



Broadway Place, Eugene, Oregon

Project Type

Mixed-use/residential/retail/commercial

Description

Number of Apartments: 170
 Total Square Footage: 143,311
 Residential Square Footage: 129,311
 Commercial Square Footage: 14,000
 750 public parking spaces

Site

2.5-acre parcel on the edge of the downtown area, transitioning to residential

Location

255 West Broadway
 Eugene, Oregon

**Owner/
 Developer**

Lorig Associates, LLC Seattle, WA
 Hugh Prichard, Eugene, OR

Planners

Mike Sullivan, City of Eugene
 Lew Bowers, City of Eugene
 Kurt Yeiter, City of Eugene
 Richie Weinman, City of Eugene

Architect

NBBJ Architects
 Atelier Architects, Eugene

Brokers

Lend Lease, Seattle Washington
 (206) 405-3010

Contact

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 Prichard Partners
 2671 Emerald Street
 Eugene, OR 97103
 (541) 729.4939
 hugh@pe-e.net



Broadway Place Development Cost Summary	
Land Acquisition Costs	\$300,000
Total Hard Costs	\$10,473,907
Total Soft Costs	\$3,241,975
Total Project Cost	\$14,015,882
Cost per unit	\$82,446

Introduction

Broadway Place is a high density, mixed use, infill project located near the heart of downtown Eugene. It is within walking distance of the downtown transit center, the public library, two grocery stores, a bank, numerous restaurants and bars, and a hospital. The ground floor of the development houses a grocery store

with a deli and wine bar, a specialty teahouse, office space and a gourmet pizza restaurant. On the second and third stories housing the apartments, the hustle and bustle of the City is muted by the deep green of the rooftop gardens and the soothing murmur of the fountain in the communal courtyard. The project,

which consists of 170 apartments ranging from studios to 2-bedroom 2-bath units, feels more like individual homes than an apartment building. Completed in 1998, the development has maintained close to 100% occupancy and has higher than average rental rates.

Laying the Groundwork

Mixed-use, higher density infill development is part of the City of Eugene's long-range vision. With the adoption of the Growth Management Study in 1998 and the regional transportation master plan (TransPlan) in 2001, the concept of mixed-use development became the official growth management policy for the City. This strategy is designed to reduce traffic and expand transportation choices. The mixed-use plan also encourages the maturation of neighborhoods and community

centers that provide jobs as well as housing, retail, and commercial space. The plan designates dozens of potential centers for higher density, mixed-use development. One of these is Broadway Place.

Prior to the development of Broadway Place, two surface parking lots existed in the footprint of the current buildings. Zoning allowed for a mixed-use development to be constructed without any zoning changes. In early 1997, the City of Eugene

issued a Request for Proposals to redevelop the two surface parking lots with a mixed-use project. The city selected Lorig Associates, LLC, one of two developers that responded. Thus began a partnership that resulted in one of the most cutting edge projects in Eugene. Broadway Place combined the goals of the city to encourage the development of mixed-use centers with the desire of the developer to complete a profitable project and a positive addition to the downtown area.

“Mixed use is essential. The project would have failed without it.”

– Hugh Prichard
Prichard Partners

Smart Development Principles

Broadway Place is an excellent example of the application of smart design principles.

The downtown location and high-density development **use land and resources efficiently.**

The project **mixes uses** by incorporating residential apartments above ground-floor retail shops.

Broadway Place is **located in a city with full urban services.**

The project **encourages transportation choices** through the integration of pedestrian-friendly streets, connectivity to downtown, and compact urban form, allowing residents to walk, bike, or take public transit to their destinations.

The neighborhood creates a unique, livable and welcoming atmosphere through its incorporation of **detailed human-scale design elements** such as the streetscape improvements and addition of local art.



The Public/Private Partnership

Public/private partnerships are increasingly common for mixed-use development projects. Broadway Place well illustrates both the benefits and challenges of these complex collaborations. Due to the higher cost and risk presently associated with mixed-use development, there is often a gap between what public policy envisions and what the market can deliver. For example, while a municipality may not require parking in a downtown zone in order to discourage automobile use (as is the case with Broadway Place), a developer would generally not consider constructing an apartment building without parking for its tenants.

Broadway Place was only made possible through the public/private partnership. Without the assistance and support of the City and the knowledge and sophistication of Lorig Associates, the project would not have worked.

As with any partnership, Lorig and the City encountered a few bumps in the road. These ranged from public protest over tree removal to construction delays and cost overruns. The parking lot on which the project was built was ringed by large Elm trees, which became the focal point for a showdown between the City of Eugene and incensed residents. The trees needed to be removed in order for the project to break ground. However, there was strong public opposition to the removal of the trees. Trying to avoid conflict, the City acted early one Sunday morning to remove them. Its action resulted in a confrontation when irate protesters rushed to the scene and staged a “tree sit.” This drew a large crowd which was pepper-sprayed by the police. This inauspicious beginning marked the long journey to what, in the end, would be one of the most innovative public/private partnerships in Eugene.

The City of Eugene and Lorig created two innovative ways to increase the value for both the City and the developer. One was by selling the land at a discounted rate; the other by arranging a profit-sharing deal. These arrangements reduced the developer’s financial risk, while giving the City more influence over the development and a greater financial benefit in the future.

Before the construction of Broadway Place, the two surface parking lots were valued at \$1.5 million. To encourage the construction of a project in line with the City’s development goals, the land was sold to Lorig for \$300,000. To minimize the amount of cash required up front from the developer but still realize the value of the property, Lorig and the City of Eugene arranged a profit sharing deal in which the City is entitled to 5% of the profit from Broadway Place for the first five years and 10% every year after that (after 10% of the profit is paid to the investors and partners). However, because Broadway Place has produced less than the projected return on investment, the City has not received any money to date. Because land tends to be more expensive at the urban core and mixed-use projects are considered financially riskier than traditional developments, public incentives (such as reduced land acquisition costs) play an important role in the success of projects such as Broadway Place.

Besides reducing the cost of the land, the City of Eugene contributed to the project in other ways, the largest of which was the construction of an \$8 million dollar City parking structure underneath Broadway Place. The 3-story structure has 750 parking spaces and serves both the development as well as the greater downtown area. The City also contributed \$800,000 in streetscape



improvements, and \$90,000 in local art, which enhances to the pedestrian-friendly environment. The City also granted the project a 10-year tax deferral on the real estate portion of the development, that is worth approximately \$175,000 per year. The commercial portion of the development is taxed at the regular rate of \$17.00 per \$1,000 dollars of value, or about \$53,500 per year.

This public/private partnership was unique, yet problematic. The City required that different architectural and engineering firms be used for the parking structure (the public component) and the apartments (the private component). This added complications because the plans had to be matched up and synchronized, which added time and expense to the process. The parking garage was

also completed almost nine months behind schedule, which delayed construction of the apartment building and cost Lorig approximately \$200,000 in interest on its construction loan. In addition, the parking structure has not brought revenue to the city as expected. For a variety of factors unrelated to Broadway Place, its parking structure is the least utilized of any in Eugene.

Making Mixed Use Work

The developers of Broadway Place and the City of Eugene envisioned a vibrant, high-quality, mixed-use community that would enliven downtown, expand housing choices available to local residents, and increase transportation options. The developer, Hugh Prichard, explained that the energy and amenities the commercial component of the project provides are critical to the project's success. The ground floor shops provide an informal gathering place for Broadway Place residents and contribute to the vitality of downtown.

Before undertaking the project, Realtor Sue Prichard realized that

Broadway Place was going to be a long-term investment. Downtown Eugene has many vacant shops, and adding successful businesses to the area was going to be difficult. It was apparent from the beginning that the retail spaces would have slower lease-up rates than the residential spaces. To date the majority of the commercial space has been leased, though at a considerably slower rate than originally anticipated.

Broadway Place provides a good transition between the commercial

Commercial Component

- * 14,000 square feet
- * 1% of total project's square footage
- * 15' deep spaces
- * \$1.30/sq ft
- * Tenants pay utilities and the landlord pays taxes and building insurance
- * 80% occupied as of May 2005

area to the east and the residential neighborhood to the west. To date, the commercial component is 80% occupied. In general, mixed-use commercial real estate is a more financially risky endeavor than is mixed-use residential, so there are only 14,000 square feet, or about 1% of the total project's square footage, devoted to commercial uses. By incorporating less commercial space, Lorig was able to minimize the risks associated with commercial real estate while reaping the benefits.

Due to the fact that the developers felt attracting quality businesses was a key component to the success of the project (they turned down several fast food chains), rental rates for the anchor business, a grocery store and deli, are subsidized by the project, and currently pay about 70% of the market rental rate for comparable space in downtown.



Broadway Place Finances

Despite the fact that the apartments in Broadway Place have enjoyed close to 100% occupancy since its opening, their financial performance was and is affected by the cost overruns caused by the delayed construction of the parking garage and the complexity involved in the public/private partnership. Lorig Associates anticipates that the project will increase in profitability over the next several years as it pays down its debt and the project appreciates in value.

As noted earlier, the City and the developer agreed to a “contingency payment agreement” that requires the developer to pay the City 5% of the profit for the first 5 years, then 10% every year thereafter. However the project has yet to realize returns allowing this payment.

Table 1 illustrates budgeted and actual costs for the development of the project and the difference between the two. The most substantial cost overruns were \$570,000 in construction costs which Prichard attributed to three factors: the project’s downtown location; the placement of the apartments atop the parking garage; and nearly an additional \$500,000 in financing and architectural and engineering costs. The cost overruns in financing were due to the fact that the City was nine months late completing the parking garage. Considerable additional expense was also incurred due to the City’s requirement that different architectural and engineering firms be used. It took several months for the firms to be able to synchronize the plans for the parking garage and the apartment complex.

Table 2 shows the annual operating revenue and expenses as well as the financial performance of the project. Without the tax credit granted on the real estate portion of the project, Broadway Place would be generating a substantially lower return on investment: 0.35% compared to 6% currently. However, the 6% is still lower than most developers would expect from a comparable project and is below Lorig’s original projections of 9%. Hugh Prichard attributes the reduced profitability to construction and development cost overruns and the increased cost and complexity associated with the public/private partnership.



“Tax abatement in the inner city really works; without it we would not have built Broadway Place.”

– Hugh Prichard
Prichard Partners

Table 1: Broadway Place Development Budget and Costs

Cost Category	Budgeted	Actual Cost	Difference
A Land Acquisition Costs	\$300,000	\$300,000	\$0
B Hard Costs			
C Building Construction Total	\$8,670,294	\$9,237,833	\$567,539
D Structured Parking	\$820,000	\$708,071	(\$111,929)
E Tenant Improvements	\$160,000	\$228,003	\$68,003
F Total Hard Costs	\$9,950,294	\$10,473,907	\$523,613
G Soft Costs			
H Legal Fees for City	\$40,000	\$61,749	\$21,749
I Legal/Accounting/Partnership	\$27,500	\$40,829	\$13,329
J Promotion and Marketing	\$25,000	\$34,319	\$9,319
K Financing	\$961,883	\$1,159,627	\$197,744
L Architecture and Engineering	\$695,000	\$1,009,142	\$314,142
M Permits, Systems Development Charges	\$455,000	\$417,715	(\$37,285)
N Insurance	\$37,000	\$32,114	(\$4,886)
O Appraisal	\$10,000	\$11,480	\$1,480
P Project Management	\$475,000	\$475,000	\$0
Q Total Soft Costs	\$2,726,383	\$3,241,975	\$515,592
R Contingency	\$403,324	\$0	(\$403,324)
S Total Project Cost	\$13,380,001	\$14,015,882	\$635,881
T Cost Per Unit	\$78,706	\$82,446	\$3,740

(B) **Hard Costs** are the construction costs for a project and include building materials, land, labor, infrastructure, equipment, etc.

(E) **Tenant Improvements** are related to the commercial component of the project and pay for improvements to leased commercial space

(G) **Soft Costs** include professional, legal, and permitting fees, insurance, appraisals, etc.

(R) The **Contingency Fund** is intended to cover any additional costs—including cost overruns—that may not have been accounted for in the budgeting process. They are generally 10%-20% of total project costs.

(A) **Land.** The City sold the land to Lorig at considerably below market value

(K) **Financing** includes costs of Lending fees, interest, etc.

(S) **Total Project Cost** = Land Acquisition (Line A) + Total Hard Costs (Line F) + Total Soft Costs (Line Q) + Contingency (Line R)

Table 2: Broadway Place Net Operating Income and Financial Performance

Category	Revenue (2004)
A Income	
B Residential Rent	\$ 1,455,061
C Commercial Rent	\$ 125,733
D Total Income	\$ 1,627,323
E Operating Expenses	\$ (584,469)
F Net Operating Income (NOI)	\$ 1,042,826
G Debt Service (Interest and Principal)	\$ (857,703)
H Net Cash Flow	\$ 185,123
I Estimated Property Tax	\$ (175,000)
J After Tax cash flow	\$ 10,123
K Return on Investment w/out Taxes	6.38%
L Return on Investment w/ taxes	0.35%
M Investor Equity	\$ 2,900,000

(G) **Debt Service** is money expended to pay off (amortize) debt (interest + principle)

(H) **Net Cash Flow** = Net Operating Income (Line F) minus Debt Service (Line G)

(D) **Total Income** = Residential Rent (Line B) plus Commercial Rent (Line C)

(F) **Net Operating Income** = Total Income (Line D) minus Operating Expenses (Line E)

(K & L) **Return on Investment** = Net Cash Flow (Line H) divided by Investor Equity (Line M)

Broadway Place Demographics

One of the key ideas behind mixed-use development is to provide a greater range of housing choices for people who may not fit the typical homebuyer profile. Singles, retirees, childless couples and students all have different housing needs than families with children. Broadway Place contributes to housing options in Eugene through the provision of high quality, urban living. This is reflected in the demographic composition of the development; the average resident of Broadway place is a

Table 4: Why Residents Chose Broadway Place

Job/School	51.5%
Location	18.0%
Improve Lifestyle	18.0%
Lease Expired	7.0%
Don't know	3.0%
Friends	2.0%
Security	0.5%
Total	100.0%

Source: Lorig Associates, LLC

young, single male who lives alone. Based on a 2004 survey of residents conducted by Lorig Associates, 77% of the residents of Broadway Place are single and 60% are male. Just over 60% of residents live alone and almost 70% of the residents of Broadway Place are under the age of 35.

The University of Oregon supports a strong rental market, which is illustrated by the occupational composition of Broadway Place. Almost 40% of Broadway Place residents are students and another 40% listed their occupation as Manager/Professional/Business Owner. Eleven percent of residents are retired and six percent work as Clerical/Office/Teller.

The residents of Broadway Place chose to live there for a variety of reasons, but the most commonly

cited reasons were proximity to job/school, to improve lifestyle, and location. Combined, these reasons accounted for 87% of responses. This would indicate that the residents of Broadway Place made a conscious decision to live there based on its location and its proximity to their place of work or study.

Transportation Issues

Figure 1 shows a comparison of modes of transportation used for work-related trips by Broadway Place Residents, City of Eugene, and the United States. The data for Eugene and the United States as a whole were derived from the US Census Bureau for 2000, while the data for Broadway Place came from an internal survey conducted in 2004. In general, both Eugene and Broadway Place residents have higher usage of alternative transportation modes, with 5.5% of Eugene residents commuting to work via bicycle while 10.0% of Broadway Place residents use the bicycle as their main mode of transportation, compared to only 0.5% for the Nation. In general, Broadway Place residents use the bus and walk less than Eugene as a whole, but more than the Nation. The higher number of people who use the bicycle as their

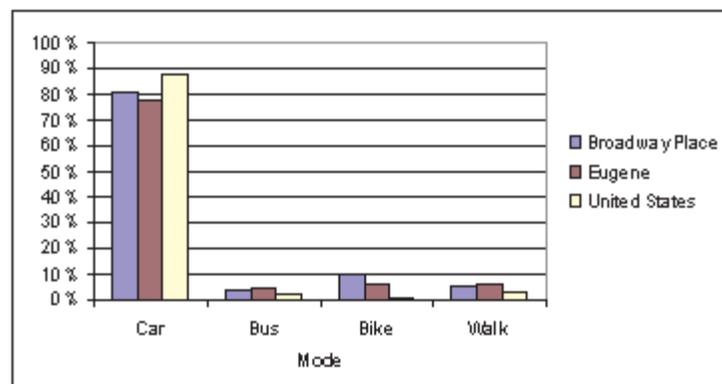


Broadway Place Highlights

- Residents chose Broadway Place due to its proximity to their place of work or study, its location and lifestyle
- Predominantly young, single professionals
- 10% of residents cite the bicycle and 5% cite walking as their primary modes of transportation

primary form of transportation in Broadway Place could be a reflection of the larger bicycling community of Eugene or the fact that residents in Broadway Place move there to be closer to work or school, making bicycling a convenient form of transportation. The development also provides convenient and free bicycle lockers that allow residents to safely and easily store their bicycles.

Figure 1: Transportation Mode Comparison



Source: U.S. Census 2000 and Lorig Associates, LLC, 2004

For more information...

Oregon Transportation Growth Management (TGM) Program:

635 Capitol Street, N.E.
Suite 150
Salem, OR 97301
Tel- (503) 373-0050
www.oregon.gov/LCD/TGM/index.shtml

Congress for the New Urbanism:

www.cnu.org

Urban Land Institute:

www.uli.org

Smart Growth America:

www.smartgrowthamerica.com

Center for Excellence in Sustainable Development:

www.sustainable.doe.gov/

National Neighborhood Coalition:

www.neighborhoodcoalition.org/

Local Government Commission:

www.lgc.org

Joint Center for Sustainable Communities:

www.usmayors.org/uscm/sustainable/

Smart Growth Network

www.smartgrowthonline.org

Lessons Learned

- A successful public/private partnership requires tremendous amounts of flexibility and communication in order to meet the goals of both parties. It can fulfill a crucial role in bridging the gap between what the public sector desires and what the market can provide and support.
- The public/private partnership was a learning experience for both parties. In retrospect, both, the City and Lorig say that they would do things differently today.
- Broadway Place contributes significantly to downtown Eugene through the incorporation of high quality design, residential presence, housing choice and added energy and vitality. Encouraging similar projects can be an important component in revitalization strategies.
- Creative design elements, like the 15' deep commercial space in Broadway Place, can play an important role in minimizing the riskier components of mixed-use, such as commercial uses, while still reaping the benefits of the added attraction and energy that element provides.

According to Kurt Yeiter, principal planner with the City of Eugene, three important lessons were learned from the Broadway Place Project.

- The city needs to be more proactive about the benefits of infill, higher density, and mixed-use projects, especially in the heart of downtown.
- The city needs to engage the community in its vision. There were near riots over the loss of trees in a parking lot, but since project completion, there has been mostly praise for the project.
- Be realistic about the commercial aspects of smart development. While having retail on the ground floor is preferred, there are a number of spaces in Broadway Place that have never been occupied.

