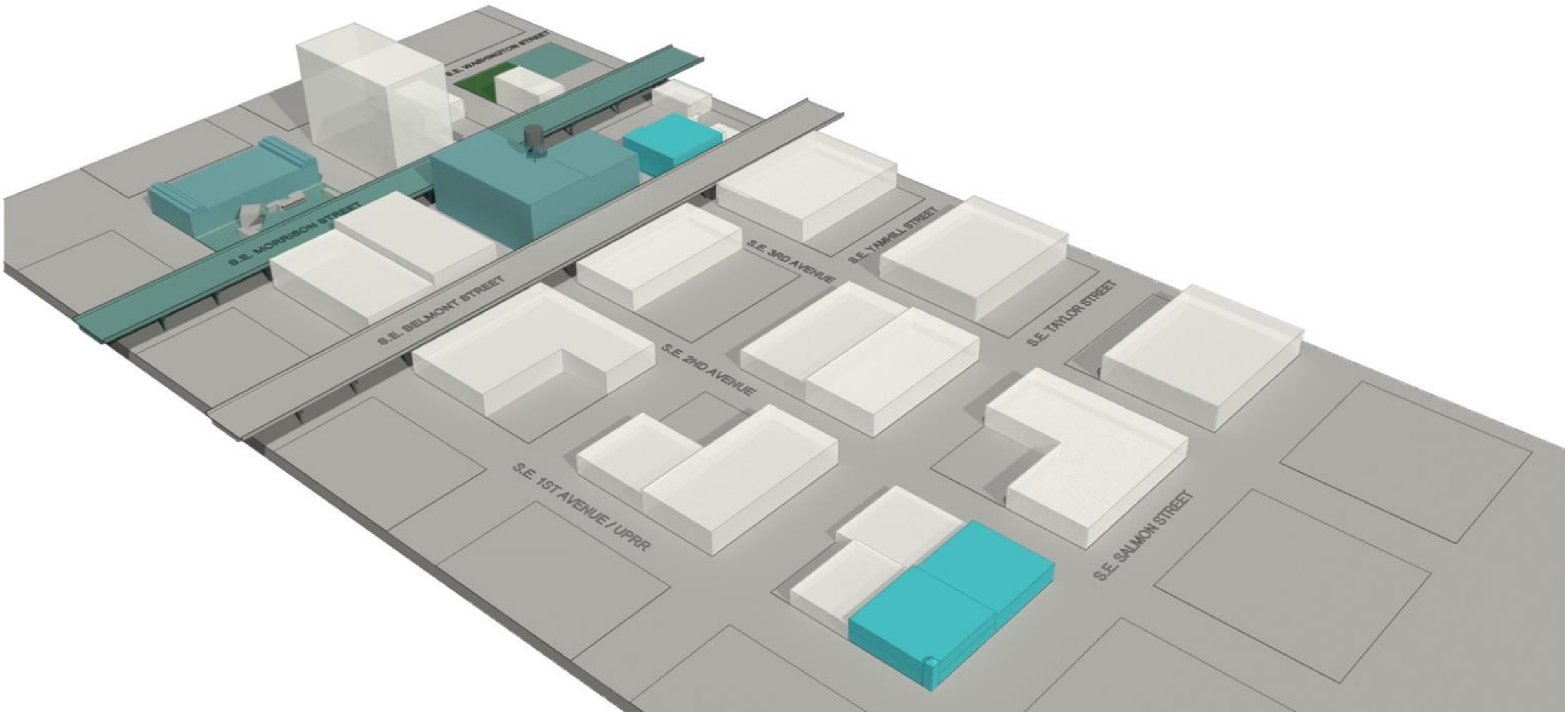
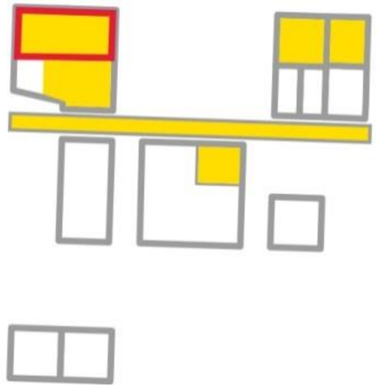


Figure 24 Phase I, Courtesy of Works Partnership Architecture



Alder Renovation

The Alder Building (which consists of two buildings on two separate parcels) will be the first Pelett property to be extensively renovated. The intended new use of the building will be high-end creative industrial office space. The building will undergo a full historic restoration, bringing back as much original character as possible including restoring the brick exterior, old growth beams, large windows, glass storefront and beautiful second floor clerestories. The current mezzanine will be demolished and a new, more usable mezzanine will be constructed in its place. Portions of the firewall separating the two buildings will be removed, where possible, in order to open up each floorplate. The basement will be renovated to provide 30 spaces of rentable parking for office staff.

A central elevator will be added and the existing freight elevators will be filled in to create more rentable square footage. Full seismic upgrades will be completed along with fire, life, safety upgrades and a complete interior and exterior refinishing. Light access will be maximized with the clerestory remodel and a new light well in the second floor opening to the first floor. The three level layout with a large common lobby, restrooms, bike or boating amenities and smaller divisible spaces allows several tenant scenarios. Depending on the market, the space can provide for multiple small tenants with a collaborative open office feeling or host up to three large tenants. A healthy Tenant Improvement (TI) budget has been included to accommodate the needs of different kinds of tenants.

Alder Site Details
Site Area: 40,000 SF
Existing Building: 20,000 SF
Total Building: 72,000 SF
Existing Zoning: IG1 w/EOS Overlay
Plan District: Central City

Existing Zoning Standards
FAR: Unlimited
Height: Unlimited
MAX SF Allowed:
Retail: 5,000 SF
Office: 5,000 SF; 60,000 SF Conditionally
Industrial Office: 60,000 SF; Over 60,000 Conditionally
Industrial: Unlimited
Residential: None

Description
46,000 rentable square feet of class A creative industrial office space

30 below grade parking stalls in 20,000 square foot basement

Figure 25 View of Alder Building looking west on Alder

Figure 26 Proposed interior of Alder Building, Courtesy of Works Partnership Architecture

Figure 27 Proposed exterior of Alder Building looking east, Courtesy of Works Partnership Architecture

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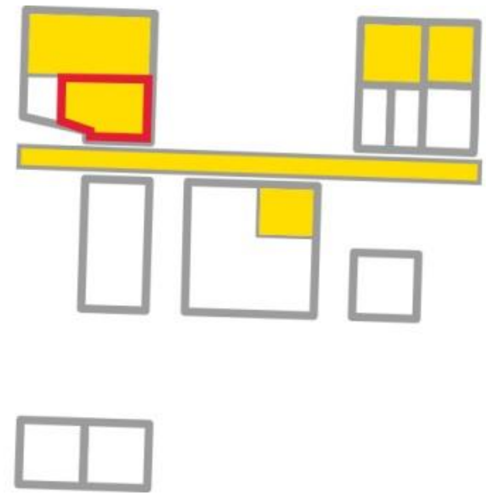
Alder Shipping Container Pod

Repurposed shipping containers added to empty lots are a low-cost way to create a temporary place for scalable maker spaces or food venders. At the back lot of the Alder Building, the large space and lack of sound restrictions turns into a late-night oasis hosting bars, music and food with a mural backdrop and hop vines on the west end. The trendy industrial feel of the containers will play on the historical character of the neighborhood. Small craft businesses can manufacture and sell their products out of these spaces. Food vendors will also provide lunch options for employees in the area and bring new visitors to the neighborhood. The team proposes a bar, restaurant and two retail containers, totaling 960 rentable square feet.



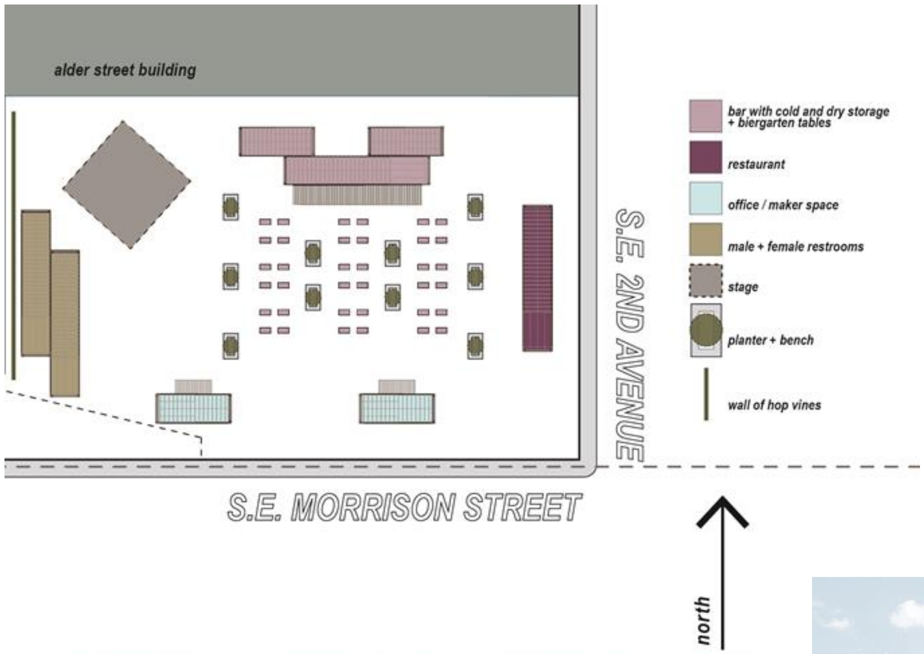
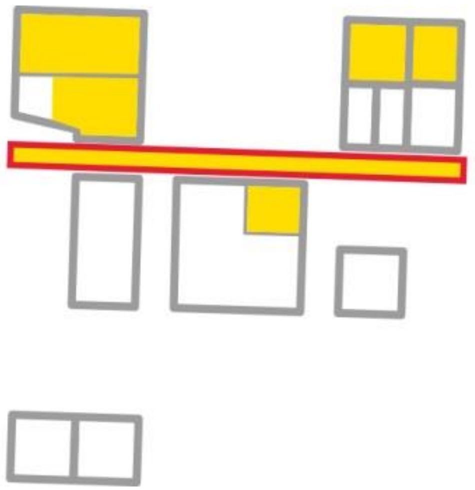


Figure 28, Alder Container Pod Courtesy of Works Partnership Architecture

Figure 29 Alder Container Pod Courtesy of Works Partnership Architecture

Morrison Viaduct Enhancements



Viaducts are a prominent feature of the district. Phase 1 will activate the viaduct improving lighting, sidewalks, and bikeways encouraging new pedestrian and bicycle traffic and the visual appeal of the area. To define implementation measures for the viaduct improvements requires a separate Streetscape Plan process, among various stakeholders such as private property owners, PBOT, and Multnomah County (which owns the Central Eastside viaducts). Changes to the viaducts cannot take place before a Streetscape Plan is finalized—even those as simple as painting the underside of the viaduct and stringing lights from it. Instead of installing anything on the viaduct, an option is to install lighting fixtures at strategically designed positions on the Pelett properties, such as the Royal Hotel, main City Liquidators building, Studebaker building, and Alder container pod. These lighting fixtures would be positioned to project lighting designs onto the underside of the viaducts in order to brighten the space and add a visual design element without making any kind of physical changes to the viaduct structure (provided that driver safety and visibility are properly maintained). These lighting designs could also work in concert with any architectural lighting added to the renovated buildings to create a vibrant, well-lit, and visually appealing streetscape along the viaduct. This would support and enhance the physical improvements we have proposed to activate the areas adjacent to the viaduct.

Figure 30 Current view of Montage under the Morrison Viaduct from the Southeast Quadrant Plan

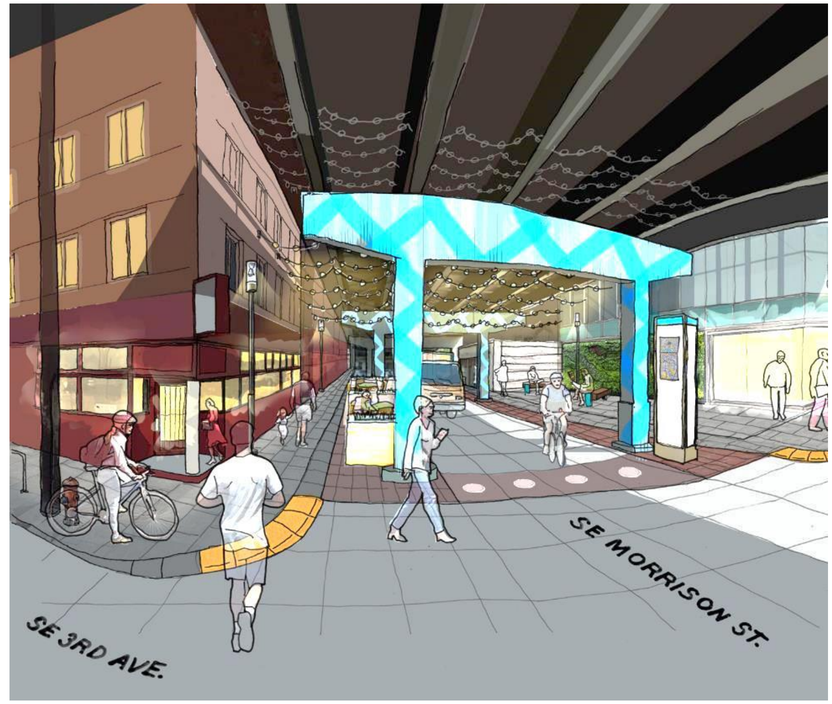
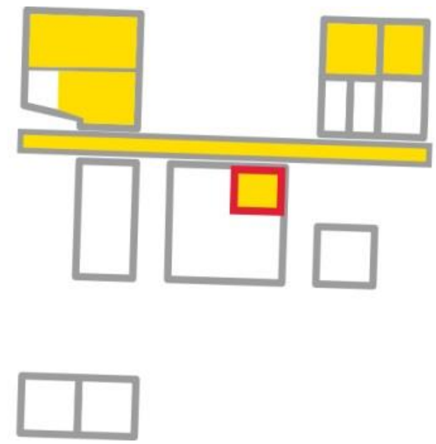


Figure 31 Potential activation of the Morrison Viaduct from the Southeast Quadrant Plan

New City Liquidators Storefront



Adjacent to the Montage and Royal Hotel, the main City Liquidators store with a repaired brick skin and signage and new entrance, will be an improved draw to the Peletts principle business and encourage a new image of the Morrison Viaduct. The northeast corner of the lot, currently a loading dock with a shed structure and open parking is used as storage and truck parking. The exterior skin of the shed will be removed leaving awnings and an open display area. New cascading stairs leading up to a new steel canopy and glass storefront will invite customers and create a relaxing space in a retail building. “Grasscrete” pavers will cover the ground in the lot at street level to provide some greenery and help reduce storm water runoff, while allowing truck parking. A coffee stand will be constructed on the west loading bay underneath the awning as a place for shoppers to enjoy the space and grab a drink before or after shopping. A new colorful set of "sail awnings" will shield seating from rain or sun and an art installation reaching up to the fourth floor will help to draw attention to the area from the Morrison Bridge Viaduct. The remodel will continue along the east elevation, improving the older main entrance and highlighting access to a separate existing office space.

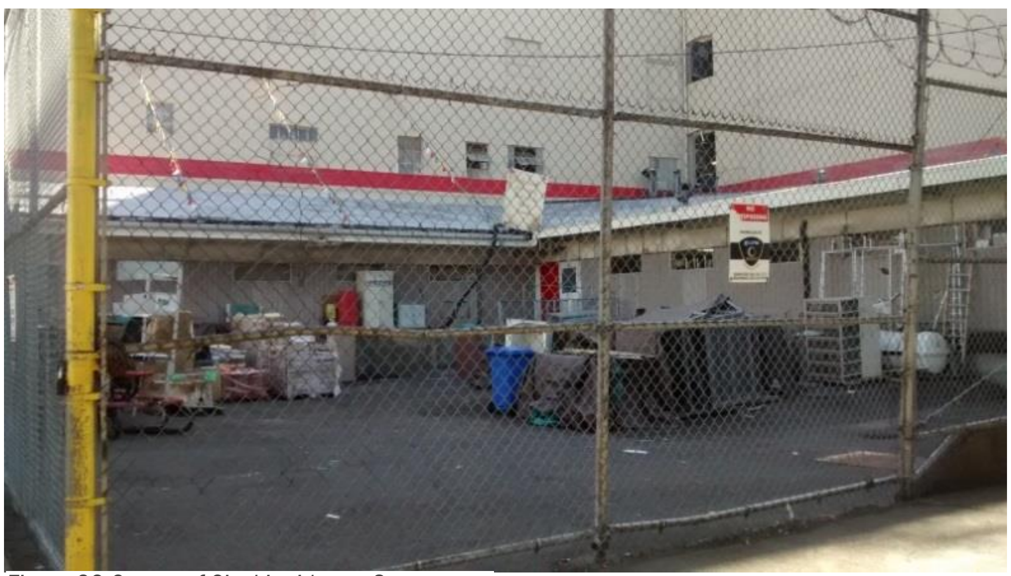


Figure 32 Corner of City Liquidators Store

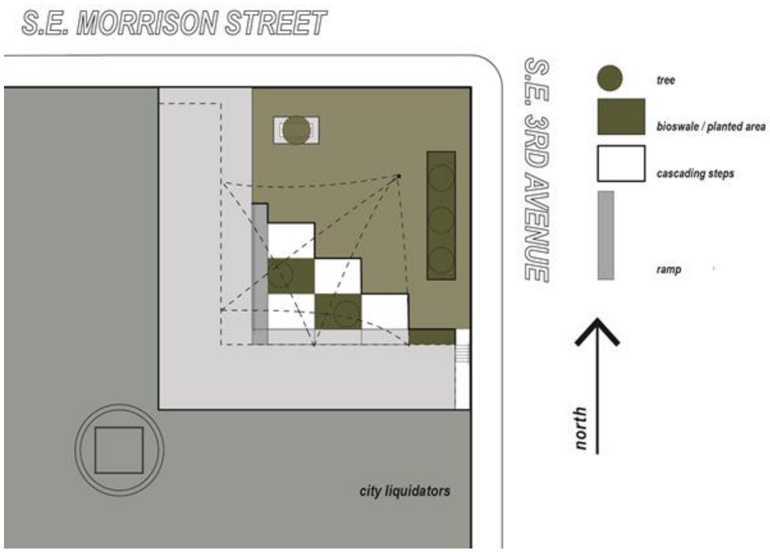
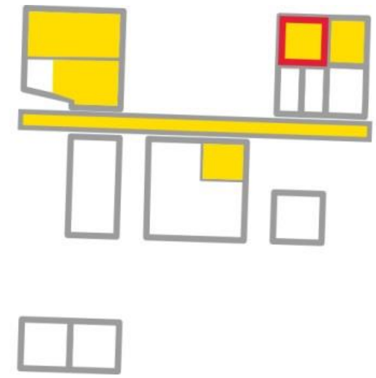


Figure 33 Proposed New Storefront, Courtesy of Works Partnership Architecture

Figure 34 Proposed New Storefront, Courtesy of Works Partnership Architecture



Pelett Park

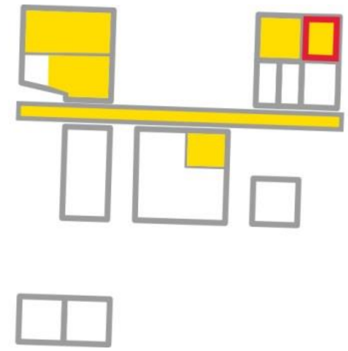
A private/semi-public green space is planned on the western half of the Corno's lot adjacent to the Royal Hotel. Grass will be planted in place of the gravel that currently covers this lot. A new door will be added on the north side of the Royal Hotel ground floor retail space to add an outdoor patio will be created for Le Merde customers. A moveable deck will be placed over portions an easement owned by Portland Bureau of Environmental Services to hide "big pipe" sewer vent. The interior of this decking will house a custom built carbon filter which will significantly reduce smell from the sewer vent. New lighting, seating, and art installations will be added to the space to enhance its visual appeal and create a sense of place.

Figure 35 Former Corno's Site looking east from 3rd Avenue

Figure 68 Proposed Pelett Park, Portland Bureau of Environmental Services

Royal Shipping Container Pod

On the eastern half of the Corno's lot, the retail space will activate the block and create a smooth transition from Martin Luther King, Jr. Boulevard to Pelett Park. This is possibly the most visible portion of the Pelett properties and is an important opportunity to build the district brand. The site is currently vacant. Hosting similar activities to the Alder Shipping Container Pod, the site can attract up to 960 square feet of retail and coffee space with a small upfront investment.



Site Details
Site Area: 20,000 SF
Existing Building: 0 SF
Total Building: 0 SF
Existing Zoning: EXd
Plan District: Central City

Existing Zoning Standards
FAR: Unlimited
Height: Unlimited
MAX SF Allowed:
Retail: 5,000 SF
Office: 5,000 SF; 60,000 SF Conditionally
Industrial Office: 60,000 SF; Over 60,000 Conditionally
Industrial: Unlimited
Residential: None

Description
Up to 960 square feet of retail space

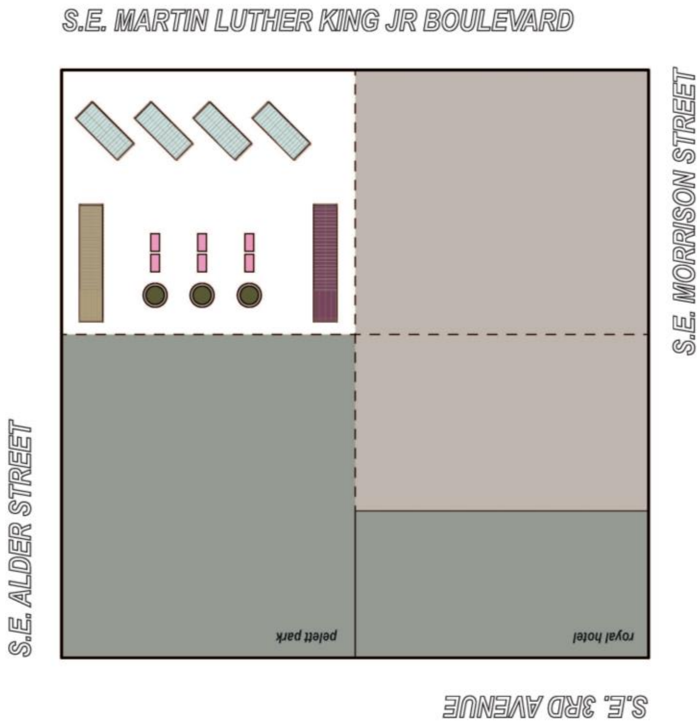
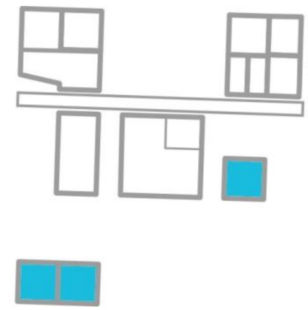


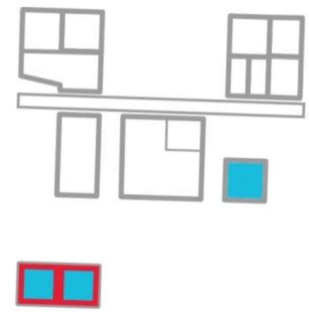
Figure 37 Courtesy of Works Partnership Architecture

Figure 38 Proposed Container Pod, Courtesy of Works Partnership Architecture

Phase II: Minor Renovations



Phase 2 will focus on minor renovations to the two Salmon and PUL buildings that will improve cash flow and use of the properties by preparing them for new users who will pay higher rents. The Salmon Buildings appear similar from the exterior but are built at different grades with a ramp constructed to connect the different floors. The west building is an easier redevelopment proposition and the east lacks rentable space to support significant renovation. The PUL building is located in the EXd zoning allowing for intense multiple use redevelopment. Modest investments today will generate improved cash flow for 10 years that will allow for full redevelopment of the sites at a future date when the Peletts and the market are ready.



109 SE Salmon Renovation

109 SE Salmon will undergo a modest renovation with the intended use of the space as mid-level creative industrial office. The current client base is a mix of artists and makers in a disorganized space. This building should fetch higher rents. The renovation of the interior will open up the fragmented floorplate, locating services to maximize the building's rentable area allowing for larger tenants. Few system upgrades are anticipated, however; Americans with Disabilities Act (ADA) requirements will be triggered and a new elevator is included in the budget. The exterior will mirror the Alder Building's image continuing the Pelett brand with a refurbished awning, glass garage doors in the bays and finished masonry exteriors. Full seismic upgrades are expected, though the cost will be lower than many other properties due to the majority of the structure being made of concrete. Additional soundproofing will be installed on the west elevation in order to reduce noise from the railway. The roof offers great views of the city skyline and will be explored as a possible tenant amenity. The basement is an unrentable space and will only be an auxiliary use or pure storage. These upgrades are meant to increase potential rents in the immediate term, with the option to demolish and rebuild over both Salmon properties in 10 - 15 years.

133 SE Salmon Light Renovation

133 SE Salmon will undergo a very light renovation sufficient to provide an industrial office tenant with a comfortable environment. With a half-lit basement and a tall single floor and a non-structural mezzanine, the building represents a unique challenge. With significant future development, potential seismic and other significant costly upgrades will be needed. The basement is currently essentially unrentable beyond storage space and may only be used by the owners and their representatives unless a unique tenant is found. The existing mezzanine is free standing and will be easily removed while windows provide an open high ceiling space.

Salmon Site Details (both buildings)
Site Area: 20,000 SF
Existing Building: 30,000 SF
Total Building: 30,000 SF
Existing Zoning: IG1 w/EOS Overlay
Plan District: Central City

Existing Zoning Standards
FAR: Unlimited
Height: Unlimited
MAX SF Allowed:
Retail: 5,000 SF
Office: 5,000 SF; 60,000 SF Conditionally
Industrial Office: 60,000 SF; Over 60,000 Conditionally
Industrial: Unlimited
Residential: None

Description
Light rehabilitation to provide 27,600 rentable square feet of industrial office space

Offset basement provides opportunity for tenant storage space

Figure 39, Proposed Exterior View, Courtesy of Works Partnership Architecture

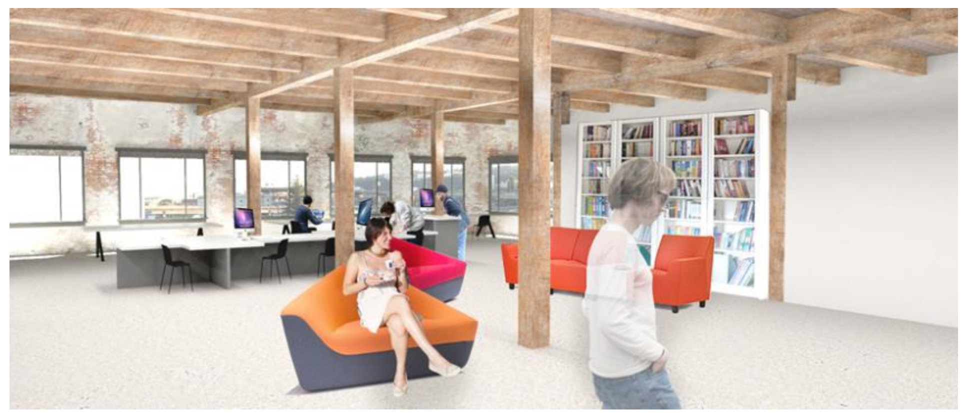
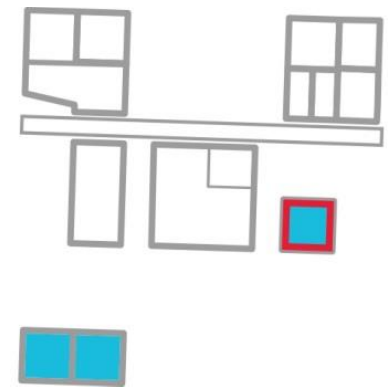


Figure 40, Proposed Interior View, Courtesy of Works Partnership Architecture



PUL Light Improvements

Improvements to the PUL building will be limited to those that maximize rentable square footage as warehouse/storage or industrial space. A new freight elevator will expand freight access to all four floors and the basement. The option to do a light refinishing of surfaces is provided, but may not be necessary. Seismic and system upgrades will be avoided. Design Review is avoided because there are no significant changes to the exterior. Located within the EXd zone, the building has significant redevelopment potential and will only remain standing until the Peletts are ready to construct a multi-story multiple-use tower.

PUL Site Details
Site Area: 10,000 SF
Total Building: 45,000 SF
Existing Zoning: EXd
Plan District: Central City

Existing Zoning Standards
FAR: 9:1
Height: 200'
MAX SF Allowed:
Retail: 40,000 SF
Office: Unlimited
Industrial: Unlimited
Residential: Unlimited

Description
28,000 square feet of rentable industrial/warehouse space

New freight elevator provides access to all floors

Figure 41 PUL Building North and West Elevatiosn

Figure 42 PUL Building South and West Elevations

Phase III: Historical Restoration

Studebaker Restoration

The Studebaker Building was the old showroom of the wagon and car maker and the Morrison frontage was the iconic showroom. The Studebaker Building will be restored as much as possible to its historic grandeur with a couple of high value uses in mind. Large floor plates, windows and beautiful woodwork will provide high-end creative office space, or lend itself to a design center hosting dozens of representatives from the design industry available for quick shopping. This business model could potentially integrate with the City Liquidators business or become its home. All interiors and exteriors will be fully restored to their original character including the detailed wood siding, iconic interior column and molding detailing, the grand staircase, floors, and large windows. The main entrance underneath the viaduct will be restored and become the new entrance and lobby for the building. The drive-in basement will be renovated to accommodate parking for the office tenants or businesses and potentially as rentable spaces to the community. All systems will be upgraded and replaced as needed including a new central elevator. Full seismic upgrades are expected.

If the property is not used as part of the City Liquidators business, it will be marketed as a shell with only restrooms, the parking garage, a new lobby, and bike storage area pre-constructed along with new utilities and HVAC. A tenant improvement (TI) allowance is budgeted for new tenant specific build out. This property may be added to the register of historic places if the project benefits with consideration of the applicable regulations.

Studebaker Site Details
Site Area: 20,000 SF
Total Building: 80,000 SF
Existing Zoning: IG1 w/EOS Overlay
Plan District: Central City

Existing Zoning Standards
FAR: Unlimited
Height: Unlimited
MAX SF Allowed:
Retail: 5,000 SF
Office: 5,000 SF; 60,000 SF Conditionally
Industrial Office: 60,000 SF; Over 60,000 Conditionally
Industrial: Unlimited
Residential: None

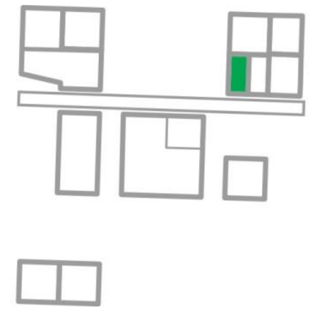
Description
73,600 square feet of rentable class A creative industrial office or design center

30 below grade parking stalls over 20,000 SF

Figure 43 Studebaker Building Grand Staircase

Figure 44 Proposed Studebaker Storefront, Courtesy of Works Partnership Architecture

Phase IV: The Royal Block



Royal Hotel Restoration

The Royal Hotel is a historic gem of the central eastside with unmatched character. Though it doesn't maximize the allowed use of the property a full historic restoration is the most appropriate use. The renovation will bring back as much of the original character of the property as possible.

The intended new use will be commercial (retail) space on the ground floor and a European-style hotel on the upper two floors. A general restoration will be completed throughout interior and exterior including windows, doors, bricks, the central staircase, and floors. Utilities, systems, and seismic are expected to be fully upgraded along with fire, life, and safety as needed. Design Review will be required for this renovation as it is in the EXd zone. This property may be added to the National Register of Historic Places if the project is feasible within the applicable regulations.

Our "euro-style" hotel proposal is based on a previous architectural study conducted by Works Partnership Architecture. Two examples of this concept in the market are the McMenamin's White Eagle Saloon in North Portland and the Ace Hotel Seattle in Belltown. Our program consists of 34 total guest rooms. In this format, each guest room has its own sink, two rooms on each floor have en-suite bathrooms, and each floor also contains two water closet-only bathrooms and three water closets with showers for the remaining guest rooms to share. On the second floor, a reception area takes the place of two additional guest rooms found on the third floor. The reception area allows the hotel to operate independently of the first-floor restaurant, unlike the McMenamin's White Eagle in which check-in is handled by dining/bar service staff. The tables at right summarize the proposed Royal Hotel floor plans. From programming and goals perspectives for the overall Pelett Central Eastside portfolio, the team prefers the Euro-style hotel over micro-office, for four reasons. First, our proposed portfolio already includes a large quantity of office square footage, meaning the hotel option would deliver a greater diversity of uses to the area and revenue streams to the portfolio. Second, the hotel option drives more activity in the area later in the day than a

2ND FLOOR	
Reception Space	
Guestrooms	
	2 Queen-bed with bathroom
	10 Queen-bed
	2 Double queen-bed
	2 Full-bed
	16 Total Guestrooms
Restrooms	
	3 Water closet with shower
	2 Water closet
	5 Total Restrooms

3RD FLOOR	
Guestrooms	
	2 Queen-bed with bathroom
	12 Queen-bed
	2 Double queen-bed
	2 Full-bed
	18 Total Guestrooms
Restrooms	
	3 Water closet with shower
	2 Water closet
	5 Total Restrooms

suite of small offices would accomplish. We believe this fits more appropriately with our urban design for increased activation and use along the Morrison viaduct, interacting in a positive way with the container pod and grass park on the Royal block, the interim lighting design enhancements onto the underside of the viaduct, the improved City Liquidators entrance, and the Alder container pod. Third, a hotel facility within the Pelett portfolio would provide the family and their office tenants with a unique lodging option for personal and business guests, affording an opportunity to showcase the revival of the area in general and existing properties specifically. Fourth, we believe the achievable average daily rents would both make this renovation “pencil out” more soundly in economic terms and yet render this property very competitive against current and future hotel options in the Central City and the Central Eastside.

Royal Hotel Site Details
Site Area: 5,000 SF
Total Building: 20,000 SF
Existing Zoning: EXd
Plan District: Central City

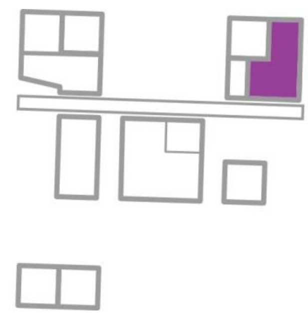
Existing Zoning Standards
FAR: 9:1
Height: 200’
MAX SF Allowed:
Retail: 40,000 SF
Office: Unlimited
Industrial: Unlimited
Residential: Unlimited

Description
13,800 square feet of rentable Euro-style hotel with existing commercial below.

Maintain historical character converting to a European style hotel.

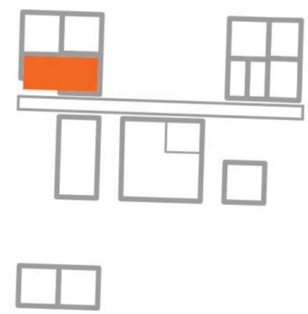
Potential New Construction

The Royal Tower



The half-block along Martin Luther King, Jr. Boulevard, which includes the Corno's lot and the current City Liquidators and Montage parking lot, has the potential to be developed as a high-density, mixed-use property. With underground parking stalls, ground floor retail, a second floor parking deck, and 147,000 square feet of residential, we estimate a development cost of approximately $65 million in today's dollars.

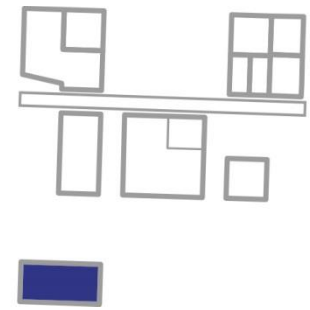
New Alder Building



The nearly half-block on the south side of the Alder Building has the potential to be redeveloped as creative industrial office space or standard industrial/warehouse space. The shipping container pod can easily be removed, and reused or sold in order to prepare the site for demolition. With the acquisition of an easement held by ODOT, there will be 20,000 square feet of developable space. With underground parking, ground floor retail and traditional and industrial office proposed of 82,500 square feet, we estimate a development cost of $30 million.

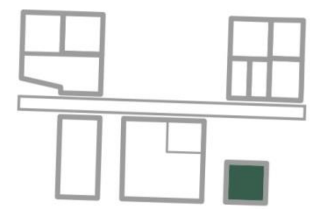
Salmon Block Redevelopment

The Salmon properties comprise a half-block and are currently underusing the potential square footage allowed for the site. The properties have a high potential for redevelopment as creative industrial office, standard industrial, or warehouse space. Depending on the state of the market in 10 to 15 years, the buildings could be developed to provide 55,000 square feet of office and 5,000 square feet of retail for the district. Depending on the scale of development, the eastern building could be torn down to even out the floor plates and allow for parking and a larger structure above. The team estimates a development cost of $20 million for the cost of 60,000 square feet.



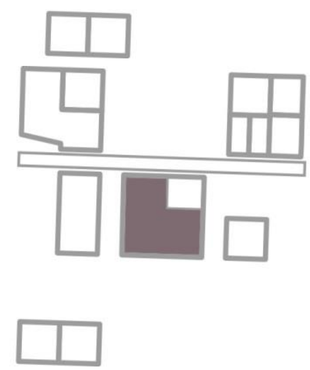
PUL Redevelopment

The lightly renovated PUL warehouse has the potential to be demolished and redeveloped in 5-10 years after initial phasing is completed. The property is zoned EXd, allowing for high-density mixed use. If there is an opportunity to purchase the property immediately east of the PUL building, it would greatly enhance the project. Below grade parking is not possible as the City's "big pipe" project runs underneath the western half of this block. With 90,000 square of office built, the team estimates a cost of $30 million.



Main Store Rehabilitation

The main City Liquidators store has the potential for a full renovation. The property could be changed to Class A creative industrial office space or continue to house the business. The current size of the building already maximizes the allowable square footage; therefore, demolition and redevelopment would not achieve the highest returns.

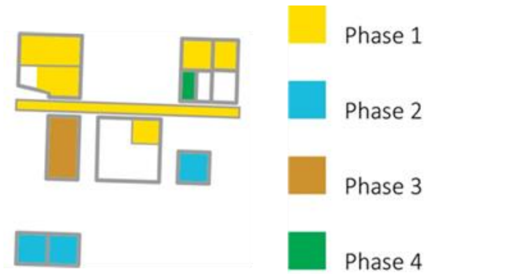


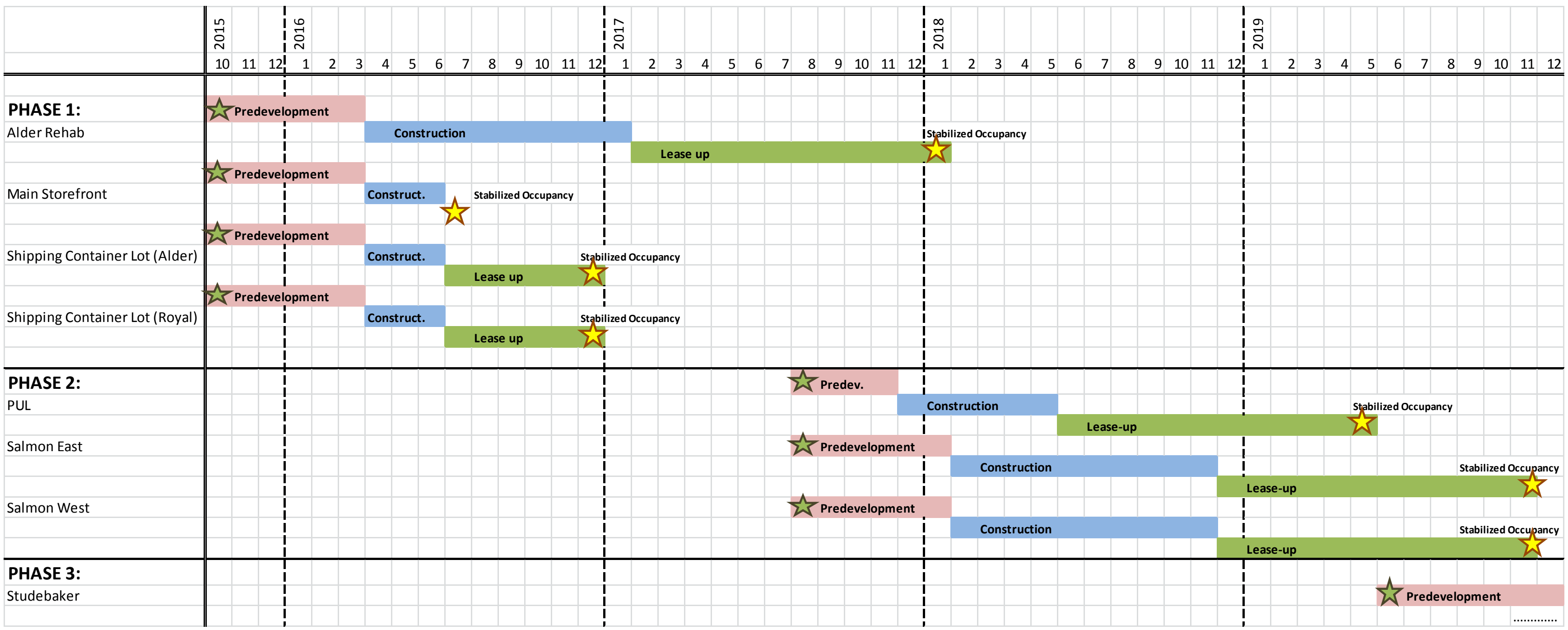
THE MORRISON MERCANTILE

Phasing Statistics

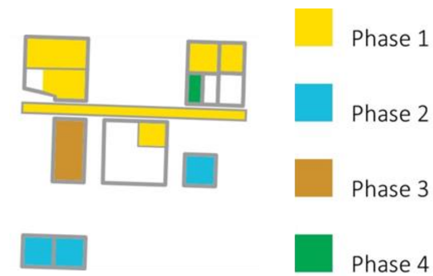
	PHASE 1					PHASE 2				PHASE 3		PHASE 4		ALL PHASES
	Alder Rehab	Main Storefront	Ship. Cont. Lot - Alder	Ship. Cont. Lot - Royal	TOTAL	PUL Rehab	Salmon W. Rehab	Salmon E. Rehab	TOTAL	Studebaker Rehab	TOTAL	Royal Hotel Rehab	TOTAL	TOTAL
GSF														
Office	50,000	-	-	-	**50,000**	-	20,000	10,000	**30,000**	80,000	**80,000**	-	-	**160,000**
Industrial	-	-	-	-	-	35,000	-	-	**35,000**	-	-	-	-	**35,000**
Retail	-	10,000	2,000	1,320	**13,320**	-	-	-	-	-	-	5,000	**5,000**	**18,320**
Residential/Hotel	-	-	-	-	-	-	-	-	-	-	-	10,000	**10,000**	**10,000**
Parking	20,000	-	-	-	**20,000**	-	-	-	-	20,000	**20,000**	-	-	**40,000**
RSF/Stalls/Rooms														
Office	46,000	-	-	-	**46,000**	-	18,400	9,200	**27,600**	73,600	**73,600**	-	-	**147,200**
Industrial	-	-	-	-	-	28,000	-	-	**28,000**	-	-	-	-	**28,000**
Retail	-	-	960	960	**1,920**	-	-	-	-	-	-	4,000	**4,000**	**5,920**
Residential/Hotel	-	-	-	-	-	-	-	-	-	-	-	34	**34**	**34**
Parking	30	-	-	-	**30**	-	-	-	-	30	**30**	-	-	**60**

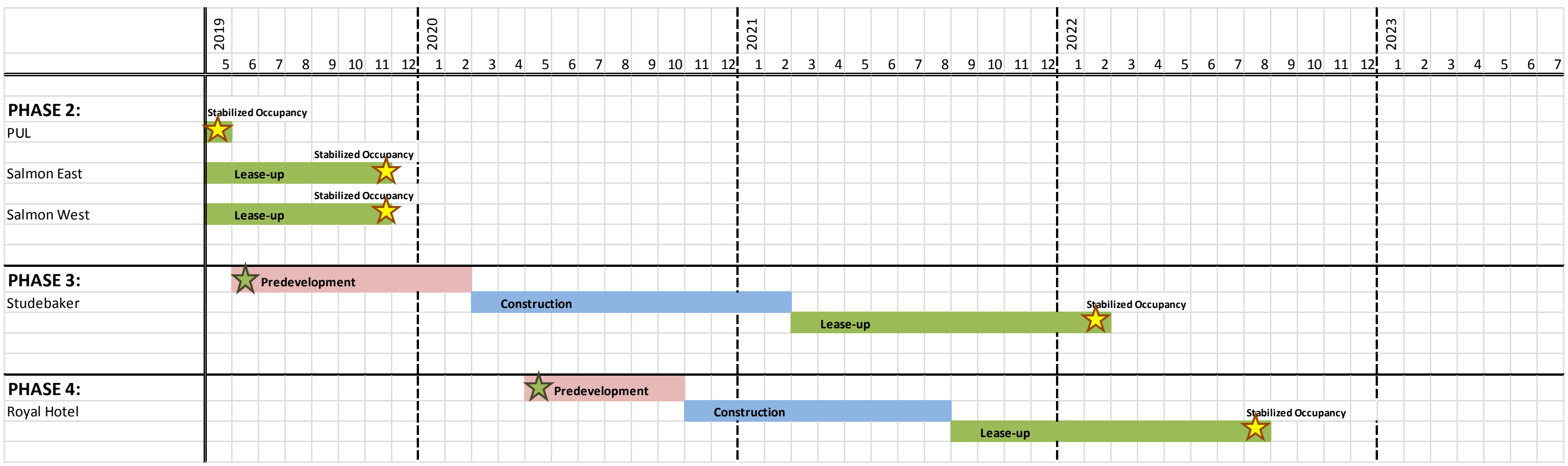
Phasing Timeline





THE MORRISON MERCANTILE

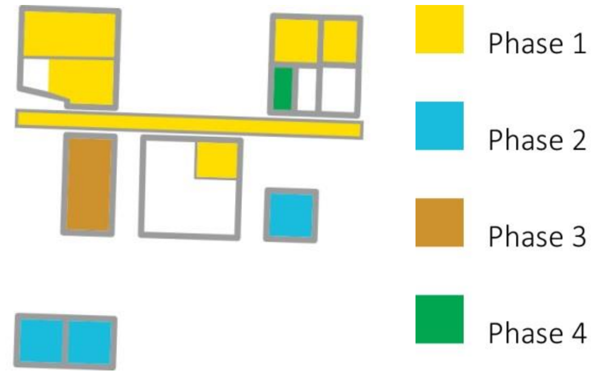




Financial Performance

Assumptions

Development Costs



While the land and existing buildings are fully owned by the Peletts, and no acquisition is necessary, a value was assigned to the land and existing building where construction debt is used. The market value was estimated based on various recent IG1 and EXd land transactions in Portland and the close-in Central Eastside, with an intended industrial office use. All costs per square foot are based on total gross square feet, including any basements used for parking (Alder and Studebaker Rehabs).

	PHASE 1				PHASE 2			PHASE 3	PHASE 4
Cost per Gross Square Foot	Alder Rehab	Main Storefront	Ship. Cont. Lot - Alder	Ship. Cont. Lot - Royal	PUL Rehab	Salmon W. Rehab	Salmon E. Rehab	Studebaker Rehab	Royal Hotel Rehab
Land/Existing Building Value	$50	$0	$0	$0	$60	$68	$65	$49	$65
Hard Costs	$135	$82	$64	$64	$8	$101	$97	$113	$85
Soft Costs	$74	$35	$52	$57	$14	$78	$90	$71	$84
Total	**$259**	**$117**	**$116**	**$121**	**$82**	**$247**	**$252**	**$233**	**$234**

Hard costs were determined with the help of a contractor and then inflated at 3 percent, and a Tenant Improvement allowance of $40.00 per rentable square foot was included. Soft costs were estimated by consulting an architect and multiple developers, and include but are not limited to: architectural and engineering, leasing commissions, legal, insurance, property taxes during construction, a generous contingency of 10 percent, and a 5 percent project manager fee for the third party fee developer. Financing costs were also estimated with a 1 percent senior loan fee, some lender legal and inspections expenses, and any capitalized interest due during construction and interest due during lease-up. See the Appendix for Annual Cash Flows. Note that costs for the Pelett Park have not been included, as development has already started, and costs for lighting and activating the viaduct have been be included in the New City Liquidators Storefront Rehabilitation budget.

Inflation and Escalation

Inflation on rents, expenses and development costs is assumed to be 3 percent per year, and beyond Phase 1, projects are underwritten using inflated rents and expenses. Leases assume a rent escalation clause of 3 percent per year.

Rent, Leasing and Expense Assumptions

	PHASE 1				PHASE 2			PHASE 3	PHASE 4
Cost per Gross Square Foot	Alder Rehab	Main Storefront	Ship. Cont. Lot - Alder	Ship. Cont. Lot - Royal	PUL Rehab	Salmon W. Rehab	Salmon E. Rehab	Studebaker Rehab	Royal Hotel Rehab
NNN Office:	$26.00	N/A	N/A	N/A	N/A	$25.71	$25.71	$28.20	N/A
NNN Industrial:	N/A	N/A	N/A	N/A	$7.39	N/A	N/A	N/A	N/A
NNN Retail:	N/A	N/A	$37.00	$38.67	N/A	N/A	N/A	N/A	$23.57
Hotel Rent/Room (ADR):	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	$98.82

With industrial office and industrial storage as the majority of redevelopment, with some retail, we underwrote all office, industrial and traditional retail leases with triple net terms with below current market rents. See the Market Analysis section for market rents. For the industrial office created, we assumed rents of $26.00 per rentable square feet (RSF) for the Alder Rehab of Phase 1, $24.00/RSF for the Salmon Rehabs in Phase 2, inflated at 3 percent ($25.71 in 2017 dollars), and $26.00/RSF for Phase 3's Studebaker Rehab ($28.20 in 2019 dollars). We have assumed 10-year leases, with $40.00/RSF in a tenant improvement allowance provided, and have underwritten an inflated $40.00/RSF for 2nd Generation Tenant Improvement allowances for new or existing tenants. If shorter lease terms are desired, the TI allowance provided will be approximately $4.00/RSF/year of lease term. Given that leases are NNN, we have accounted operating expenses of about 3.5 percent of potential gross rent that cannot be passed on to tenants, which is about $1.00/RSF. For all of our proposed office, industrial and retail, we are assuming an 80 percent efficiency of usable square feet (USF) to gross square feet (GSF) to account for common area and amenities where provided. For our proposed office, we have applied a 15 percent load factor to determine rentable square feet (RSF), in line with the current market. No load factors were used for industrial and retail.

The rents for the shipping container parks are estimated to be $600/month for each 160 square foot shipping container for retailers/makers ($45/RSF), $690/month for the 320 square foot bar ($26/RSF) to include a percentage rent on alcohol sales additionally (not included in pro forma) and $1,066/month for the restaurant container ($40/RSF). With the mix of container uses, the Alder Lot's weighted average rent per square foot is $37.00 and the Royal Lot's rent per square foot is $38.67. These will be modified gross leases, and we have budget 15 percent of potential gross rent in owner expenses, or between $5.55 and $5.90/RSF. For the industrial storage in Phase 2's PUL rehab, storage rent is underwritten at $7.00/RSF in today's dollars. No Tenant Improvement allowance has been budgeted for the storage tenant and owner expenses are estimated to be 3.5 percent of gross rents, or $0.26/RSF.

In the Royal Hotel rehab, ground floor restaurant rents were kept low at $22.00/RSF NNN in today's dollars, and for the 34 rooms of hotel, the weighted average daily rent (ADR) is $98.82 per room, with a breakdown in the table. We are assuming hotel operating expenses to be 70 percent of revenue per available room (RevPAR). These expenses include departmental, operating, and fixed expenses associated with the hotel.

Room Type	Rooms	ADR
Queen-bed with bathroom	4	$120.00
Queen-bed	22	$100.00
Double queen-bed	4	$90.00
Full-bed	4	$80.00
Total	**34**	**$98.82**

We have been conservative in our lease-up assumptions and have allowed 12 months in lease-up for each product to reach full occupancy, with the exception of the shipping container pods, which assume a 6 month lease-up period. Regarding phasing, each project will start its predevelopment and entitlement work 6 months after the prior project's receipt of Certificate of Occupancy. The exception to this is Phase 4, which will begin during the construction of Phase 3.

Capitalization Rates, Sales, Vacancy, Reserves

We have used capitalization rates (cap rate) to value the redevelopments at stabilized occupancy. While the property owners prefer to hold on to their properties long term, we have analyzed the returns assuming a sale after a ten-year hold and have estimated a terminal cap rate. The sale assumes expenses of 3 percent of total sales price.

Given the current and projected demand for industrial and creative office in the close-in Central Eastside, we have used an office cap of 6.00 percent in our analyses, and a terminal cap rate of 6.75 percent. For industrial, we have estimated 6.40 percent cap rate and a 7.15 percent terminal cap rate. For both the retail and hotel portion of the Royal Hotel Rehab, we have assumed cap rates of 7.00 percent and terminal cap rates of 7.50 percent. We did not underwrite the Shipping Container Lots with any debt nor did we assume sale, as these parking lots will have different future uses, therefore no cap rates were estimated.

After the 12 month lease-up periods, post-stabilization vacancy rates for office, industrial and retail were are 5 percent, while the hotel is 20 percent (assumes an average occupancy of 80 percent).

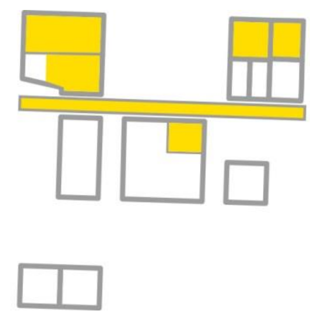
Annual capital reserves are withheld per the table below.

Property Type	Amount	/unit
Reserves - Office	$0.25	/GSF
Reserves - Industrial	$0.10	/GSF
Reserves - Retail	$0.20	/GSF
Reserves - Residential/Hotel	$250.00	/unit or room

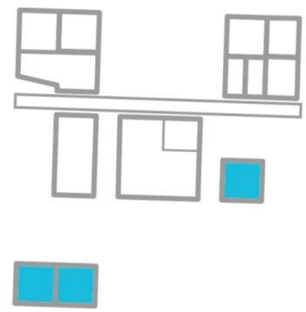
Capital Stack

The owners prefer to be the sole owners of their properties but are willing to take on debt to finance any improvements. This simplifies the capital stack to owner equity and debt. As previously mentioned, the market value of the land and existing buildings is very important in the capital stack, as this makes up a large percentage of total contributed owner equity, and in many cases, is 100 percent of the owner equity. Again, the land value is only considered in the total project cost basis where debt is used, as it is used in the Loan-to-Cost ratio. The Capital Stack by project and by Phase is in the table.

	PHASE 1				
	Alder Rehab	Main Storefront	Ship. Cont. Lot - Alder	Ship. Cont. Lot - Royal	TOTAL
CAPITAL STACK					
Land and Building Equity	3,500,000	-	-	-	**3,500,000**
Additional Owner Equity	2,039,980	1,166,470	231,483	159,798	**3,597,732**
Construction Loan	12,553,849	-	-	-	**12,553,849**
Total Project Cost	**18,093,829**	**1,166,470**	**231,483**	**159,798**	**19,651,581**



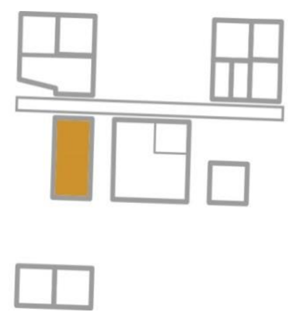
	PHASE 2			
	PUL Rehab	Salmon W. Rehab	Salmon E. Rehab	TOTAL
CAPITAL STACK				
Land and Building Equity	2,100,000	1,350,000	650,000	**4,100,000**
Additional Owner Equity	-	-	-	**-**
Construction Loan	759,697	3,571,090	1,880,291	**6,211,078**
Total Project Cost	**18,093,829**	**4,921,090**	**2,530,291**	**10,311,078**

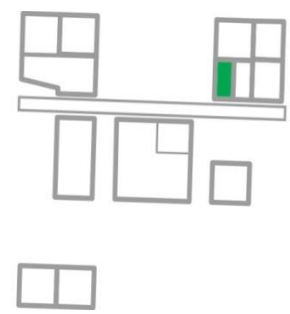


	PHASE 3	
	Studebaker Rehab	TOTAL
CAPITAL STACK		
Land and Building Equity	4,900,000	**4,900,000**
Additional Owner Equity	69,755	**69,755**
Construction Loan	18,397,452	**18,397,452**
Total Project Cost	**23,367,207**	**23,367,207**

PHASE 4	
Royal Hotel Rehab	TOTAL
975,000	**975,000**
251,493	**251,493**
2,277,773	**2,277,773**
3,504,267	**3,504,267**

ALL PHASES
TOTAL
13,475,000
3,918,981
39,440,152
56,834,133





Loan Assumptions

Debt assumptions were based on research with local lenders and developers, with US Bank playing a very large role. For the office and industrial properties where debt is used, we include the use of a construction loan from construction through stabilization, and then traditional permanent debt to take out the construction loan. We have assumed that the construction loan is interest only during its entire term and that the permanent debt is fixed-rate, has a term of 10 years, and is fully amortizing over 30 years. We have sized the construction loans according to the following terms: 80 percent Loan-to-Cost, 75 percent Loan-to-Value, and a 1.25 Debt Service Coverage Ratio assuming a 6.00 percent interest rate. For Phase 1, the construction loan interest rate is 2.75 percent. We used similar terms in sizing the permanent debt, but used a 4.50 percent loan sizing rate, and then fully amortized the loan over 30 years with 4.50 percent interest rate. We have estimated Loan Fees of 1.00 percent on all debt.

For Phase 2, we have kept the same underwriting terms, except for the interest rates. Anticipating a future increase in interest rates, we have used a construction loan sizing interest rate of 6.50 percent, and an actual construction loan interest rate of 3.25 percent. The permanent debt's interest rate was also increased by 50 basis points to 5.00 percent. We have estimated all Phase 3 and 4 rates to be 100 basis points higher than Phase 2. For the Royal Hotel Rehab in Phase 4, whose revenue predominantly comes from the hotel portion, we have used the following terms to size the construction loan: 65 percent Loan-to-Cost, 65 percent Loan-to-Value, and 1.30 Debt Service Coverage Ratio, using a 25-year amortization schedule. The permanent debt assumes a maximum Loan-to-Cost of 75 percent and amortized over 30 years.

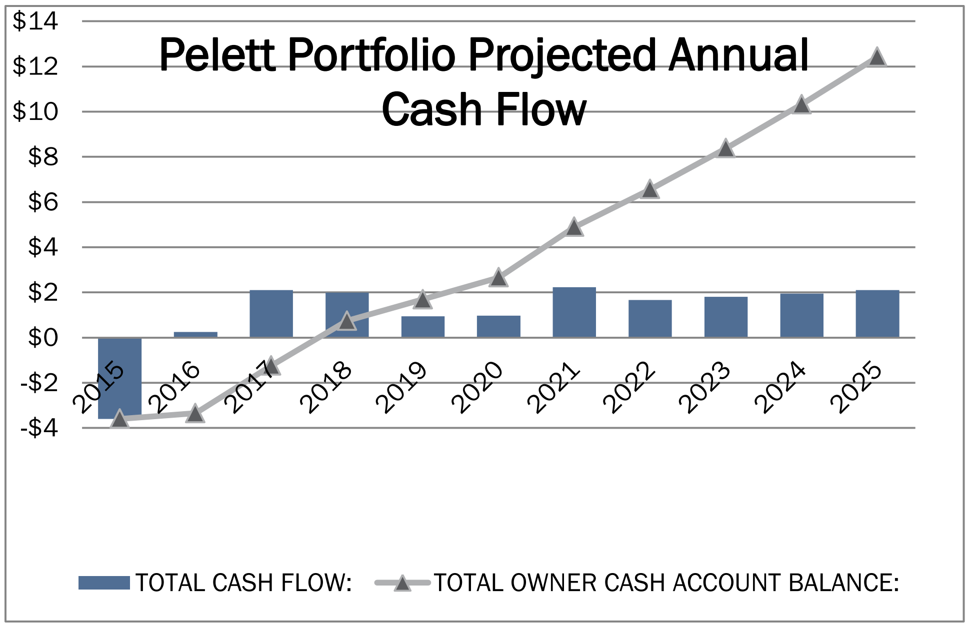
Financial Returns

Given that the Peletts properties are unencumbered by debt, we analyzed the returns in two ways: 1) we looked at the contributed equity and return as if the existing property were acquired in the current market, which also provides an equity cost basis for financing, and 2) we looked at the contributed equity and return given that no cash is spent on the existing land. Below is a summary of the returns by project, phase, and for all phases. Note that we did not do a full financial analysis on the Potential New Construction proposed for the very long term, as too many variables would change. The internal rates of return (IRRs) for each project range between 8.15 percent and 24.12 percent, with a total IRR of 21.5 percent if analyzed as a market deal. Excluding the land equity, the total IRR for the Morrison Mercantile proposal is 39.7 percent, and producing over $71,000,000 in value, with $17,000,000 in cash equity from the owner. See Appendix for detailed Financial Summaries for each property.

	PHASE 1				
	Alder Renovation	New C.L. Storefront	Shipping Cont Pod - Alder	Shipping Cont Pod - Royal	PHASE 1 TOTAL
Financial Returns:					
IRR (includes land equity)	11.21%	N/A	16.16%	24.12%	**N/A**
Return on Cost:	6.31%	0.00%	14.16%	21.47%	**N/A**
IRR (exlcudes land equity):	34.00%	N/A	16.16%	24.12%	**21%**
Total Value created:	19,025,000	-	468,343	490,101	**19,983,443**
Cost to construct:	18,093,829	1,166,470	231,483	159,798	**19,651,581**
Unlevered Cash Flow in Year 1	1,141,500	-	32,784	34,307	**1,208,591**
Levered Cash Flow in Year 1	261,428	-	32,784	34,307	**328,519**
Total Owner Equity:	5,539,980	1,166,470	231,483	159,798	**7,097,732**
Owner - Cash Equity Invested	2,039,980	1,166,470	231,483	159,798	**3,597,732**
Proceeds from permanent debt:	1,572,214	-	-	-	**1,572,214**

	PHASE 2				PHASE 3	PHASE 4	ALL PHASES
	PUL Imp.	109 SE Salm Renovation	133 SE Salm Light Reno	PHASE 2 TOTAL	Studebaker Restoration	Royal Hotel Restoration	TOTAL
Financial Returns:							
IRR (includes land equity)	8.15%	20.33%	19.92%	**N/A**	**18.16%**	**21.51%**	**21.51%**
Return on Cost:	5.89%	8.76%	8.52%	**N/A**	**8.34%**	**10.84%**	**7.66%**
IRR (exlcudes land equity):	N/A	N/A	N/A	**N/A**	**250.03%**	**69.80%**	**39.70%**
Total Value created:	2,633,888	7,184,595	3,592,297	**13,410,779**	**32,492,747**	**5,427,220**	**71,314,190**
Cost to construct:	2,859,697	4,921,090	2,530,291	**10,311,078**	**23,367,207**	**3,504,267**	**56,834,133**
Unlevered Cash Flow in Year 1	168,569	431,076	215,538	**815,182**	**1,949,565**	**379,905**	**4,353,244**
Levered Cash Flow in Year 1	41,315	172,468	82,640	**296,423**	**584,622**	**182,317**	**1,391,881**
Total Owner Equity:	2,100,000	1,350,000	650,000	**4,100,000**	**4,969,755**	**1,226,493**	**17,393,981**
Owner - Cash Equity Invested	-	-	-	**-**	**69,755**	**251,493**	**3,918,981**
Proceeds from permanent debt:	1,195,661	326,413	123,699	**1,645,774**	**109,376**	**324,145**	**3,651,509**

Below is a cash flow and cumulative owner cash account balance for all projects in the Morrison Mercantile proposal, visually showing its financial productivity.



Alternatives Considered

Alternative Options for the Royal Hotel

From an architectural perspective, Works Partnership Architecture (WPA) previously conducted a feasibility study on three use options for renovation of the Royal Hotel's second and third stories. This 2011 study examined hotel, hostel, and micro-office floor plans, with a goal in all scenarios to minimize construction work and costs, ideally avoiding a seismic upgrade trigger. WPA then finalized a European-style hotel floor plan with 34 total guest rooms. In this format, each guest room has its own sink, two rooms on each floor have en-suite bathrooms, and each floor contains two water closet-only bathrooms and three water closets with showers for the remaining guest rooms to share. On the second floor, a reception area takes the place of two additional guest rooms found on the third floor. The reception area allows the hotel to operate independently of the first-floor restaurant, unlike the McMenamin's White Eagle in which check-in is handled by dining/bar service staff, as described earlier in this report.

The Team's perspective on the best use for the Royal Hotel building recognizes that the market for micro-offices and "gritty" lodging akin to the McMenamin's White Eagle Saloon and the Ace Hotel Seattle should both be given serious consideration when the time comes to design and renovate the historic building. From a construction cost perspective, our pro forma modeling assumes full historic renovation with complete seismic and life-safety upgrades, setting our cost approach apart from that of WPA in 2011. To reiterate a point made earlier in this report, we favor the activation and place making potential of a "euro-style" hotel for the Pelett portfolio because of the unique character and diversity such a product would deliver.

Cold Storage Alternative

Companies in both the food processing and hospitality management industries have shown a growing interest in utilizing dedicated refrigerated warehousing space within the central eastside. Incorporating cold storage into the central eastside would limit the transportation burden that companies within these industries often experience operating in the central core. By providing expansive amounts of storage space for perishable and organic products, restaurants, food distributers, wholesalers, and retailers can lower their logistical expenses.

However, despite the outpouring in demand for cold storage in the central eastside, the market rent for this use does not reflect the highest and best use for our sites. The estimated market rent for cold storage warehousing in this area is between $16–$18 per square foot per year. This falls grossly short in comparison to the potential rents that can be achieved with creative office, $28-$30 per square foot per year.

One of the largest factors that cause cold storage facilities in Portland to be pushed to the suburbs is the current cost of inner city land. With commercial land prices in the central city growing at above average rates, it is difficult to make real estate investments financially viable charging less than true market value rents. Since the Pelett's free and clear ownership of their properties grants them more development flexibility than others looking to enter the market with a land acquisition, adding a cold storage warehouse could potentially be financially feasible for the family at the cost of unclaimed revenue in rents. This scenario would only be advisable if a substantial tenant required the use of space and agreed to lease large amounts of warehouse and office space with office rents set at market higher.

Concluding Remarks

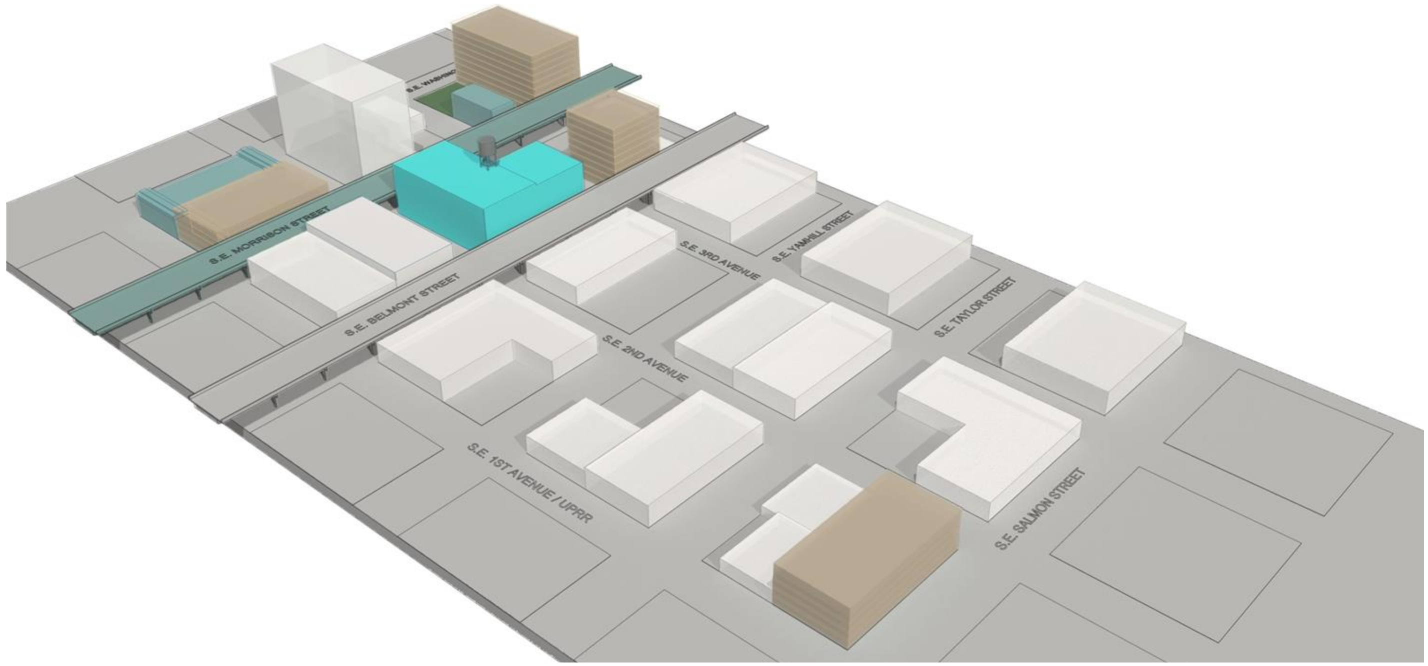


Figure 45 Courtesy of Works Partnership Architecture

It is a precipitous time to review the Pelett Family holdings as the family looks at a transition in the generational management of the business. Because real estate development will be new to the family, the team proposes modest property by property development using the resources available to the family. This proposal provides the Pelett family a strategy to diversify their property portfolio to include both trendy businesses (shipping container pods) and traditional mainstays (office, retail) while retaining such a beloved Portland institution as the Montage restaurant, connecting the Peletts to the City's eastside cultural history. The proposal offers maximum flexibility by planning for the temporary shipping container pods be developed into new structures in later phases, while anchoring this with cornerstone businesses (office, retail, a hotel) while honoring Walt's original vision of selling the public something that they will always need The market is ready for the phases identified in the proposal and the costs are in line with positive cash flow.

As a final note of advice to the Pelett's, the team recommends that the Pelett's invest in some legal advice with regard to their properties. It is of utmost importance that industry-standard legal structures be used in the ownership of all Pelett Properties. The use of Limited Liability Companies has evolved in the real estate business because this approach safeguards investors' assets from exposure to liability. The fundamental importance of the Pelett Properties to the uninterrupted operation of the City Liquidators business, the growing value of the properties themselves, and the substantial investment we have proposed require the protection that proper legal entity structuring provides. It is very important that this type of entity structuring be implemented right away in order to protect the current investments, and such entities will be required in order to undertake redevelopment and new construction. Although obtaining legal counsel in implementing this structuring requires an up-front expense, the assurance of this safeguarding is extremely valuable.

Acknowledgements

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Dr. Gerard Mildner – Portland State University Center for Real Estate

Vern Rifer – Rifer Development and Portland State University Center for Real Estate

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Development Team Profiles

Khalid Alballaa is a medical doctor from Saudi Arabia. He received his MD license 4 years ago, and then worked as a physician for one year. Afterwards, he joined his family's business and worked in a different management positions. Currently, he is an MBA student in PSU school of business administration.

Barbara Fryer holds a Bachelor of Arts in Biology from Whitman College. She has 25 years in senior management in land use and transportation planning. Her most recent notable accomplishment was gaining passage of and setting up the non-profit agency to run a $150 million, 530- acre urban renewal district in Beaverton, Oregon. She is a master's candidate in the Real Estate Development program at PSU.

A.Synkai Harrison is an MRED candidate and holds a BA in Economics from Morehouse College. Prior to attending PSU, he worked as a project manager for Sustainable Atlanta, in Atlanta GA. Synkai was the recipient of the PSU Center for Real Estate Fellowship. He currently serves as a market research intern with Gerding Edlen.

Scott Kueny was born and raised in Southern California. Before moving to Portland to pursue the Masters in Real Estate Development degree from Portland State University, Scott was a sales executive for Ticor Title Company's Inland Empire division. His focus was on business development and growing market share by providing access to, and interpretations of public records information, as well as providing title-related solutions and strategies for real estate professionals. Scott is a licensed California Real Estate Broker. His understanding of title records, and business development experience, compliment his current work in land acquisitions-sourcing and analysis.

Kevin Clark holds a Bachelor of Arts in Urban Studies and Planning from the University of California, San Diego. From 2011 to 2014 he was the Assistant Director of North Park Main Street in San Diego, California. He served in the United State Marine Corps from 2004 to 2009, and is currently a full time Master of Real Estate Development candidate.

Carly Harrison is a Master of Real Estate Development candidate and has been with Gerding Edlen since 2011. Originally from Alberta, Canada, she moved to the Pacific Northwest where she received her BA from Walla Walla University, and has not wanted to leave the region since. After completing the MRED, she hopes to continue joining smart and driven people to make valuable and significant places for people.

Liz Hutchinson is the Asset Manager for ROSE Community Development in Portland, Oregon, where she oversees a portfolio of 14 affordable housing properties. She holds a BA in Architectural Studies from Tufts University, and a BFA from the School at the Museum of Fine Arts in Boston. She is currently pursuing an MRED degree from Portland State University. Liz was a recipient of the Evergreen Business Capital Scholarship, and the Verne and Marjorie Rupp Scholarship, and is a member of the Phi Kappa Phi Honor Society.

Erik Pattison graduated with a B.A. in Business with a focus on international trade and minors in both accounting and Spanish. After a short time working abroad he joined Hacienda CDC a local affordable housing developer. Currently working on Hacienda's development team finishing the agency's new office he is excited to be a part of Portland's future growth and strong character.

Nate Raynor is a second year MRED student that works as a small business marketing and media consultant with Enviwest. After the program, he has aspirations of joining Portland's highly regarded development community as a mixed-use residential-office developer that focuses on repurposing suburban spaces to accommodate a younger audience.

Joel Thomas works as a Site Program Director for College Housing Northwest, a non-profit student housing organization in the Portland area. In this position he manages the operations of a 348 unit apartment complex by supporting the facilities, leasing, student services, and transportation departments. Joel holds a bachelor's degree in political science from the University of Illinois and plans to graduate from the MRED program in the spring of 2016

Clancy Terry is a student in the Master of Real Estate Development program at Portland State University. He currently writes the single-family and multifamily housing market research articles for PSU's Center for Real Estate Quarterly report, under an RMLS student fellowship. He graduated with a Bachelor of Arts degree from Arizona State University.

Vernon Rifer is a Senior Adjunct Instructor with the Portland State University Center for Real Estate. He develops office, urban housing, mixed use and mixed income projects in the northwest.

Appendix

Demographics for Zip Code 97214

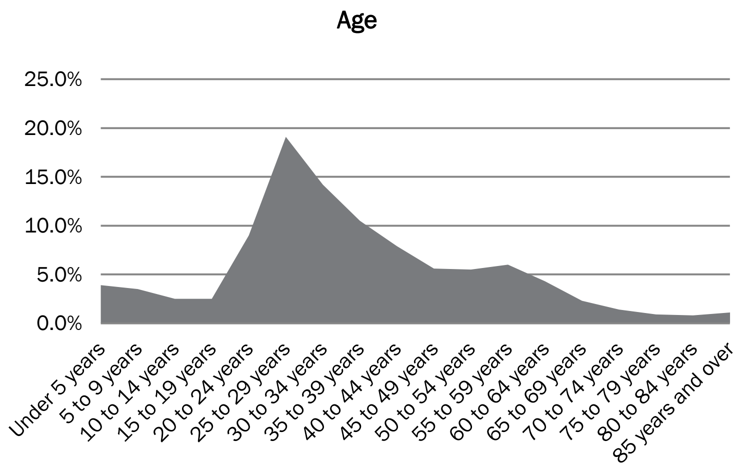

Figure 45 US Census Bureau (2010) (97214)

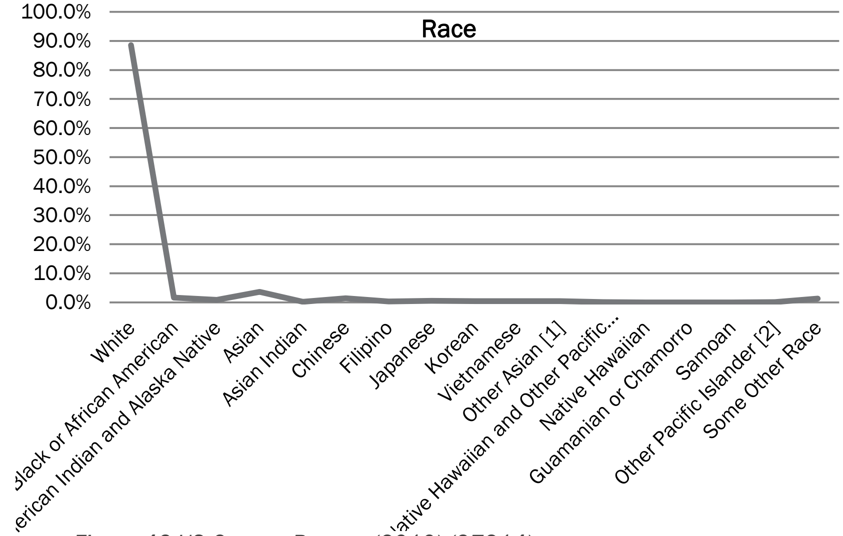

Figure 46 US Census Bureau (2010) (97214)

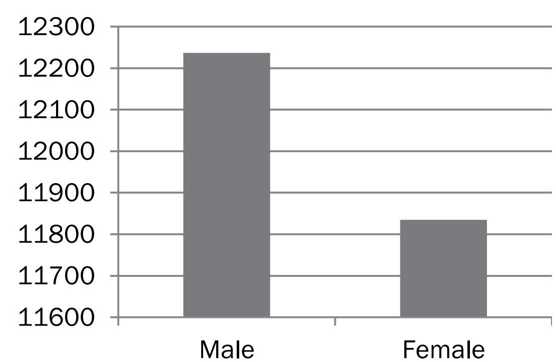

Figure 47 US Census Bureau ACS Estimates (2013) (97214)

THE MORRISON MERCANTILE

Pro Forma Phase I

FINANCIAL SUMMARY: Alder Renovation

AREAS	GSF	RSF/Stalls
Office	50,000	46,000
Parking	20,000	30
Total	70,000	46,000

DEVELOPMENT COST	/GSF	
Total Land and Site Costs	$50	$3,500,000
Total Hard Costs	$135	$9,438,554
Total Soft Costs	$65	$4,524,659
Total Financing Costs	$9	$630,616
Total Development Cost	$258	$18,093,829
Land/Building Equity:	$50	$3,500,000
Cash Needed from Project:	$208	$14,593,829

CAPITAL STACK	
Land and Building Equity	$3,500,000
Additional Owner Equity	$2,039,980
Construction/Mini-perm loan	$12,553,849
Total Project Cost	$18,093,829

FINANCING	
Construction	
Loan:	$12,553,849
LTC:	69%
LTV:	66%
DSCR:	1.32
Interest Rate:	2.75%
I/O term/CL Maturity (months):	28
Perm Loan	
Perm Loan:	$14,268,750
Net Equity proceeds from Refi	$1,572,214
Monthly Debt Service:	$72,298
Annual Debt Service:	$867,572
Interest Rate:	4.50%
Amortization:	360

SALE AND TAXES ANALYSIS	
Estimated Hold Period (months from stabilization):	120
Sale Date:	01/31/28
Exit Cap Rate:	6.75%
Sale Price:	$22,045,306

TIMING	
Entitlement/loan close/predev start:	09/30/15
Entitlement/loan close/predev duration:	6
Construction start:	03/31/16
Construction duration:	10
Occupancy start and lease-up:	01/31/17
Lease-up duration:	12
Stabilized occupancy:	01/31/18
Total project duration	28

OPERATING STATEMENT - STABILIZATION		
Potential Gross Rents		$1,250,000
Vacancy		-$62,500
Effective Gross Income		$1,187,500
Operating Expenses		-$46,000
NOI		**$1,141,500**
Total Capitalized Value	6.00%	$19,025,000

INCOME/EXPENSE ASSUMPTIONS:	RENT	EXPENSES
NNN Office:	$26.00	-$1.00
Residential (monthly):	$2.38	$0
Escalation:	3.00%	3.00%
Parking rent (monthly):	$150	

FINANCIAL ANALYSIS	
METRICS - PROJECT as if MARKET	
Total Value created:	$19,025,000
Cost to construct:	$18,093,829
Difference:	$931,171
Unlevered Cash Flow in Year 1	$1,141,500
Levered Cash Flow in Year 1	$261,428
Owner Equity Invested (land and cash)	$5,539,980
ROA Yr 1 (return on total cost):	6.3%
ROE Yr 1 (includes land/building equity)	4.7%
Leverred IRR (includes land equity)	11.2%
METRICS - OWNER'S CASH EQUITY (excludes land equity)	
Owner - Cash Equity Invested	$2,039,980
Owner proceeds from permanent debt:	$1,572,214
ROA (Yr1) (excludes land/building value):	7.8%
ROE Yr 1 (cash on cash):	11.6%
Leverred IRR:	33.3%

Alder Renovation — CASH FLOW - ANNUAL

IRR (including land equity): 11.6%
IRR (solely owner cash equity): 33.3%

TIMING:															
Year:			1	2	3	4	5	6	7	8	9	10	11	12	13
Start Date:			09/30/15	09/30/16	09/30/17	09/30/18	09/30/19	09/30/20	09/30/21	09/30/22	09/30/23	09/30/24	09/30/25	09/30/26	09/30/27
DEVELOPMENT COSTS:															
		Total													
Land and Site Costs:		3,500,000	3,500,000	-	-	-	-	-	-	-	-	-	-	-	-
Soft Costs:		5,155,275	3,271,109	1,769,745	114,421	-	-	-	-	-	-	-	-	-	-
Hard Costs:		9,438,554	4,719,277	4,719,277	-	-	-	-	-	-	-	-	-	-	-
Total Costs		**18,093,829**	**11,490,386**	**6,489,022**	**114,421**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Land and Building Equity:		3,500,000	3,500,000	-	-	-	-	-	-	-	-	-	-	-	-
Additional Owner Equity:		2,039,980	2,039,980	-	-	-	-	-	-	-	-	-	-	-	-
Construction Loan:		12,553,849	5,950,406	6,489,022	114,421	-	-	-	-	-	-	-	-	-	-
Total Sources		**18,093,829**	**11,490,386**	**6,489,022**	**114,421**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cumulative Development Costs:		18,093,829	11,490,386	17,979,408	18,093,829	18,093,829	18,093,829	18,093,829	18,093,829	18,093,829	18,093,829	18,093,829	18,093,829	18,093,829	18,093,829
Perm Loan/Refinance:		14,268,750	-	-	14,268,750	-	-	-	-	-	-	-	-	-	-
Perm Loan/Refinance proceeds to Equity:		1,714,901	-	-	1,714,901	-	-	-	-	-	-	-	-	-	-
Perm Loan/Refinance fees:		142,688	-	-	142,688	-	-	-	-	-	-	-	-	-	-
Balance to Equity:		1,572,214	-	-	1,572,214	-	-	-	-	-	-	-	-	-	-
Loan Balance:		14,268,750	5,950,406	12,439,428	14,268,750	14,116,443	13,879,259	13,631,179	13,371,702	13,100,304	12,816,439	12,519,532	12,208,986	11,884,174	11,544,440
OPERATING STATEMENT:															
Office/Ind/Retail and Residential															
Potential Gross Revenue:		15,042,757	-	243,056	1,163,194	1,275,000	1,313,250	1,352,648	1,393,227	1,435,024	1,478,074	1,522,417	1,568,089	1,615,132	683,647
Vacancy:		(752,138)	-	(12,153)	(58,160)	(63,750)	(65,663)	(67,632)	(69,661)	(71,751)	(73,904)	(76,121)	(78,404)	(80,757)	(34,182)
Effective Gross Revenue:		14,290,619	-	230,903	1,105,035	1,211,250	1,247,588	1,285,015	1,323,566	1,363,273	1,404,171	1,446,296	1,489,685	1,534,375	649,464
Operating Expenses:		(574,657)	-	(26,833)	(46,000)	(46,920)	(48,328)	(49,777)	(51,271)	(52,809)	(54,393)	(56,025)	(57,706)	(59,437)	(25,158)
Net Operating Income:		**13,715,962**	**-**	**204,069**	**1,059,035**	**1,164,330**	**1,199,260**	**1,235,238**	**1,272,295**	**1,310,464**	**1,349,778**	**1,390,271**	**1,431,979**	**1,474,938**	**624,306**
Less Reserves:			-	(7,292)	(12,500)	(12,750)	(13,133)	(13,526)	(13,932)	(14,350)	(14,781)	(15,224)	(15,681)	(16,151)	(6,836)
Construction Loan - Lease-up Interest:		(312,153)	-	(197,732)	(114,421)	-	-	-	-	-	-	-	-	-	-
Perm - Amortization - Interest Portion:		(5,877,585)	-	-	(426,075)	(630,388)	(619,491)	(608,095)	(596,174)	(583,706)	(570,666)	(557,026)	(542,759)	(527,838)	(215,366)
Perm - Amortization - Principal Portion:		(2,870,432)	-	-	(152,307)	(237,184)	(248,080)	(259,477)	(271,398)	(283,865)	(296,906)	(310,546)	(324,812)	(339,734)	(146,122)
Total Debt Service:		(9,060,170)	-	(197,732)	(692,802)	(867,572)	(867,572)	(867,572)	(867,572)	(867,572)	(867,572)	(867,572)	(867,572)	(867,572)	(361,488)
Construction Funds for Operating Deficit:		312,153	-	197,732	114,421	-	-	-	-	-	-	-	-	-	-
Cash Available After Debt Service:			**-**	**196,778**	**468,153**	**284,008**	**318,555**	**354,139**	**390,791**	**428,542**	**467,425**	**507,475**	**548,726**	**591,215**	**255,981**
DSCR:			N/A	1.03	1.53	1.34	1.38	1.42	1.47	1.51	1.56	1.60	1.65	1.70	1.73
Return on Owner Equity (annualized):			0.0%	3.6%	8.5%	5.1%	5.8%	6.4%	7.1%	7.7%	8.4%	9.2%	9.9%	10.7%	4.6%
Return on Owner Cash Equity (ann'l):			0.0%	9.6%	22.9%	13.9%	15.6%	17.4%	19.2%	21.0%	22.9%	24.9%	26.9%	29.0%	12.5%
Loan Balance:			5,950,406	12,439,428	14,116,443	13,879,259	13,631,179	13,371,702	13,100,304	12,816,439	12,519,532	12,208,986	11,884,174	11,544,440	11,398,318
Leasing Commissions		(673,992)	-	-	-	-	-	-	-	-	-	-	-	(673,992)	-
TI Allowance		(2,472,806)	-	-	-	-	-	-	-	-	-	-	-	(2,472,806)	-
Sale of Building:		22,045,306	-	-	-	-	-	-	-	-	-	-	-	-	22,045,306
Pay off Loan:		(11,398,318)	-	-	-	-	-	-	-	-	-	-	-	-	(11,398,318)
Net Proceeds to Equity:		10,646,988	-	-	-	-	-	-	-	-	-	-	-	-	10,646,988
Before Tax Cash Flow (includes land equity):	11.6%	8,344,212	(5,539,980)	196,778	2,040,367	284,008	318,555	354,139	390,791	428,542	467,425	507,475	548,726	(2,555,583)	10,902,969
Before Tax Cash Flow:	33.3%	11,844,212	(2,039,980)	196,778	2,040,367	284,008	318,555	354,139	390,791	428,542	467,425	507,475	548,726	(2,555,583)	10,902,969

FINANCIAL SUMMARY: Alder Shipping Container Pod

AREAS	GSF	RSF/Stalls
Retail	2,000	960
Total	2,000	960

DEVELOPMENT COST	/GSF	
Total Land and Site Costs	$0	$0
Total Hard Costs	$64	$127,148
Total Soft Costs	$52	$104,335
Total Financing Costs	$0	$0
Total Development Cost	$116	$231,483
Land/Building Equity:	$0	$0
Cash Needed from Project:	$116	$231,483

CAPITAL STACK	
Land and Building Equity	$0
Additional Owner Equity	$231,483
Construction/Mini-perm loan	$0
Total Project Cost	$231,483

TIMING	
Entitlement/predev start:	09/30/15
Entitlement/predev duration:	6
Construction start:	03/31/16
Construction duration:	3
Occupancy start and lease-up:	06/30/16
Lease-up duration:	6
Stabilized occupancy:	12/31/16
Total project duration	15

OPERATING STATEMENT - STABILIZATION		
Potential Gross Rents		$35,520
Vacancy		-$1,776
Effective Gross Income		$33,744
Operating Expenses		-$5,328
NOI		**$28,416**
Total Capitalized Value	7.00%	$405,943

INCOME/EXPENSE ASSUI	RENT	EXPENSES
NNN Retail:	$37.00	-$5.55
Escalation:	3.00%	3.00%

FINANCIAL ANALYSIS	
METRICS - OWNER'S CASH EQUITY	
Total Value created:	$405,943
Cash to construct (all sources):	$231,483
Difference:	$174,459
Unlevered Cash Flow in Year 1	$28,416
Levered Cash Flow in Year 1	$28,416
Owner - Cash Equity Invested	$231,483
ROA (Yr1):	12.3%
ROE (Yr 1):	12.3%
IRR:	13.9%

THE MORRISON MERCANTILE

Alder Shipping Container Pod — CASH FLOW - ANNUAL

IRR: 13.9%

TIMING:													
Year:			1	2	3	4	5	6	7	8	9	10	11
Start Date:			09/30/15	09/30/16	09/30/17	09/30/18	09/30/19	09/30/20	09/30/21	09/30/22	09/30/23	09/30/24	09/30/25
DEVELOPMENT COSTS:													
		Total											
Land and Site Costs:		-	-	-	-	-	-	-	-	-	-	-	-
Soft Costs:		104,335	104,335	-	-	-	-	-	-	-	-	-	-
Hard Costs:		127,148	127,148	-	-	-	-	-	-	-	-	-	-
Total Costs		**231,483**	**231,483**	-	-	-	-	-	-	-	-	-	-
Land and Building Equity:		-	-	-	-	-	-	-	-	-	-	-	-
Additional Owner Equity:		231,483	231,483	-	-	-	-	-	-	-	-	-	-
Construction Loan:		-	-	-	-	-	-	-	-	-	-	-	-
Total Sources		**231,483**	**231,483**	-	-	-	-	-	-	-	-	-	-
Cumulative Development Costs:		231,483	231,483	231,483	231,483	231,483	231,483	231,483	231,483	231,483	231,483	231,483	231,483
OPERATING STATEMENT:													
Office/Ind/Retail and Residential													
Potential Gross Revenue:		403,011	1,480	32,560	36,319	37,409	38,531	39,687	40,878	42,104	43,367	44,668	46,008
Vacancy:		(20,151)	(74)	(1,628)	(1,816)	(1,870)	(1,927)	(1,984)	(2,044)	(2,105)	(2,168)	(2,233)	(2,300)
Effective Gross Revenue:		382,860	1,406	30,932	34,503	35,538	36,604	37,703	38,834	39,999	41,199	42,435	43,708
Operating Expenses:		(61,562)	(888)	(5,328)	(5,448)	(5,611)	(5,780)	(5,953)	(6,132)	(6,316)	(6,505)	(6,700)	(6,901)
Net Operating Income:		**321,298**	**518**	**25,604**	**29,055**	**29,927**	**30,825**	**31,750**	**32,702**	**33,683**	**34,694**	**35,734**	**36,806**
Less Reserves:			(67)	(400)	(409)	(421)	(434)	(447)	(460)	(474)	(488)	(503)	(518)
Cash Available			451	25,204	28,646	29,506	30,391	31,303	32,242	33,209	34,205	35,231	36,288
DSCR:			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Return on Owner Equity (annualized):			0.2%	10.9%	12.4%	12.7%	13.1%	13.5%	13.9%	14.3%	14.8%	15.2%	15.7%
Return on Owner Cash Equity (ann'l):			0.2%	10.9%	12.4%	12.7%	13.1%	13.5%	13.9%	14.3%	14.8%	15.2%	15.7%
Before Tax Cash Flow:	13.9%	682,360	(231,032)	25,204	28,646	29,506	30,391	31,303	32,242	33,209	34,205	35,231	36,288

THE MORRISON MERCANTILE

FINANCIAL SUMMARY: New City Liquidators Storefront

AREAS	GSF	RSF/Stalls
Retail	10,000	-
Total	10,000	-

DEVELOPMENT COST	/GSF	
Total Land and Site Costs	$0	$0
Total Hard Costs	$82	$817,962
Total Soft Costs	$35	$348,508
Total Financing Costs	$0	$0
Total Development Cost	$117	$1,166,470
Land/Building Equity:	$0	$0
Cash Needed from Project:	$117	$1,166,470

CAPITAL STACK	
Land and Building Equity	$0
Additional Owner Equity	$1,166,470
Construction/Mini-perm loan	$0
Mezzanine Equity/Debt	$0
Total Project Cost	$1,166,470

TIMING	
Entitlement/predev start:	09/30/15
Entitlement/predev duration:	6
Construction start:	03/31/16
Construction duration:	3
Occupancy start and lease-up:	06/30/16
Lease-up duration:	0
Stabilized occupancy:	06/30/16
Total project duration	9

FINANCIAL ANALYSIS	
METRICS - OWNER'S CASH EQUITY (excludes land equity)	
Net Equity Invested	$1,166,470
ROA (Yr1) (excludes land/building value):	0.0%
ROE Yr 1 (cash on cash):	0.0%
IRR:	N/A

New City Liquidators Storefront	CASH FLOW - ANNUAL

IRR (including land equity): N/A
IRR (solely owner cash equity): N/A

TIMING:		
Year:		1
Start Date:		09/30/15
DEVELOPMENT COSTS:		
	Total	
Land and Site Costs:	-	-
Soft Costs:	348,508	348,508
Hard Costs:	817,962	817,962
Total Costs	**1,166,470**	**1,166,470**
Land and Building Equity:	-	-
Additional Owner Equity:	1,166,470	1,166,470
Construction Loan:	-	-
Total Sources	**1,166,470**	**1,166,470**

THE MORRISON MERCANTILE

FINANCIAL SUMMARY: Royal Shipping Container Pod

AREAS	GSF	RSF/Stalls
Retail	1,320	960
Total	1,320	960

DEVELOPMENT COST	/GSF	
Total Land and Site Costs	$0	$0
Total Hard Costs	$64	$83,917
Total Soft Costs	$57	$75,881
Total Financing Costs	$0	$0
Total Development Cost	$121	$159,798
Land/Building Equity:	$0	$0
Cash Needed from Project:	$121	$159,798

CAPITAL STACK	
Land and Building Equity	$0
Additional Owner Equity	$159,798
Construction/Mini-perm loan	$0
Total Project Cost	$159,798

TIMING	
Entitlement/predev start:	09/30/15
Entitlement/predev duration:	6
Construction start:	03/31/16
Construction duration:	3
Occupancy start and lease-up:	06/30/16
Lease-up duration:	6
Stabilized occupancy:	12/31/16
Total project duration	15

OPERATING STATEMENT - STABILIZATION		
Potential Gross Rents		$37,123
Vacancy		-$1,856
Effective Gross Income		$35,267
Operating Expenses		-$5,569
NOI		$29,698
Total Capitalized Value	7.00%	$424,258

INCOME/EXPENSE ASSUMPT	RENT	EXPENSES
NNN Retail:	$38.67	-$5.80
Escalation:	3.00%	3.00%

FINANCIAL ANALYSIS	
METRICS - OWNER'S CASH EQUITY	
Total Value created:	$424,258
Cash to construct (all sources):	$159,798
Difference:	$264,459
Unlevered Cash Flow in Year 1	$29,698
Levered Cash Flow in Year 1	$29,698
Owner - Cash Equity Invested	$159,798
ROA (Yr1) (excludes land/building value):	18.6%
ROE Yr 1 (cash on cash):	18.6%
IRR:	20.9%

Royal Shipping Container Pod — CASH FLOW - ANNUAL

IRR: 20.9%

		Total	1	2	3	4	5	6	7	8	9	10	11
TIMING:													
Year:			1	2	3	4	5	6	7	8	9	10	11
Start Date:			09/30/15	09/30/16	09/30/17	09/30/18	09/30/19	09/30/20	09/30/21	09/30/22	09/30/23	09/30/24	09/30/25
DEVELOPMENT COSTS:													
Land and Site Costs:		-	-	-	-	-	-	-	-	-	-	-	-
Soft Costs:		75,881	75,881	-	-	-	-	-	-	-	-	-	-
Hard Costs:		83,917	83,917	-	-	-	-	-	-	-	-	-	-
Total Costs		**159,798**	**159,798**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Land and Building Equity:		-	-	-	-	-	-	-	-	-	-	-	-
Additional Owner Equity:		159,798	159,798	-	-	-	-	-	-	-	-	-	-
Construction Loan:		-	-	-	-	-	-	-	-	-	-	-	-
Total Sources		**159,798**	**159,798**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cumulative Development Costs:		159,798	159,798	159,798	159,798	159,798	159,798	159,798	159,798	159,798	159,798	159,798	159,798
OPERATING STATEMENT:													
Office/Ind/Retail and Residential													
Potential Gross Revenue:		421,201	1,547	34,030	37,958	39,097	40,270	41,478	42,723	44,004	45,324	46,684	48,085
Vacancy:		(21,060)	(77)	(1,701)	(1,898)	(1,955)	(2,014)	(2,074)	(2,136)	(2,200)	(2,266)	(2,334)	(2,404)
Effective Gross Revenue:		400,141	1,469	32,328	36,061	37,142	38,257	39,404	40,586	41,804	43,058	44,350	45,680
Operating Expenses:		(64,346)	(928)	(5,569)	(5,694)	(5,865)	(6,041)	(6,222)	(6,409)	(6,601)	(6,799)	(7,003)	(7,213)
Net Operating Income:		**335,794**	**541**	**26,759**	**30,366**	**31,277**	**32,216**	**33,182**	**34,177**	**35,203**	**36,259**	**37,347**	**38,467**
Less Reserves:			(44)	(264)	(270)	(278)	(286)	(295)	(304)	(313)	(322)	(332)	(342)
Cash Available:			497	26,495	30,096	30,999	31,929	32,887	33,874	34,890	35,937	37,015	38,125
DSCR:			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Return on Owner Equity (annualized):			0.3%	16.6%	18.8%	19.4%	20.0%	20.6%	21.2%	21.8%	22.5%	23.2%	23.9%
Return on Owner Cash Equity (ann'l):			0.3%	16.6%	18.8%	19.4%	20.0%	20.6%	21.2%	21.8%	22.5%	23.2%	23.9%
Before Tax Cash Flow:	20.9%	800,338	(159,301)	26,495	30,096	30,999	31,929	32,887	33,874	34,890	35,937	37,015	38,125

THE MORRISON MERCANTILE

Pro Forma Phase II

FINANCIAL SUMMARY: 109 SE Salmon Renovation

AREAS	GSF	RSF
Office	20,000	18,400
Total	20,000	18,400

DEVELOPMENT COST	/GSF	
Total Land and Site Costs	$68	$1,350,000
Total Hard Costs	$101	$2,024,174
Total Soft Costs	$67	$1,333,106
Total Financing Costs	$11	$213,810
Total Development Cost	$246	$4,921,090
Land/Building Equity:	$68	$1,350,000
Cash Needed from Project:	$179	$3,571,090

CAPITAL STACK	
Land and Building Equity	$1,350,000
Additional Owner Equity	$0
Construction/Mini-perm loan	$3,571,090
Total Project Cost	$4,921,090

FINANCING	
Construction	
Loan:	$3,571,090
LTC:	73%
LTV:	50%
DSCR:	1.70
Interest Rate:	3.25%
I/O term/CL Maturity (months)	28
Perm Loan	
Perm Loan:	$3,936,872
Net Equity proceeds from Refi	$326,413
Monthly Debt Service:	$21,134
Annual Debt Service:	$253,608
Interest Rate:	5.00%
Amortization:	360

SALE AND TAXES ANALYSIS	
Estimated Hold Period (months from stabilization):	120
Sale Date:	11/30/29
Exit Cap Rate:	6.75%
Sale Price:	$8,325,182

TIMING	
Entitlement/loan close/predev start:	07/31/17
Entitlement/loan close/predev duration:	6
Construction start:	01/31/18
Construction duration:	10
Occupancy start and lease-up:	11/30/18
Lease-up duration:	12
Stabilized occupancy:	11/30/19
Total project duration	28

OPERATING STATEMENT - STABILIZATION		
Potential Gross Rents		$473,132
Vacancy		-$23,657
Effective Gross Income		$449,476
Operating Expenses		-$18,400
NOI		$431,076
Total Capitalized Value	6.00%	$7,184,595

INCOME/EXPENSE ASSUMPTIONS:	RENT	EXPENSES
NNN Office:	$25.71	-$1.00
Escalation:	3.00%	3.00%

FINANCIAL ANALYSIS	
METRICS - PROJECT as if MARKET	
Total Value created:	$7,184,595
Cost to construct:	$4,921,090
Difference	$2,263,505
Unlevered Cash Flow in Year 1	$431,076
Levered Cash Flow in Year 1	$172,468
Owner Equity Invested (land and cash)	$1,350,000
ROA Yr 1 (return on total cost):	8.8%
ROE Yr 1 (includes land/building equity)	12.8%
IRR (includes land equity)	20.3%
METRICS - OWNER'S CASH EQUITY (excludes land equity)	
Owner - Cash Equity Invested	$0
Owner proceeds from permanent debt:	$326,413
ROA (Yr1) (excludes land/building value):	12.1%
ROE Yr 1 (cash on cash):	N/A
IRR:	N/A

THE MORRISON MERCANTILE

109 SE Salmon Renovation
CASH FLOW - ANNUAL

IRR (including land equity): 20.3%
IRR (solely owner cash equity): N/A

		Total	1	2	3	4	5	6	7	8	9	10	11	12	13
TIMING:															
Year:			1	2	3	4	5	6	7	8	9	10	11	12	13
Start Date:			07/31/17	07/31/18	07/31/19	07/31/20	07/31/21	07/31/22	07/31/23	07/31/24	07/31/25	07/31/26	07/31/27	07/31/28	07/31/29
DEVELOPMENT COSTS:															
Land and Site Costs:		1,350,000	1,350,000	-	-	-	-	-	-	-	-	-	-	-	-
Soft Costs:		1,546,915	973,344	535,145	38,426	-	-	-	-	-	-	-	-	-	-
Hard Costs:		2,024,174	1,012,087	1,012,087	-	-	-	-	-	-	-	-	-	-	-
Total Costs		**4,921,090**	**3,335,431**	**1,547,232**	**38,426**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Land and Building Equity:		1,350,000	1,350,000	-	-	-	-	-	-	-	-	-	-	-	-
Additional Owner Equity:		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction Loan:		3,571,090	1,985,431	1,547,232	38,426	-	-	-	-	-	-	-	-	-	-
Total Sources		**4,921,090**	**3,335,431**	**1,547,232**	**38,426**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cumulative Development Costs:		4,921,090	3,335,431	4,882,663	4,921,090	4,921,090	4,921,090	4,921,090	4,921,090	4,921,090	4,921,090	4,921,090	4,921,090	4,921,090	4,921,090
Perm Loan/Refinance:		3,936,872	-	-	3,936,872	-	-	-	-	-	-	-	-	-	-
Perm Loan/Refinance proceeds to Equity:		365,782	-	-	365,782	-	-	-	-	-	-	-	-	-	-
Perm Loan/Refinance fees:		39,369	-	-	39,369	-	-	-	-	-	-	-	-	-	-
Balance to Equity:		326,413	-	-	326,413	-	-	-	-	-	-	-	-	-	-
Loan Balance:		3,936,872	1,985,431	3,532,663	3,936,872	3,898,472	3,838,425	3,775,305	3,708,955	3,639,211	3,565,899	3,488,836	3,407,831	3,322,681	3,233,175
OPERATING STATEMENT:															
Office/Ind/Retail and Residential															
Potential Gross Revenue:		5,693,771	-	91,998	440,276	482,595	497,073	511,985	527,345	543,165	559,460	576,244	593,531	611,337	258,764
Vacancy:		(284,689)	-	(4,600)	(22,014)	(24,130)	(24,854)	(25,599)	(26,367)	(27,158)	(27,973)	(28,812)	(29,677)	(30,567)	(12,938)
Effective Gross Revenue:		5,409,083	-	87,398	418,262	458,465	472,219	486,386	500,977	516,007	531,487	547,431	563,854	580,770	245,826
Operating Expenses:		(229,863)	-	(10,733)	(18,400)	(18,768)	(19,331)	(19,911)	(20,508)	(21,124)	(21,757)	(22,410)	(23,082)	(23,775)	(10,063)
Net Operating Income:		5,179,220	-	76,665	399,862	439,697	452,888	466,475	480,469	494,883	509,730	525,021	540,772	556,995	235,763
Less Reserves:			-	(2,917)	(5,000)	(5,100)	(5,253)	(5,411)	(5,573)	(5,740)	(5,912)	(6,090)	(6,272)	(6,461)	(2,735)
Construction Loan - Lease-up Interest:		(104,680)	-	(66,254)	(38,426)	-	-	-	-	-	-	-	-	-	-
Construction Loan - Remaining I/O:		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Perm - Amortization - Interest Portion:		(1,814,882)	-	-	(130,673)	(193,560)	(190,488)	(187,258)	(183,864)	(180,296)	(176,545)	(172,602)	(168,458)	(164,101)	(67,037)
Perm - Amortization - Principal Portion:		(742,330)	-	-	(38,399)	(60,048)	(63,120)	(66,349)	(69,744)	(73,312)	(77,063)	(81,006)	(85,150)	(89,506)	(38,633)
Total Debt Service:		(2,661,891)	-	(66,254)	(207,498)	(253,608)	(253,608)	(253,608)	(253,608)	(253,608)	(253,608)	(253,608)	(253,608)	(253,608)	(105,670)
Construction Funds for Operating Deficit:		104,680	-	66,254	38,426	-	-	-	-	-	-	-	-	-	-
Cash Available After Debt Service:			-	73,748	225,790	180,989	194,027	207,456	221,288	235,535	250,210	265,324	280,892	296,927	127,358
DSCR:			N/A	1.16	1.93	1.73	1.79	1.84	1.89	1.95	2.01	2.07	2.13	2.20	2.23
Return on Owner Equity (annualized):			0.0%	5.5%	16.7%	13.4%	14.4%	15.4%	16.4%	17.4%	18.5%	19.7%	20.8%	22.0%	9.4%
Return on Owner Cash Equity (ann'l):			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Loan Balance:			1,985,431	3,532,663	3,898,472	3,838,425	3,775,305	3,708,955	3,639,211	3,565,899	3,488,836	3,407,831	3,322,681	3,233,175	3,194,542
Leasing Commissions		(266,628)	-	-	-	-	-	-	-	-	-	-	-	(266,628)	-
TI Allowance		(989,122)	-	-	-	-	-	-	-	-	-	-	-	(989,122)	-
Sale of Building:		8,325,182	-	-	-	-	-	-	-	-	-	-	-	-	8,325,182
Pay off Loan:		(3,194,542)	-	-	-	-	-	-	-	-	-	-	-	-	(3,194,542)
Net Proceeds to Equity:		5,130,640	-	-	-	-	-	-	-	-	-	-	-	-	5,130,640
Before Tax Cash Flow (includes land equity):	20.3%	5,410,849	(1,350,000)	73,748	552,204	180,989	194,027	207,456	221,288	235,535	250,210	265,324	280,892	(958,824)	5,257,998
Before Tax Cash Flow:	N/A	6,760,849	-	73,748	552,204	180,989	194,027	207,456	221,288	235,535	250,210	265,324	280,892	(958,824)	5,257,998

THE MORRISON MERCANTILE

FINANCIAL SUMMARY: 133 SE Salmon Light Renovation

AREAS	GSF	RSF
Office	10,000	9,200
Total	10,000	9,200

DEVELOPMENT COST	/GSF	
Total Land and Site Costs	$65	$650,000
Total Hard Costs	$97	$972,816
Total Soft Costs	$79	$794,672
Total Financing Costs	$11	$112,803
Total Development Cost	$253	$2,530,291
Land/Building Equity:	$65	$650,000
Cash Needed from Project:	$188	$1,880,291

CAPITAL STACK	
Land and Building Equity	$650,000
Additional Owner Equity	$0
Construction/Mini-perm loan	$1,880,291
Total Project Cost	$2,530,291

FINANCING	
Construction	
Loan:	$1,880,291
LTC:	74%
LTV:	52%
DSCR:	1.65
Interest Rate:	3.25%
I/O term/CL Maturity (months)	28
Perm Loan	
Perm Loan:	$2,024,233
Net Equity proceeds from Refi	$123,699
Monthly Debt Service:	$10,867
Annual Debt Service:	$130,398
Interest Rate:	5.00%
Amortization:	360

SALE AND TAXES ANALYSIS	
Estimated Hold Period (months from stabilization):	120
Sale Date:	11/30/29
Exit Cap Rate:	6.75%
Sale Price:	$4,162,591

TIMING	
Entitlement/loan close/predev start:	07/31/17
Entitlement/loan close/predev duration:	6
Construction start:	01/31/18
Construction duration:	10
Occupancy start and lease-up:	11/30/18
Lease-up duration:	12
Stabilized occupancy:	11/30/19
Total project duration	28

OPERATING STATEMENT - STABILIZATION		
Potential Gross Rents		$236,566
Vacancy		-$11,828
Effective Gross Income		$224,738
Operating Expenses		-$9,200
NOI		**$215,538**
Total Capitalized Value	6.00%	$3,592,297

INCOME/EXPENSE ASSUMPTIONS:	RENT	EXPENSES
NNN Office:	$25.71	-$1.00
Escalation:	3.00%	3.00%

FINANCIAL ANALYSIS	
METRICS - PROJECT as if MARKET	
Total Value created:	$3,592,297
Cost to construct:	$2,530,291
Difference:	$1,062,006
Unlevered Cash Flow in Year 1	$215,538
Levered Cash Flow in Year 1	$82,640
Owner Equity Invested (land and cash)	$650,000
ROA Yr 1 (return on total cost):	8.5%
ROE Yr 1 (includes land/building equity)	12.7%
IRR (includes land equity)	21.2%
METRICS - OWNER'S CASH EQUITY (excludes land equity)	
Owner - Cash Equity Invested	$0
Owner proceeds from permanent debt:	$123,699
ROA (Yr1) (excludes land/building value):	11.5%
ROE Yr 1 (cash on cash):	N/A
IRR (pre-tax)	N/A

THE MORRISON MERCANTILE

133 SE Salmon Light Renovation — CASH FLOW - ANNUAL

IRR (including land equity): 21.2%
IRR (solely owner cash equity): N/A

	Total	1	2	3	4	5	6	7	8	9	10	11	12	13
TIMING:														
Year:		1	2	3	4	5	6	7	8	9	10	11	12	13
Start Date:		07/31/17	07/31/18	07/31/19	07/31/20	07/31/21	07/31/22	07/31/23	07/31/24	07/31/25	07/31/26	07/31/27	07/31/28	07/31/29
DEVELOPMENT COSTS:														
	Total													
Land and Site Costs:	650,000	650,000	-	-	-	-	-	-	-	-	-	-	-	-
Soft Costs:	907,475	576,510	310,732	20,233	-	-	-	-	-	-	-	-	-	-
Hard Costs:	972,816	486,408	486,408	-	-	-	-	-	-	-	-	-	-	-
Total Costs	**2,530,291**	**1,712,918**	**797,140**	**20,233**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Land and Building Equity:	650,000	650,000	-	-	-	-	-	-	-	-	-	-	-	-
Additional Owner Equity:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mezzanine Financing:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction Loan:	1,880,291	1,062,918	797,140	20,233	-	-	-	-	-	-	-	-	-	-
Total Sources	**2,530,291**	**1,712,918**	**797,140**	**20,233**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cumulative Development Costs:	2,530,291	1,712,918	2,510,058	2,530,291	2,530,291	2,530,291	2,530,291	2,530,291	2,530,291	2,530,291	2,530,291	2,530,291	2,530,291	2,530,291
Perm Loan/Refinance:	2,024,233	-	-	2,024,233	-	-	-	-	-	-	-	-	-	-
Perm Loan/Refinance proceeds to Equity:	143,942	-	-	143,942	-	-	-	-	-	-	-	-	-	-
Perm Loan/Refinance fees:	20,242	-	-	20,242	-	-	-	-	-	-	-	-	-	-
Balance to Equity:	123,699	-	-	123,699	-	-	-	-	-	-	-	-	-	-
Loan Balance:	2,024,233	1,062,918	1,860,058	2,024,233	2,004,489	1,973,614	1,941,159	1,907,044	1,871,184	1,833,489	1,793,865	1,752,214	1,708,432	1,662,411
OPERATING STATEMENT:														
Office/Ind/Retail and Residential														
Potential Gross Revenue:	2,846,886	-	45,999	220,138	241,297	248,536	255,992	263,672	271,582	279,730	288,122	296,765	305,668	129,382
Vacancy:	(142,344)	-	(2,300)	(11,007)	(12,065)	(12,427)	(12,800)	(13,184)	(13,579)	(13,986)	(14,406)	(14,838)	(15,283)	(6,469)
Effective Gross Revenue:	2,704,541	-	43,699	209,131	229,233	236,110	243,193	250,489	258,003	265,743	273,716	281,927	290,385	122,913
Operating Expenses:	(114,931)	-	(5,367)	(9,200)	(9,384)	(9,666)	(9,955)	(10,254)	(10,562)	(10,879)	(11,205)	(11,541)	(11,887)	(5,032)
Net Operating Income:	**2,589,610**	**-**	**38,332**	**199,931**	**219,849**	**226,444**	**233,237**	**240,234**	**247,442**	**254,865**	**262,511**	**270,386**	**278,498**	**117,881**
Less Reserves:		-	(1,458)	(2,500)	(2,550)	(2,627)	(2,705)	(2,786)	(2,870)	(2,956)	(3,045)	(3,136)	(3,230)	(1,367)
Construction Loan - Lease-up Interest:	(55,117)	-	(34,885)	(20,233)	-	-	-	-	-	-	-	-	-	-
Perm - Amortization - Interest Portion:	(933,163)	-	-	(67,188)	(99,523)	(97,944)	(96,283)	(94,538)	(92,703)	(90,775)	(88,747)	(86,616)	(84,376)	(34,469)
Perm - Amortization - Principal Portion:	(381,686)	-	-	(19,744)	(30,875)	(32,455)	(34,115)	(35,860)	(37,695)	(39,624)	(41,651)	(43,782)	(46,022)	(19,864)
Total Debt Service:	(1,369,966)	-	(34,885)	(107,165)	(130,398)	(130,398)	(130,398)	(130,398)	(130,398)	(130,398)	(130,398)	(130,398)	(130,398)	(54,333)
Construction Funds for Operating Deficit:	55,117	-	34,885	20,233	-	-	-	-	-	-	-	-	-	-
Cash Available After Debt Service:		-	36,874	110,499	86,900	93,419	100,134	107,050	114,173	121,510	129,068	136,852	144,869	62,182
DSCR:		N/A	1.10	1.87	1.69	1.74	1.79	1.84	1.90	1.95	2.01	2.07	2.14	2.17
Return on Owner Equity (annualized):		0.0%	5.7%	17.0%	13.4%	14.4%	15.4%	16.5%	17.6%	18.7%	19.9%	21.1%	22.3%	9.6%
Return on Owner Cash Equity (ann'l):		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Loan Balance:		1,062,918	1,860,058	2,004,489	1,973,614	1,941,159	1,907,044	1,871,184	1,833,489	1,793,865	1,752,214	1,708,432	1,662,411	1,642,547
Leasing Commissions	(133,314)	-	-	-	-	-	-	-	-	-	-	-	(133,314)	-
TI Allowance	(494,561)	-	-	-	-	-	-	-	-	-	-	-	(494,561)	-
Sale of Building:	4,162,591	-	-	-	-	-	-	-	-	-	-	-	-	4,162,591
Pay off Loan:	(1,642,547)	-	-	-	-	-	-	-	-	-	-	-	-	(1,642,547)
Net Proceeds to Equity:	2,520,044	-	-	-	-	-	-	-	-	-	-	-	-	2,520,044
Before Tax Cash Flow (includes land equity):	21.2% 2,609,398	(650,000)	36,874	234,198	86,900	93,419	100,134	107,050	114,173	121,510	129,068	136,852	(483,006)	2,582,226
Before Tax Cash Flow:	N/A 3,259,398	-	36,874	234,198	86,900	93,419	100,134	107,050	114,173	121,510	129,068	136,852	(483,006)	2,582,226

THE MORRISON MERCANTILE

FINANCIAL SUMMARY: PUL Light Improvements

AREAS	GSF	RSF
Industrial	35,000	28,000
Total	35,000	28,000

DEVELOPMENT COST	/GSF	
Total Land and Site Costs	$60	$2,100,000
Total Hard Costs	$8	$262,520
Total Soft Costs	$12	$423,836
Total Financing Costs	$2	$72,336
Total Development Cost	$82	$2,858,692
Land/Building Equity:	$60	$2,100,000
Cash Needed from Project:	$22	$758,692

CAPITAL STACK	
Land and Building Equity	$2,100,000
Additional Owner Equity	$0
Construction/Mini-perm loan	$758,692
Total Project Cost	$2,858,692

FINANCING	
Construction	
Loan:	$758,692
LTC:	27%
LTV:	26%
DSCR:	1.32
Interest Rate:	3.25%
I/O term/CL Maturity (months)	22
Perm Loan	
Perm Loan:	$2,218,673
Net Equity proceeds from Refi	$1,437,795
Monthly Debt Service:	$11,910
Annual Debt Service:	$142,924
Interest Rate:	5.00%
Amortization:	360

SALE AND TAXES ANALYSIS	
Estimated Hold Period (months from stabilization):	120
Sale Date:	05/31/29
Exit Cap Rate:	7.15%
Sale Price:	$3,451,835

OPERATING STATEMENT - STABILIZATION		
Potential Gross Rents		$206,915
Vacancy		-$10,346
Effective Gross Income		$196,569
Operating Expenses		-$7,242
NOI		**$189,327**
Total Capitalized Value	6.40%	$2,958,231

INCOME/EXPENSE ASSUMPTIONS	RENT	EXPENSES
NNN Industrial:	$7.39	-$0.26
Escalation:	3.00%	3.00%

TIMING	
Entitlement/loan close/predev start:	07/31/17
Entitlement/loan close/predev duration:	4
Construction start:	11/30/17
Construction duration:	6
Occupancy start and lease-up:	05/31/18
Lease-up duration:	12
Stabilized occupancy:	05/31/19
Total project duration	22

FINANCIAL ANALYSIS	
METRICS - PROJECT as if MARKET	
Total Value created:	$2,958,231
Cost to construct:	$2,858,692
Difference:	$99,539
Unlevered Cash Flow in Year 1	$189,327
Levered Cash Flow in Year 1	$46,403
Owner Equity Invested (land and cash)	$2,100,000
ROA Yr 1 (return on total cost):	6.6%
ROE Yr 1 (includes land/building equity)	2.2%
IRR (includes land equity)	12.9%
METRICS - OWNER'S CASH EQUITY (excludes land equity)	
Owner - Cash Equity Invested	$0
Owner proceeds from permanent debt:	$1,437,795
ROA (Yr1) (excludes land/building value):	25.0%
ROE Yr 1 (cash on cash):	N/A
IRR (pre-tax)	N/A

THE MORRISON MERCANTILE

PUL Light Improvements — CASH FLOW - ANNUAL

IRR (including land equity):	12.9%
IRR (solely owner cash equity):	N/A

TIMING:														
Year:			1	2	3	4	5	6	7	8	9	10	11	12
Start Date:			07/31/17	07/31/18	07/31/19	07/31/20	07/31/21	07/31/22	07/31/23	07/31/24	07/31/25	07/31/26	07/31/27	07/31/28
DEVELOPMENT COSTS:														
		Total												
Land and Site Costs:		2,100,000	2,100,000	-	-	-	-	-	-	-	-	-	-	-
Soft Costs:			475,927											
Soft Costs:		423,836	423,836	-	-	-	-	-	-	-	-	-	-	-
Hard Costs:		262,520	262,520	-	-	-	-	-	-	-	-	-	-	-
Total Costs		**2,858,692**	**2,838,447**	**20,245**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Land and Building Equity:		2,100,000	2,100,000	-	-	-	-	-	-	-	-	-	-	-
Additional Owner Equity:		-	-	-	-	-	-	-	-	-	-	-	-	-
Construction Loan:		758,692	738,447	20,245	-	-	-	-	-	-	-	-	-	-
Total Sources		**2,858,692**	**2,838,447**	**20,245**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cumulative Development Costs:		2,858,692	2,838,447	2,858,692	2,858,692	2,858,692	2,858,692	2,858,692	2,858,692	2,858,692	2,858,692	2,858,692	2,858,692	2,858,692
Perm Loan/Refinance:		2,218,673	-	2,218,673	-	-	-	-	-	-	-	-	-	-
Perm Loan/Refinance proceeds to Equity:		1,459,981	-	1,459,981	-	-	-	-	-	-	-	-	-	-
Perm Loan/Refinance fees:		22,187	-	22,187	-	-	-	-	-	-	-	-	-	-
Balance to Equity:		1,437,795	-	1,437,795	-	-	-	-	-	-	-	-	-	-
Loan Balance:		2,218,673	738,447	2,218,673	2,213,331	2,180,324	2,145,628	2,109,158	2,070,821	2,030,523	1,988,163	1,943,636	1,896,831	1,847,632
OPERATING STATEMENT:														
Office/Ind/Retail and Residential														
Potential Gross Revenue:		2,490,052	1,437	127,885	207,949	214,188	220,613	227,232	234,049	241,070	248,302	255,751	263,424	248,153
Vacancy:		(124,503)	(72)	(6,394)	(10,397)	(10,709)	(11,031)	(11,362)	(11,702)	(12,054)	(12,415)	(12,788)	(13,171)	(12,408)
Effective Gross Revenue:		2,365,549	1,365	121,490	197,552	203,478	209,583	215,870	222,346	229,017	235,887	242,964	250,253	235,746
Operating Expenses:		(90,471)	(604)	(7,242)	(7,278)	(7,497)	(7,721)	(7,953)	(8,192)	(8,437)	(8,691)	(8,951)	(9,220)	(8,685)
Net Operating Income:		**2,275,078**	**762**	**114,248**	**190,273**	**195,982**	**201,861**	**207,917**	**214,154**	**220,579**	**227,196**	**234,012**	**241,033**	**227,060**
Less Reserves:			(292)	(3,500)	(3,518)	(3,623)	(3,732)	(3,844)	(3,959)	(4,078)	(4,200)	(4,326)	(4,456)	(4,198)
Construction Loan - Lease-up Interest:		(22,240)	(1,995)	(20,245)	-	-	-	-	-	-	-	-	-	-
Perm - Amortization - Interest Portion:		(1,022,799)	-	(18,478)	(109,917)	(108,228)	(106,453)	(104,587)	(102,626)	(100,564)	(98,397)	(96,119)	(93,724)	(83,706)
Perm - Amortization - Principal Portion:		(418,349)	-	(5,343)	(33,007)	(34,696)	(36,471)	(38,337)	(40,298)	(42,360)	(44,527)	(46,805)	(49,200)	(47,308)
Total Debt Service:		(1,463,388)	(1,995)	(44,066)	(142,924)	(142,924)	(142,924)	(142,924)	(142,924)	(142,924)	(142,924)	(142,924)	(142,924)	(131,014)
Construction Funds for Operating Deficit:		22,240	1,995	20,245	-	-	-	-	-	-	-	-	-	-
Cash Available After Debt Service:			470	86,928	43,832	49,435	55,206	61,149	67,272	73,577	80,073	86,762	93,653	91,849
DSCR:			0.38	2.59	1.33	1.37	1.41	1.45	1.50	1.54	1.59	1.64	1.69	1.73
Return on Owner Equity (annualized):			0.0%	4.1%	2.1%	2.4%	2.6%	2.9%	3.2%	3.5%	3.8%	4.1%	4.5%	4.4%
Return on Owner Cash Equity (ann'l):			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Loan Balance:			738,447	2,213,331	2,180,324	2,145,628	2,109,158	2,070,821	2,030,523	1,988,163	1,943,636	1,896,831	1,847,632	1,800,324
Sale of Building:		3,451,835	-	-	-	-	-	-	-	-	-	-	-	3,451,835
Pay off Loan:		(1,800,324)	-	-	-	-	-	-	-	-	-	-	-	(1,800,324)
Net Proceeds to Equity:		1,651,511	-	-	-	-	-	-	-	-	-	-	-	1,651,511
Before Tax Cash Flow (includes land equity):	12.9%	1,779,512	(2,099,530)	1,524,722	43,832	49,435	55,206	61,149	67,272	73,577	80,073	86,762	93,653	1,743,360
Before Tax Cash Flow:	N/A	3,879,512	470	1,524,722	43,832	49,435	55,206	61,149	67,272	73,577	80,073	86,762	93,653	1,743,360

THE MORRISON MERCANTILE

Pro Forma Phase III

FINANCIAL SUMMARY: Studebaker Restoration

AREAS	GSF	RSF/Stalls
Office	80,000	73,600
Parking	20,000	30
Total	100,000	73,600

DEVELOPMENT COST	/GSF	
Total Land and Site Costs	$49	$4,900,000
Total Hard Costs	$113	$11,331,420
Total Soft Costs	$57	$5,714,546
Total Financing Costs	$14	$1,421,241
Total Development Cost	$234	$23,367,208
Land/Building Equity:	$49	$4,900,000
Cash Needed from Project:	$185	$18,467,208

CAPITAL STACK	
Land and Building Equity	$4,900,000
Additional Owner Equity	$69,756
Construction/Mini-perm loan	$18,397,452
Total Project Cost	$23,367,208

FINANCING	
Construction	
Loan:	$18,397,452
LTC:	79%
LTV:	57%
DSCR:	1.45
Interest Rate:	4.25%
I/O term/CL Maturity (months)	33
Perm Loan	
Perm Loan:	$18,693,766
Net Equity proceeds from Refi	$109,376
Monthly Debt Service:	$112,079
Annual Debt Service:	$1,344,943
Interest Rate:	6.00%
Amortization:	360

SALE AND TAXES ANALYSIS	
Estimated Hold Period (months from stabilization):	120
Sale Date:	02/29/32
Exit Cap Rate:	6.75%
Sale Price:	$37,651,119

TIMING	
Entitlement/loan close/predev start:	05/31/19
Entitlement/loan close/predev duration:	9
Construction start:	02/29/20
Construction duration:	12
Occupancy start and lease-up:	02/28/21
Lease-up duration:	12
Stabilized occupancy:	02/28/22
Total project duration	33

OPERATING STATEMENT - STABILIZATION		
Potential Gross Rents		$2,129,647
Vacancy		-$106,482
Effective Gross Income		$2,023,165
Operating Expenses		-$73,600
NOI		**$1,949,565**
Total Capitalized Value	6.00%	$32,492,747

INCOME/EXPENSE ASSUMPTIONS:	RENT	EXPENSES
NNN Office:	$28.20	-$1.00
Escalation:	3.00%	3.00%
Parking rent (monthly):	$150	

FINANCIAL ANALYSIS	
METRICS - PROJECT as if MARKET	
Total Value created:	$32,492,747
Cost to construct:	$23,367,208
Difference:	$9,125,539
Unlevered Cash Flow in Year 1	$1,949,565
Levered Cash Flow in Year 1	$584,622
Owner Equity Invested (land and cash)	$4,969,756
ROA Yr 1 (return on total cost):	8.3%
ROE Yr 1 (includes land/building equity)	11.8%
IRR (includes land equity)	18.2%
METRICS - OWNER'S CASH EQUITY (excludes land equity)	
Owner - Cash Equity Invested	$69,756
Owner proceeds from permanent debt:	$109,376
ROA (Yr1) (excludes land/building value):	10.6%
ROE Yr 1 (cash on cash):	838.1%
Leverred IRR:	250.0%

Studebaker Restoration — CASH FLOW - ANNUAL

IRR (including land equity):	18.2%
IRR (solely owner cash equity):	250.0%

TIMING:															
Year:			1	2	3	4	5	6	7	8	9	10	11	12	13
Start Date:			05/31/19	05/31/20	05/31/21	05/31/22	05/31/23	05/31/24	05/31/25	05/31/26	05/31/27	05/31/28	05/31/29	05/31/30	05/31/31
DEVELOPMENT COSTS:															
		Total													
Land and Site Costs:		4,900,000	4,900,000	-	-	-	-	-	-	-	-	-	-	-	-
Soft Costs:		7,135,788	3,199,153	3,360,467	576,168	-	-	-	-	-	-	-	-	-	-
Hard Costs:		11,331,420	1,888,570	9,442,850	-	-	-	-	-	-	-	-	-	-	-
Total Costs		**23,367,208**	**9,987,723**	**12,803,317**	**576,168**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Land and Building Equity:		4,900,000	4,900,000	-	-	-	-	-	-	-	-	-	-	-	-
Additional Owner Equity:		69,756	69,756	-	-	-	-	-	-	-	-	-	-	-	-
Construction Loan:		18,397,452	5,017,967	12,803,317	576,168	-	-	-	-	-	-	-	-	-	-
Total Sources		**23,367,208**	**9,987,723**	**12,803,317**	**576,168**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cumulative Development Costs:		23,367,208	9,987,723	22,791,040	23,367,208	23,367,208	23,367,208	23,367,208	23,367,208	23,367,208	23,367,208	23,367,208	23,367,208	23,367,208	23,367,208
Perm Loan/Refinance:		18,693,766	-	-	18,693,766	-	-	-	-	-	-	-	-	-	-
Perm Loan/Refinance proceeds to Equity:		296,314	-	-	296,314	-	-	-	-	-	-	-	-	-	-
Perm Loan/Refinance fees:		186,938	-	-	186,938	-	-	-	-	-	-	-	-	-	-
Balance to Equity:		109,376	-	-	109,376	-	-	-	-	-	-	-	-	-	-
Loan Balance:		18,693,766	5,017,967	17,821,284	18,693,766	18,637,657	18,404,635	18,157,240	17,894,587	17,615,734	17,319,681	17,005,369	16,671,671	16,317,391	15,941,260
OPERATING STATEMENT:															
Office/Ind/Retail and Residential															
Potential Gross Revenue:		25,628,612	-	44,368	1,464,132	2,145,620	2,209,988	2,276,288	2,344,576	2,414,914	2,487,361	2,561,982	2,638,841	2,718,007	2,322,536
Vacancy:		(1,281,431)	-	(2,218)	(73,207)	(107,281)	(110,499)	(113,814)	(117,229)	(120,746)	(124,368)	(128,099)	(131,942)	(135,900)	(116,127)
Effective Gross Revenue:		24,347,181	-	42,149	1,390,926	2,038,339	2,099,489	2,162,473	2,227,348	2,294,168	2,362,993	2,433,883	2,506,899	2,582,106	2,206,409
Operating Expenses:		(919,451)	-	(12,267)	(73,600)	(74,152)	(76,377)	(78,668)	(81,028)	(83,459)	(85,962)	(88,541)	(91,198)	(93,934)	(80,266)
Net Operating Income:		**23,427,731**	**-**	**29,883**	**1,317,326**	**1,964,187**	**2,023,112**	**2,083,806**	**2,146,320**	**2,210,709**	**2,277,031**	**2,345,341**	**2,415,702**	**2,488,173**	**2,126,143**
Less Reserves:			-	(3,333)	(20,000)	(20,150)	(20,755)	(21,377)	(22,018)	(22,679)	(23,359)	(24,060)	(24,782)	(25,525)	(21,811)
Construction Loan - Lease-up Interest:		(701,734)	-	(125,567)	(576,168)	-	-	-	-	-	-	-	-	-	-
Perm - Amortization - Interest Portion:		(10,477,896)	-	-	(280,127)	(1,111,921)	(1,097,548)	(1,082,290)	(1,066,090)	(1,048,891)	(1,030,631)	(1,011,245)	(990,663)	(968,812)	(789,681)
Perm - Amortization - Principal Portion:		(3,083,611)	-	-	(56,109)	(233,022)	(247,395)	(262,653)	(278,853)	(296,052)	(314,312)	(333,698)	(354,280)	(376,131)	(331,104)
Total Debt Service:		(14,263,242)	-	(125,567)	(912,403)	(1,344,943)	(1,344,943)	(1,344,943)	(1,344,943)	(1,344,943)	(1,344,943)	(1,344,943)	(1,344,943)	(1,344,943)	(1,120,786)
Construction Funds for Operating Deficit:		701,734	-	125,567	576,168	-	-	-	-	-	-	-	-	-	-
Cash Available After Debt Service:			-	26,549	961,090	599,094	657,415	717,485	779,358	843,087	908,728	976,338	1,045,977	1,117,704	983,545
DSCR:			N/A	0.24	1.44	1.46	1.50	1.55	1.60	1.64	1.69	1.74	1.80	1.85	1.90
Return on Owner Equity (annualized):			0.0%	0.5%	19.3%	12.1%	13.2%	14.4%	15.7%	17.0%	18.3%	19.6%	21.0%	22.5%	19.8%
Return on Owner Cash Equity (ann'l):			0.0%	38.1%	1377.8%	858.8%	942.5%	1028.6%	1117.3%	1208.6%	1302.7%	1399.7%	1499.5%	1602.3%	1410.0%
Loan Balance:			5,017,967	17,821,284	18,637,657	18,404,635	18,157,240	17,894,587	17,615,734	17,319,681	17,005,369	16,671,671	16,317,391	15,941,260	15,610,155
Leasing Commissions		(1,169,707)	-	-	-	-	-	-	-	-	-	-	-	(1,169,707)	-
TI Allowance		(3,956,490)	-	-	-	-	-	-	-	-	-	-	-	(3,956,490)	-
Sale of Building:		37,651,119	-	-	-	-	-	-	-	-	-	-	-	-	37,651,119
Pay off Loan:		(15,610,155)	-	-	-	-	-	-	-	-	-	-	-	-	(15,610,155)
Net Proceeds to Equity:		22,040,964	-	-	-	-	-	-	-	-	-	-	-	-	22,040,964
Before Tax Cash Flow (includes land equity):	18.2%	21,670,760	(4,969,756)	26,549	1,070,467	599,094	657,415	717,485	779,358	843,087	908,728	976,338	1,045,977	(4,008,492)	23,024,509
Before Tax Cash Flow:	250.0%	26,570,760	(69,756)	26,549	1,070,467	599,094	657,415	717,485	779,358	843,087	908,728	976,338	1,045,977	(4,008,492)	23,024,509

THE MORRISON MERCANTILE

Pro Forma Phase IV

FINANCIAL SUMMARY: Royal Hotel Restoration

AREAS	GSF	RSF/Rooms
Retail	5,000	4,000
Hotel	10,000	34
Total	15,000	4,034

DEVELOPMENT COST	/GSF	
Total Land and Site Costs	$65	$975,000
Total Hard Costs	$85	$1,268,123
Total Soft Costs	$61	$909,887
Total Financing Costs	$24	$356,818
Total Development Cost	$234	$3,509,828
Land/Building Equity:	$65	$975,000
Cash Needed from Project:	$169	$2,534,828

CAPITAL STACK	
Land and Building Equity	$975,000
Additional Owner Equity	$253,440
Construction/Mini-perm loan	$2,281,389
Total Project Cost	$3,509,828

FINANCING	
Construction	
Loan:	$2,281,389
LTC:	65%
LTV:	42%
DSCR:	2.01
Interest Rate:	4.25%
I/O term/CL Maturity (months)	28
Perm Loan	
Perm Loan:	$2,632,371
Net Equity proceeds from Refi	$324,659
Monthly Debt Service:	$15,782
Annual Debt Service:	$189,389
Interest Rate:	6.00%
Amortization:	360

SALE AND TAXES ANALYSIS	
Estimated Hold Period (months from stabilization):	120
Sale Date:	08/31/32
Exit Cap Rate:	7.50%
Sale Price:	$6,603,257

TIMING	
Entitlement/loan close/predev start:	04/30/20
Entitlement/loan close/predev duration:	6
Construction start:	10/31/20
Construction duration:	10
Occupancy start and lease-up:	08/31/21
Lease-up duration:	12
Stabilized occupancy:	08/31/22
Total project duration	28

OPERATING STATEMENT - STABILIZATION		
Potential Gross Rents		$1,320,684
Vacancy		-$249,994
Effective Gross Income		$1,070,689
Operating Expenses		-$690,784
NOI		**$379,905**
Total Capitalized Value	7.00%	$5,427,220

INCOME/EXPENSE ASSUMPTIONS:	RENT/ADR	EXPENSES
NNN Retail:	$23.57	-$1.00
Hotel Weighted Average Daily Rent:	$98.82	-70%
Escalation:	3.00%	3.00%

FINANCIAL ANALYSIS	
METRICS - PROJECT as if MARKET	
Total Value created:	$5,427,220
Cost to construct:	$3,509,828
Difference:	$1,917,392
Unlevered Cash Flow in Year 1	$379,905
Levered Cash Flow in Year 1	$182,017
Owner Equity Invested (land and cash)	$1,228,440
ROA Yr 1 (return on total cost):	10.8%
ROE Yr 1 (includes land/building equity)	14.8%
Leverred IRR (includes land equity)	21.5%
METRICS - OWNER'S CASH EQUITY (excludes land equity)	
Owner - Cash Equity Invested	$253,440
Owner proceeds from permanent debt:	$324,659
ROA (Yr1) (excludes land/building value):	15.0%
ROE Yr 1 (cash on cash):	71.8%
Leverred IRR:	69.8%

THE MORRISON MERCANTILE

Royal Hotel Restoration CASH FLOW - ANNUAL

IRR (including land equity): 21.5%

IRR (solely owner cash equity): 69.8%

TIMING:															
Year:			1	2	3	4	5	6	7	8	9	10	11	12	13
Start Date:			04/30/20	04/30/21	04/30/22	04/30/23	04/30/24	04/30/25	04/30/26	04/30/27	04/30/28	04/30/29	04/30/30	04/30/31	04/30/32
DEVELOPMENT COSTS:															
		Total													
Land and Site Costs:		975,000	975,000	-	-	-	-	-	-	-	-	-	-	-	-
Soft Costs:		1,266,705	660,129	574,541	32,036	-	-	-	-	-	-	-	-	-	-
Hard Costs:		1,268,123	634,062	634,062	-	-	-	-	-	-	-	-	-	-	-
Total Costs		**3,509,828**	**2,269,191**	**1,208,602**	**32,036**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Land and Building Equity:		975,000	975,000	-	-	-	-	-	-	-	-	-	-	-	-
Additional Owner Equity:		253,440	253,440	-	-	-	-	-	-	-	-	-	-	-	-
Mezzanine Financing:		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction Loan:		2,281,389	1,040,751	1,208,602	32,036	-	-	-	-	-	-	-	-	-	-
Total Sources		**3,509,828**	**2,269,191**	**1,208,602**	**32,036**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cumulative Development Costs:		3,509,828	2,269,191	3,477,793	3,509,828	3,509,828	3,509,828	3,509,828	3,509,828	3,509,828	3,509,828	3,509,828	3,509,828	3,509,828	3,509,828
Perm Loan/Refinance:		2,632,371	-	-	2,632,371	-	-	-	-	-	-	-	-	-	-
Perm Loan/Refinance proceeds to Equity:		350,983	-	-	350,983	-	-	-	-	-	-	-	-	-	-
Perm Loan/Refinance fees:		26,324	-	-	26,324	-	-	-	-	-	-	-	-	-	-
Balance to Equity:		324,659	-	-	324,659	-	-	-	-	-	-	-	-	-	-
Loan Balance:		2,632,371	1,040,751	2,249,353	2,632,371	2,611,036	2,577,395	2,541,678	2,503,758	2,463,500	2,420,759	2,375,381	2,327,205	2,276,057	2,221,754
OPERATING STATEMENT:															
Office/Ind/Retail and Residential															
Potential Gross Revenue:		15,893,378	-	256,800	1,228,969	1,347,097	1,387,510	1,429,136	1,472,010	1,516,170	1,561,655	1,608,505	1,656,760	1,706,463	722,305
Vacancy:		(3,008,481)	-	(48,610)	(232,633)	(254,994)	(262,644)	(270,523)	(278,639)	(286,998)	(295,608)	(304,476)	(313,611)	(323,019)	(136,726)
Effective Gross Revenue:		12,884,897	-	208,190	996,336	1,092,103	1,124,866	1,158,612	1,193,371	1,229,172	1,266,047	1,304,028	1,343,149	1,383,444	585,579
Operating Expenses:		(8,629,646)	-	(402,957)	(690,784)	(704,600)	(725,738)	(747,510)	(769,935)	(793,033)	(816,824)	(841,329)	(866,569)	(892,566)	(377,802)
Net Operating Income:		**4,255,251**	**-**	**(194,768)**	**305,552**	**387,504**	**399,129**	**411,103**	**423,436**	**436,139**	**449,223**	**462,699**	**476,580**	**490,878**	**207,777**
Less Reserves:			-	(5,542)	(9,500)	(9,690)	(9,981)	(10,280)	(10,589)	(10,906)	(11,233)	(11,570)	(11,917)	(12,275)	(5,196)
Construction Loan - Lease-up Interest:		(84,937)	-	(52,901)	(32,036)	-	-	-	-	-	-	-	-	-	-
Perm - Amortization - Interest Portion:		(1,475,450)	-	-	(104,924)	(155,747)	(153,672)	(151,469)	(149,130)	(146,647)	(144,011)	(141,212)	(138,241)	(135,086)	(55,309)
Perm - Amortization - Principal Portion:		(434,220)	-	-	(21,335)	(33,642)	(35,717)	(37,920)	(40,258)	(42,741)	(45,378)	(48,176)	(51,148)	(54,303)	(23,603)
Total Debt Service:		(1,994,607)	-	(52,901)	(158,295)	(189,389)	(189,389)	(189,389)	(189,389)	(189,389)	(189,389)	(189,389)	(189,389)	(189,389)	(78,912)
Construction Funds for Operating Deficit:		285,246	-	253,211	32,036	-	-	-	-	-	-	-	-	-	-
Cash Available After Debt Service:			-	0	169,793	188,425	199,759	211,434	223,458	235,844	248,601	261,740	275,274	289,214	123,669
DSCR:			N/A	(3.68)	1.93	2.05	2.11	2.17	2.24	2.30	2.37	2.44	2.52	2.59	2.63
Return on Owner Equity (annualized):			0.0%	0.0%	13.8%	15.3%	16.3%	17.2%	18.2%	19.2%	20.2%	21.3%	22.4%	23.5%	10.1%
Return on Owner Cash Equity (ann'l):			0.0%	0.0%	67.0%	74.3%	78.8%	83.4%	88.2%	93.1%	98.1%	103.3%	108.6%	114.1%	48.8%
Loan Balance:			1,040,751	2,249,353	2,611,036	2,577,395	2,541,678	2,503,758	2,463,500	2,420,759	2,375,381	2,327,205	2,276,057	2,221,754	2,198,151
Leasing Commissions		(53,132)	-	-	-	-	-	-	-	-	-	-	-	(53,132)	-
TI Allowance		(215,027)	-	-	-	-	-	-	-	-	-	-	-	(215,027)	-
Sale of Building:		6,603,257	-	-	-	-	-	-	-	-	-	-	-	-	6,603,257
Pay off Loan:		(2,198,151)	-	-	-	-	-	-	-	-	-	-	-	-	(2,198,151)
Net Proceeds to Equity:		4,405,106	-	-	-	-	-	-	-	-	-	-	-	-	4,405,106
Before Tax Cash Flow (includes land equity):	21.5%	5,660,377	(1,228,440)	(0)	494,452	188,425	199,759	211,434	223,458	235,844	248,601	261,740	275,274	21,055	4,528,775
Before Tax Cash Flow:	69.8%	6,635,377	(253,440)	(0)	494,452	188,425	199,759	211,434	223,458	235,844	248,601	261,740	275,274	21,055	4,528,775

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