

The Impact of Amenities on Development Feasibility

December 2010



Overview

As the Portland metro region continues to attract residents and employers, there are major opportunities to guide this growth to meet both community and Metro policy goals. In particular, many of the region's designated centers and corridors are zoned for significantly higher uses than are actually developed. The gap between what's on the ground today and the capacity for the future means that the region has significant capacity for infill and redevelopment.

Investments in public amenities have a major impact on development feasibility, by attracting people to a neighborhood and increasing demand for housing. In many areas today, rents and sales prices aren't sufficient for developers to complete a project and provide a realistic return on investment. However, investment in public amenities can help boost rents and sales prices enough to warrant developer interest.

This brochure summarizes the analysis and impacts of investments in public amenities on development feasibility of new housing projects. It also outlines the next steps for further research and testing.

How can we turn our region's underutilized capacity into development reality?

What role does public investment in new amenities play in making development more feasible?



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Key Ingredients for a Fully Amenitized Area

Not One “Correct” Recipe; Communities Must Identify Missing Elements and Invest Strategically in Key Areas

People love easy access to amenities in both urban and suburban areas. These amenities can vary widely by area, but there are certainly some common characteristics. In general, fully amenitized areas include:

- **Parks and open space** ranging from passive to active parks, and small neighborhood pocket parks to large regional attractors.
- **Commercial services** as walkable destinations that people use every day, from cafes and restaurants to grocery stores and hardware stores.
- **Non-automobile transportation options** that neighborhood residents and visitors can use to get around. These can range in cost and impact significantly:
 - » **Pedestrian improvements** include streetscapes designed for pedestrians that are centered around desirable destinations.
 - » **Bike infrastructure** ranges from wayfinding to bike lanes and street improvements on low traffic streets (like bike boulevards).
 - » **Streetcars** are most appropriate (and feasible) in dense, urban settings, not only moving people around but spurring investment.



Sample amenities throughout the Portland region. Clockwise from left: Jamison Square, bike corral on Glisan Street, 33rd Avenue New Seasons, PSU Urban Center, bus stop in Lake Oswego, 1st Street streetscape in Lake Oswego.



How Do Amenities Drive Investment?

Fully amenitized areas have the necessary mix of urban ingredients to meet the daily needs of residents and are desirable places to live. That desirability drives up market demand and increases the development potential in these areas. Based on a literature review and hedonic modeling, we found that neighborhoods which lack a full package of amenities are only achieving 80-90% of the achievable rents and sales prices as compared with similar fully amenitized locations. Investing in the missing pieces of an area's amenity puzzle is the key to success.

Working in three distinct neighborhoods in the Metro region, we tested the connection between amenities and development feasibility using 10 housing prototypes (five building forms each in owner and renter varieties). Our feasibility analysis showed that on many sites in these three areas, **a 10-20% increase in achievable rents can “tip” the scale in the direction of development feasibility.**

Three Unique Study Areas

This study looked at three distinct areas within the Portland region: Lake Oswego, Portland (SE Foster) and Gresham.



Building Prototypes



High Rise



Mid-rise with Structured Parking



3-Story with Podium Parking



3-Story with Surface Parking



Duplex or Townhome

Strategic Investments Can Complete the Package

Research suggests that targeting packages of investments in strategic areas can have a significantly greater impact than spreading limited investment dollars thinly across the region. For instance, it is thought that adding transit to an area will help leverage investment. However, without the associated investment in supporting amenities such as sidewalks and streetscape enhancements, the full potential of private investment will likely not be realized. While it is difficult to quantify the impact of a single type of investment, evidence suggests that when packaged together, investments can have an impact significantly greater than the sum of their parts.

Leverage Increased Private Investment to Achieve Broader Community Goals

A key regionwide strategy is to identify housing market gaps and focus on the right products to meet current and future demand. The Portland region has demand for multi-family housing at both the high end and affordable ends of the housing spectrum. There are many ways for communities to tap into the mid to higher ends of market to help carry some of the costs of less expensive housing. Investments to fully amenitize strategic areas of our region can catalyze the private development needed to fulfill this unmet housing demand. Creative policies, coupled with public investment in amenities, can maximize subsidy dollars and expand housing options for those in need.

Contrary to popular belief, new housing in these areas does not have to be extremely dense. In our analysis, the mid-rise and high-rise housing types were still not feasible in any of the suburban locations.

Fully Amenitized
Areas



Desirable
Places to Live



Increased
Market Demand



Expanded Rental/
Sales Market



Higher Density,
Higher Value
Construction
Becomes More
Feasible



Public Can
Leverage Private
Investment
to Achieve
Community Goals



Portland (SE Foster)

Between 82nd Ave. & I-205



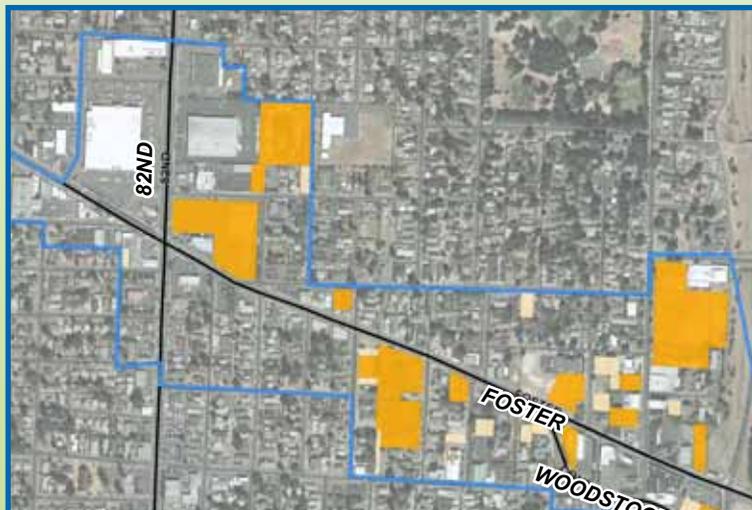
The Foster Boulevard area of SE Portland is a moderately amenitized area with low land values. The analysis showed that a 20% increase in amenities would drive up land values, which would lead to a 260% increase in the land available for development—from 19 acres to 68 acres.

Investing to fully amenitize this area greatly expands development potential, particularly for the 3-story with Surface parking building type. While this building type is not as dense as a podium style building, it is inexpensive to construct and its density far surpasses what is possible under current conditions. In addition, there is also significant growth in land available for townhome/duplex construction and even small amounts of 3-Story with podium parking.

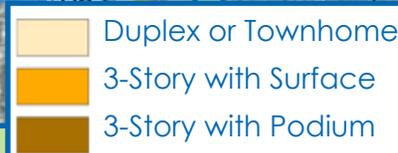
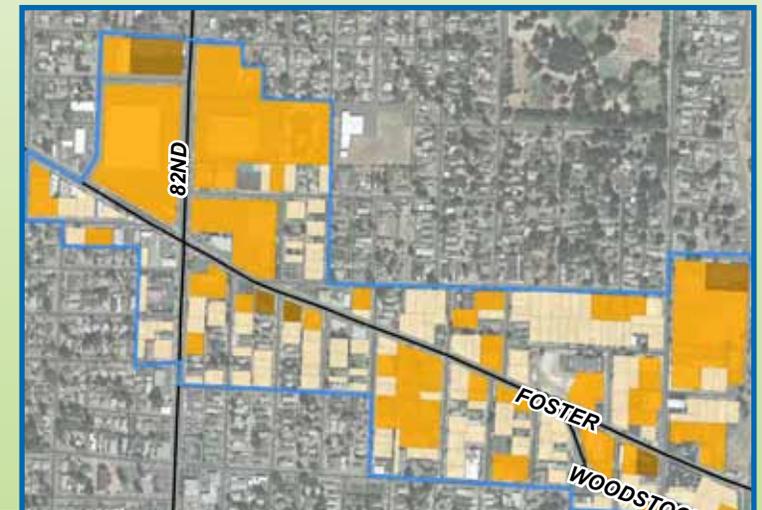
What might be possible...



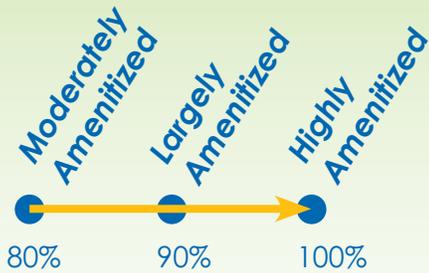
What's feasible today



And with amenities?



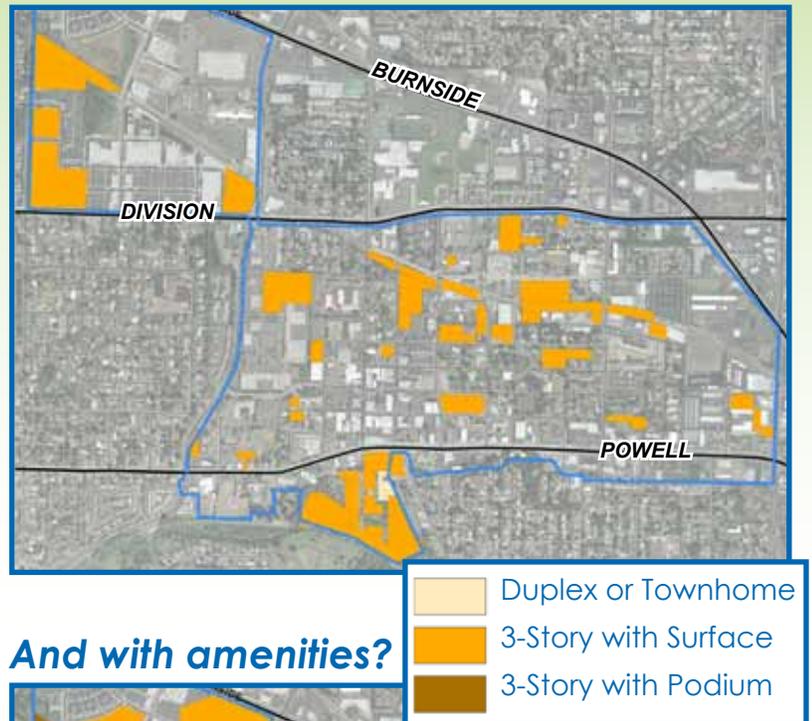
Gresham



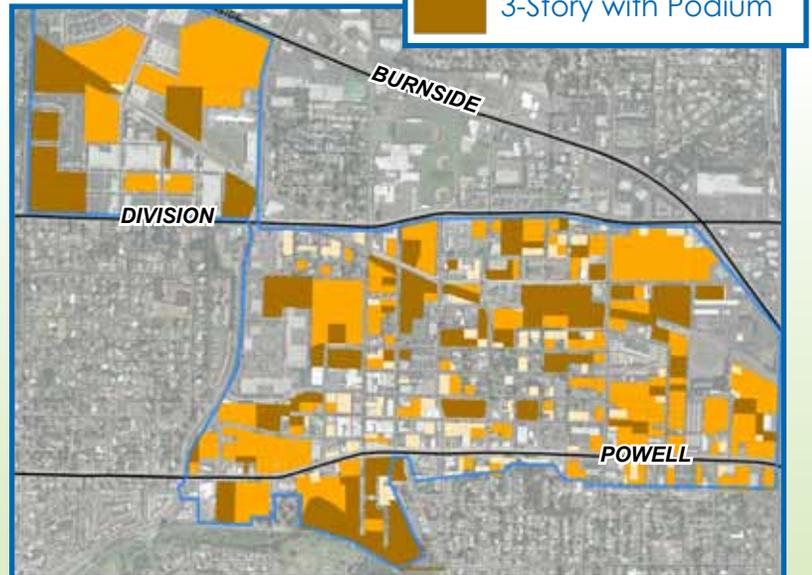
Gresham's downtown already has a moderate amount of amenities. Adding a full package of amenities would lead to a 215% increase in redevelopable land—from 58 to 183 acres. The increase in amenities makes the redevelopment of several large parcels feasible.

Adding a full package of amenities causes many parcels that previously only supported the 3-Story with surface parking to now support podium parking, which allows for more dense and efficient land development.

What's feasible today



And with amenities?



What might be possible...



Lake Oswego

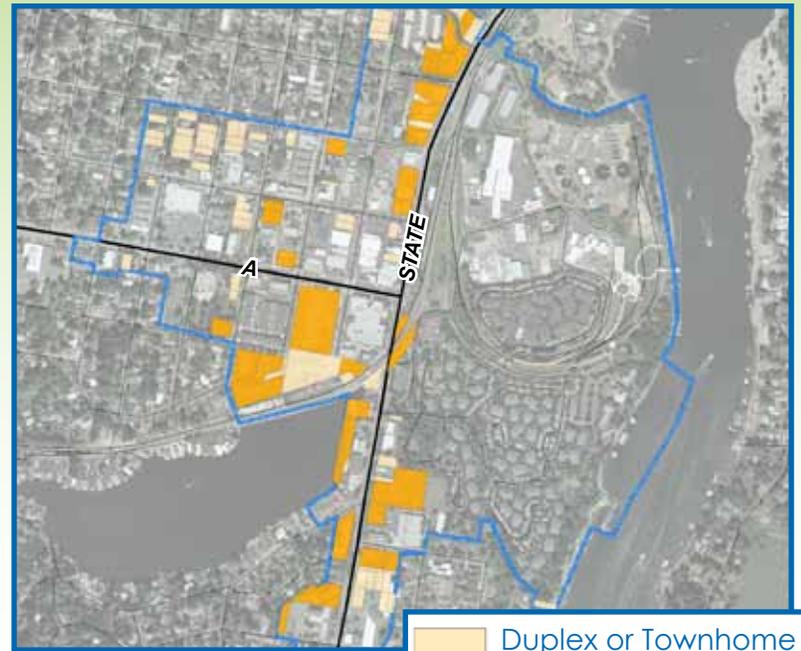


Adding amenities to Lake Oswego, which is already largely amenitized, increases the developable land in the study area by 61%—from 32 acres to 51 acres.

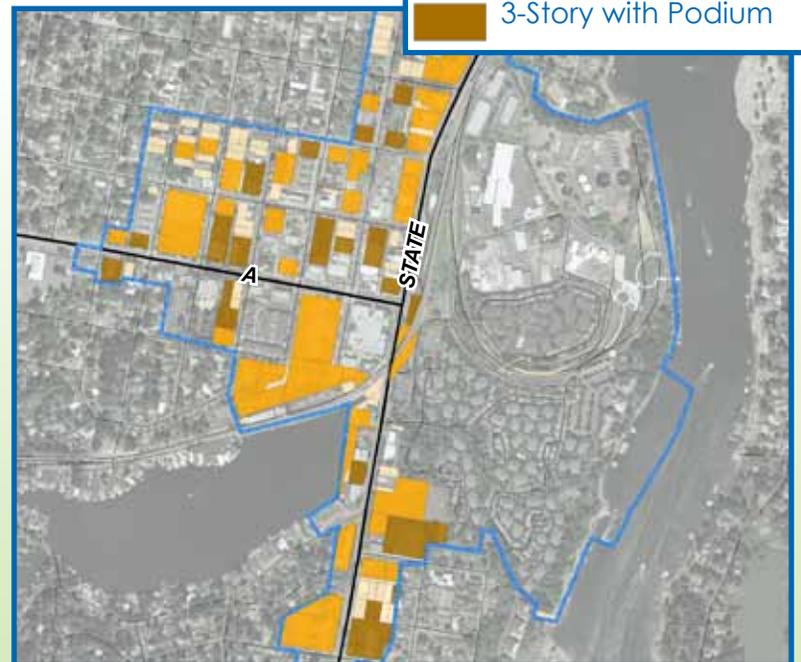
With added amenities, achievable rents increase by 10% and enable more costly parcels to become feasible for redevelopment.

The added land can accommodate higher value building types such as the 3-story with podium parking. Being able to develop this product type increases the number of buildable units by 137%.

What's feasible today



And with amenities?



What might be possible...



Conclusions

The Portland region has untapped zoning capacity to accommodate much of the population growth that will arrive in the next 20 years. Communities across the demographic spectrum have an opportunity to create the right mix of amenities and building types to meet the needs of this new population, all while fulfilling their own local aspirations. Even in areas with many existing amenities, targeted investments in new public amenities can increase redevelopment opportunities.

Lastly, these public amenities will have maximum impact if they are strategically combined, or “packaged,” for a specific place.

What's Next

The research has begun to paint a picture of the potential associated with public investments. We have identified several areas for additional research and analysis that can help us work with individual communities to better understand how they invest public dollars to leverage private development:

- Additional hedonic analysis that isolates price/rent premiums for specific amenities.
- Designing specific amenity packages by area.
- Refining estimates of impacts of amenities packages (20% increase is an estimate).
- Adding new prototypes: rehab/renovation prototypes and mixed-use prototypes.
- Conducting additional urban design steps to further tailor buildings to feasible parcels.
- Evaluating the total ROI and fiscal impacts of these public investments.



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