LELAND CONSULTING GROUP

Memorandum

Date 31 January 2013

To Real Estate Services
Department of Administrative Services
STATE OF OREGON

From Leland Consulting Group
Cushman & Wakefield

Subject Oregon State Hospital—North Campus
Preliminary Vision, Strategy, and Development Program

The consulting team supporting the State of Oregon Department of Administrative Services (DAS) Real Estate Services Division has been examining the now largely vacant Oregon State Hospital — North Campus. Formerly the home of Oregon’s psychiatric hospital, this 48-acre site was closed following consolidation of the entire hospital needs onto the South Campus where all patients are now located in appropriate contemporary facilities.

EXISTING SITUATION

As a vacant campus near the heart of Salem, the North Campus as currently developed no longer serves a useful purpose with the exception of the Dome Building, occupied by staff of the Oregon Department of Corrections, and Yaquina Hall, approximately one-third occupied by Department of Human Services (DHS) staff. The other buildings are vacant, not being used, and yet DAS estimates that annual operating costs (for security, maintenance, insurance, landscaping, heating, cooling, and other expenses) range between $500,000 and $1,000,000 for the entire campus. The State (as property owner) is required by law to provide maintenance to any structures and the site to ensure that it does not fall into dereliction and disrepair, even though the site is barely utilized.

Further, because these buildings were designed for a specific purpose in the late 1940s and 1950s (to house patients and staff, along with related facilities), the structures are poorly suited to serve purposes other than housing patients. The Dome Building has served as an administrative space since its construction in 1912 and is in the estimation of this team the most attractive and functional building. It is the exception to the other functionally and economically obsolete structures. The remaining five “mid-century” buildings were designed to serve and house patients and staff until the new South Campus facilities were completed.

Compounding the problem is that to put any of these buildings back into service will require a significant amount of environmental, structural, and functional improvements. Research reveals that renovation, were it pursued, would include but not be limited to seismic structural upgrades; upgrades to mechanical systems such as heating, cooling, and plumbing; removal and remediation of lead paint and asbestos; significant interior remodels in order to address small, narrow rooms, large hallways, and other design irregularities; window replacement; the potential addition of parking (depending on use); considerable deferred maintenance; potential on and off-site utility work; and the design and
not been on a comprehensive understanding of the regulatory environment but, rather, on the most realistic and market-based reuse alternatives.

A final and critical consideration is the State’s overall financial situation. According to the 2012 10-Year Plan for Oregon, “Oregon is in a fiscal crisis that will persist.” The State recently directed all administrative functions within the Executive Branch to cut expenditures by 10 percent. A key part of the State’s strategy going forward is to cut costs and divest itself of unneeded assets in order to provide high value in its core service areas—education, healthcare, economic development, and others.

**RECOMMENDED REUSE STRATEGY**

The team collectively evaluated a number of different options, including the potential renovation of the buildings into offices for State employees, which initially appeared viable for several reasons. However, because of the State’s policy of gathering key functions together near the Capitol Mall (per the Capitol Mall Area Plan and other documents), the availability of State-owned land and significant transportation improvements near the Mall, the building and site issues described above, and other considerations, this option was eliminated. The State has no intention of reoccupying these structures.

The North Campus is located within several older Northeast Salem neighborhoods and with good proximity to concentrated employment at State, County, and City offices, as well as a significant nearby medical community. The property also has reasonably high visibility, particularly...
The overall goal is to develop a variety of uses to establish a true mixed-use community. A key component of the vision is a mix of housing that will serve different demographic segments that will be addressed simultaneously, from individuals and couples, active families, and the senior population. Residential neighborhood development has also changed dramatically in recent years, and the focus now is on creating an engaging and multifaceted community, rather than a "homogenous" suburban environment. This trend can benefit this site, nearby residents, and the City.

The housing element of the program is fundamental, since it will provide the vast majority of capital needed to achieve reuse of the site. Housing has the potential to deliver revenue to the State via a land sale, tax base to the City, and value and motivation to quality private sector development teams. Therefore, a key focus of this report and the recommended vision is on the viability and type of housing markets (future residents) to be served. Some portion of revenues resulting from sale of the housing portion of the property may be needed on-site (for demolition, cleanup, etc.); however, most revenue should be returned to the State to relieve the State and Oregon’s citizens with the on-going annual maintenance burden.

**ACTIONS NEEDED TO ACHIEVE THE VISION**

In order to realize such a community, a number of regulatory changes will be required. The changes, outlined below, represent the what this team believes is the best method to return the North Campus to active uses that benefit the community, preserve and enhance the district’s
The initial forecast of private capital investment to achieve the vision is $100 million, which when completed within a five-year time forecast, would bring $500,000 to the City of Salem through property taxes. Estimates have not been fully analyzed at this time regarding employment; however, a preliminary estimate is that the construction efforts on site would create 700 to 900 construction-related jobs, and ongoing operation would create approximately 75 to 150 permanent jobs.

In our experience, having served over 250 cities across the country, and served as strategic development advisor for over 90 downtowns including work in downtown Salem on behalf of the City of Salem, this mixed-use community solution is likely the only realistic way to turn this liability into a meaningful asset for the State, City, and Salem community. In order to fit within the character of the existing neighborhood and to offer housing choice at an achievable price to people living in or wishing to move to Salem, our view is that the price point within this community should accommodate both first and second move-up housing as well as households that are looking to downsize to a quality, well-planned, and designed environment. We urge consideration and discussion about the merits of this revitalized North Campus community, its contribution to the greater Salem community, the establishment of additional tax base to the City, and relief to the State of Oregon to remove a costly and unused set of buildings that have outlived their former purpose. These recommendations are based on our research, analysis, and professional opinion as consultants and advisors to the public and private sectors of the real estate industry.

Thank you.
Presentation Summary

• Vision for the North Campus
• Context and Existing Conditions
• Real Estate Fundamentals
• Development Program
• 10-year Housing Demand
• Appendix: Supporting Demographics
The Vision
North Campus Vision Components

- Residential Community
- Lodging
- Business and Education
- Dining/Neighborhood Retail
- Open Space
North Campus Vision

- Reposition an underutilized State asset for the 21st century.
- Rehabilitate the historic Dome Building while honoring the site’s history.
- Create a model for the thoughtful, efficient, and economical reuse of surplus State property.
- Remove a significant and unsustainable maintenance and operating expense from State costs.
- Eliminate significant future investment in buildings that are economically inefficient.
- Generate significant investment and tax base for the City of Salem.
North Campus Vision

- Support future employment needs with business/education space.
- Provide housing near centers of employment, thereby reducing VMT and congestion.
- Create an exciting, vibrant, mixed-use community that knits together multiple Northeast Salem neighborhoods.
- Add a range of ownership and rental housing for families and individuals, workforce and seniors, and others presently undersupplied in Salem.
Context: 10-Year Plan for Oregon

• “Oregon is in a fiscal crisis that will persist.”

• Principles:
  • “State managers should look for creative methods…to administer programs.”
  • “State government should save resources.”
  • “Provide decision makers and the public data on the results of expenditures.”

• SB 5502: Reduce administrative functions across the Executive Branch of state government by 10 percent.


Apartments
Senior Housing
Student Housing
Medical Office
Infill and In-Town Housing
Urban Mixed-Use Properties
Industrial
Hotels
Retail
Office
Single-Family

Best prospects related to:
Housing Boomers, Gen Y
Healthcare

Slow economic growth =
Little demand for new commercial development.
Rehab
Creating Value for the State and Community

Land Value

Public and Private Actions

- Land and Unoccupied Buildings
- Due Diligence
- Viable Reuse Strategy
- Community Support
- Full Urban Services and Utilities
- Branding and Marketing
- Development
- Successful Operation
Because significant retail centers are already established nearby, retail should be limited to dining, convenience retail, and similar local-serving stores.
Traffic counts along Center Street NE can support some retail if other conditions are right. The property is well served by transit, an important amenity for senior housing and other types of urban housing.
Green Space

Existing connected green spaces can be an amenity for the North Campus and the larger area.

Significant open space exists on the South Campus.
Existing Comprehensive Plan and Zone:
PH (Public and Private Health Services)
Overlay: Oregon State Hospital Historic District
Zoning: PH (Public and Private Health Services)

Preliminary Zoning Review
(Subject to further review and analysis by City of Salem)

• Allowed uses:
  • Retail: Drug stores and proprietary stores
  • Services:
    • Health services, Social Services,
    • Educational services w/ conditional use approval
  • Public Administration: Correctional Public order and safety, Public health programs, possibly other.
  • Ancillary uses: utilities, caretaker dwellings, transit stops, etc.)

• Other uses generally prohibited.
• Comprehensive Plan and Zone Change is necessary.
Oregon State Hospital in 1936

The map at right shows the layout of Oregon State Hospital structures as of 1936. Of the three structures shown on the North Campus property, only one (the Dome Building) remains today. The other five buildings on the North Campus were added between 1948 and 1955. The oldest structures were built on the South Campus, where some remain today.

Source: Oregon State Hospital Historic District, National Register Registration Form, 2008.
Existing North Campus Buildings

Existing buildings range from two to five stories tall: precedent for multistory structures within the proposed vision.
Issues Common to All North Campus Buildings

- Deferred maintenance
- Seismic upgrades
- Mechanical systems
- Lead paint
- Asbestos
- Window replacement
- Parking inadequate for future office or medical uses
- Inefficient floor plates
- Challenging reuse
- Wide hallways, unusual room dimensions
Issues Common to All North Campus Buildings

- Annual Operating Expenses: ~$500,000 to $1,000,000
- Estimated renovation cost: Approximately $74 to $92 million

*437,000 SF (Yaquina, McKenzie, Breitenbush, Eola, Santiam) x $170 to $210/SF range
Real Estate Fundamentals
Land Use Rules and Realities

**Urban Housing**
- Adjacent residential and urban amenities
- Safety
- Large share of one and two-person households
- Easy access to employment centers

**Lodging**
- Visitor amenities and attractions
- Easy access to major thoroughfares
- Co-location with other hotels
- Visibility
- Parking capacity
- Business and tourists
- Events and conferences

**Restaurant**
- Proximity to other retailers and restaurants
- View or attraction
- Parking capacity
Land Use Rules and Realities

**Retail**
- High visibility
- Easily accessible
- Central location
- Manageable competitive environment
- Demographic match
- Anchor tenants
- Sense of place, safety, cleanliness
- Contiguity
- Parking capacity

**Office**
- Easily accessible
- Center of a metro region
- “Address status”
- Proximity to suppliers and collaborator firms
- Parking capacity
- Proximity to support services
- Access to intra- and inter-regional transportation connections

**Industrial**
- Access to intra- and inter-regional transportation connections including rail, water and air freight capacity
- Large parcels
- Parking capacity
- Trained workforce
- Access to suppliers
- Not adjacent to non-compatible uses
## Preliminary Land Use Assessment

<table>
<thead>
<tr>
<th>Land Use</th>
<th>Notes</th>
<th>OSH Site Fit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td>Wide range possible</td>
<td>Excellent</td>
</tr>
<tr>
<td>Office - State</td>
<td></td>
<td>Poor</td>
</tr>
<tr>
<td>Office - Private</td>
<td></td>
<td>Poor</td>
</tr>
<tr>
<td>Healthcare / Medical Office</td>
<td></td>
<td>Poor</td>
</tr>
<tr>
<td>Retail</td>
<td>Supporting use only</td>
<td>Poor</td>
</tr>
<tr>
<td>Lodging</td>
<td></td>
<td>Poor</td>
</tr>
<tr>
<td>University</td>
<td>Nursing program</td>
<td>Poor</td>
</tr>
<tr>
<td>Civic (school, library, community ctr.)</td>
<td></td>
<td>?</td>
</tr>
<tr>
<td>Industrial</td>
<td></td>
<td>Poor</td>
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</tbody>
</table>
The Development Program
# North Campus Redevelopment Strategy

## Land Use

<table>
<thead>
<tr>
<th>Area</th>
<th>Area (Net acres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OSH North Campus Property</td>
<td>48.0</td>
</tr>
<tr>
<td>Breitenbush Hall Remodel: Education and Retail</td>
<td>5.2</td>
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<tr>
<td>Dome Building Remodel: Lodging / Food</td>
<td>6.4</td>
</tr>
<tr>
<td><strong>Gross Buildable</strong></td>
<td><strong>36.4</strong></td>
</tr>
<tr>
<td>Access / Internal Streets</td>
<td>3.4</td>
</tr>
<tr>
<td>Park</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>Net Buildable</strong></td>
<td><strong>31.0</strong></td>
</tr>
</tbody>
</table>

Scale is approximate and not to be used for construction documents.
## Preliminary Development Program

<table>
<thead>
<tr>
<th>Land Use</th>
<th>Area (Net acres)</th>
<th>Density FAR or DU/acre</th>
<th>Development Quantity</th>
<th>Value Per SF / Unit</th>
<th>Total Development Value</th>
<th>Annual Property Tax Revenue All Jurisdictions</th>
<th>City of Salem</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Buildable</strong></td>
<td>31.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Commercial Development</strong></td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail (included in Breitenbush remodel)</td>
<td>0.30</td>
<td>10,000</td>
<td>-</td>
<td>$225</td>
<td>$2,250,000</td>
<td>$24,677</td>
<td>$7,573</td>
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<tr>
<td>Lodging (Dome redevelopment)</td>
<td>-</td>
<td></td>
<td>45</td>
<td>$105,000</td>
<td>$4,725,000</td>
<td>$51,822</td>
<td>$15,903</td>
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<tr>
<td><strong>Housing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independent Living</td>
<td>7.0</td>
<td>10</td>
<td>70,000</td>
<td>70</td>
<td>$200</td>
<td>$14,000,000</td>
<td>$244,213</td>
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<tr>
<td>Assisted Living</td>
<td>3.0</td>
<td>18</td>
<td>54,000</td>
<td>54</td>
<td>$225</td>
<td>$12,150,000</td>
<td>$211,942</td>
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<tr>
<td>Apartments</td>
<td>10.0</td>
<td>20</td>
<td>200,000</td>
<td>200</td>
<td>$165</td>
<td>$33,000,000</td>
<td>$575,645</td>
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<tr>
<td>Rowhouses/Townhouses/Attached Housing</td>
<td>8.0</td>
<td>14</td>
<td>112,000</td>
<td>112</td>
<td>$195</td>
<td>$21,840,000</td>
<td>$380,973</td>
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<tr>
<td>Condominiums</td>
<td>3.0</td>
<td>18</td>
<td>54,000</td>
<td>54</td>
<td>$225</td>
<td>$12,150,000</td>
<td>$211,942</td>
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<tr>
<td><strong>Housing Subtotal</strong></td>
<td><strong>31.0</strong></td>
<td></td>
<td><strong>490,000</strong></td>
<td><strong>490</strong></td>
<td><strong>$93,140,000</strong></td>
<td><strong>$1,624,716</strong></td>
<td><strong>$498,581</strong></td>
</tr>
<tr>
<td><strong>Total New Development/ Avg</strong></td>
<td><strong>31.0</strong></td>
<td><strong>16.00</strong></td>
<td>-</td>
<td>535</td>
<td><strong>$100,115,000</strong></td>
<td><strong>$1,701,216</strong></td>
<td><strong>$522,056</strong></td>
</tr>
</tbody>
</table>

Source: Marion County Assessor’s Office, Leland Consulting Group.

Note: Based on Marion County Assessor’s documents, assessed value of new residential development set at 91.8 percent of real market value. Assessed value of commercial development set at 57.7 percent of real market value, based on 2012 Measure 50 gap assessment for District 113 Salem. Marion County composite tax rate for the Salem area is $19.0030 per $1,000 assessed value. The City of Salem’s base rate is $5.8315 per $1,000 assessed value.
Housing Projections
Spectrum of Recommended Housing (Illustrative)

Cottage Housing
10 to 25 du/acre
One to two stories
Surface, or on-street parking

Rowhouses/Townhomes
15 to 25 du/acre
Two to three stories
Surface parking or parking within each unit

Wood Frame Condos or Apartments
20 to 35 du/acre
Two to three stories
Surface, garage, or tuck-under parking

Low-Rise Urban Density
30 to 40 du/acre
Three to four stories
Limited parking, surface, or tuck-under
Potential Senior Housing Products (Illustrative)

**Independent Living**
Multiunit complex marketed to seniors. Rent premium of approximately 10 percent (above other equivalent multifamily units) for housekeeping and transportation services.

**Assisted Living**
Support services include laundry, food service, arranged activities, limited medical oversight, and assistance to those with physical impediments such as blindness or decreased mobility.

**Skilled Nursing**
Facilities designed to provide 24-hour care and intensive medical attention. Staff assists residents with daily tasks such as bathing, dressing and other needs.
Salem Housing Primary and Secondary Market Areas

Source: ESRI Business Analyst.
Main Street
- 56 percent (vs. 12 percent US avg.)
- Mix of households
- Half are married-couple families
- One-third are single person or shared households
- One of five holds a bachelor or graduate degree
- Family-oriented and frugal
- Do-it-yourselfers

Inner City Tenants
- 25 percent (vs. 7 percent US avg.)
- Multicultural
- Younger than average
- Very few own their homes
- Likely to work in the service industry
- 17 percent do not own a vehicle
- Mix of households types
  - 34 percent are singles
  - 28 percent are married-couple families
  - 21 percent are single parents

Old and Newcomers
- 19 percent (vs. 19 percent US avg.)
- Transitional neighborhoods
- Residents are retiring or just beginning their careers
- More singles and shared households than families
- Median household income is below national average
- More than 60 percent rent

Source: ESRI Business Analyst.
Marion County Population

The 65+ population will grow by 31,000, an 80 percent increase.
### Population and Housing Projection 2013 - 2023

#### City of Salem (Primary Market Area)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2018</th>
<th>2023</th>
<th>2013-2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population</td>
<td>164,702</td>
<td>176,632</td>
<td>188,310</td>
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<tr>
<td>Net New Population</td>
<td></td>
<td>11,929</td>
<td>11,678</td>
<td>23,607</td>
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<tr>
<td>Total Households</td>
<td>64,589</td>
<td>69,267</td>
<td>73,847</td>
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<tr>
<td>Net New Households</td>
<td></td>
<td>4,678</td>
<td>4,580</td>
<td>9,258</td>
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#### Salem MSA (Secondary Market Area)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2018</th>
<th>2023</th>
<th>2013-2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population (Excluding City of Salem)</td>
<td>250,186</td>
<td>271,811</td>
<td>292,904</td>
<td></td>
</tr>
<tr>
<td>Net New Population (Excluding City of Salem)</td>
<td></td>
<td>21,624</td>
<td>21,093</td>
<td>42,718</td>
</tr>
<tr>
<td>Total Households (Excluding City of Salem)</td>
<td>92,662</td>
<td>100,671</td>
<td>108,483</td>
<td></td>
</tr>
<tr>
<td>Net New Households (Excluding City of Salem)</td>
<td></td>
<td>8,009</td>
<td>7,812</td>
<td>15,821</td>
</tr>
</tbody>
</table>

Note: Totals may not sum correctly due to rounding.

Source: ESRI Business Analyst; Forecasts of Oregon's County Populations by Age and Sex, 2000 – 2040, Office of Economic Analysis, Department of Administrative Services, State of Oregon; Population Forecasts for Marion County, its Cities and Unincorporated Area 2010-2030, PSU Population Research Center, September 2008.
### City of Salem - 10-year Demand (2013-2023)

<table>
<thead>
<tr>
<th>Annual Income Range (2010 dollars)</th>
<th>Approx. Rent Range</th>
<th>Approx. Home Price Range</th>
<th>HHs in Income Bracket</th>
<th>Demand from New Households (10-yr)</th>
<th>Est. Percent Rental</th>
<th>Total Rental Units</th>
<th>Total Ownership Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to $15K</td>
<td>up to $375</td>
<td>up to $75K</td>
<td>13%</td>
<td>1,204</td>
<td>80%</td>
<td>965</td>
<td>240</td>
</tr>
<tr>
<td>$15-35K</td>
<td>$375 - $875</td>
<td>$75 to $150K</td>
<td>27%</td>
<td>2,500</td>
<td>65%</td>
<td>1,625</td>
<td>875</td>
</tr>
<tr>
<td>$35-50K</td>
<td>$875 - $1,000</td>
<td>$150 to $200K</td>
<td>15%</td>
<td>1,389</td>
<td>45%</td>
<td>625</td>
<td>765</td>
</tr>
<tr>
<td>$50-75K</td>
<td>$1,000+</td>
<td>$200 to $250K</td>
<td>20%</td>
<td>1,852</td>
<td>30%</td>
<td>555</td>
<td>1,295</td>
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<tr>
<td>$75-100K</td>
<td>$1,000+</td>
<td>$250 to $350K</td>
<td>11%</td>
<td>1,018</td>
<td>10%</td>
<td>100</td>
<td>920</td>
</tr>
<tr>
<td>$100K and up</td>
<td>$1,000+</td>
<td>$350K and up</td>
<td>14%</td>
<td>1,296</td>
<td>5%</td>
<td>65</td>
<td>1,230</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td></td>
<td><strong>100%</strong></td>
<td><strong>9,258</strong></td>
<td><strong>43%</strong></td>
<td><strong>3,935</strong></td>
<td><strong>5,325</strong></td>
</tr>
</tbody>
</table>

Note: Totals may not sum correctly due to rounding.

Source: ESRI Business Analyst; Forecasts of Oregon's County Populations by Age and Sex, 2000 – 2040, Office of Economic Analysis, Department of Administrative Services, State of Oregon; Population Forecasts for Marion County, its Cities and Unincorporated Area 2010-2030, PSU Population Research Center, September 2008.
### Salem MSA - 10-year Demand (2013-2023)

(Excludes City of Salem)

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<th>Est. Percent Rental</th>
<th>Total Rental Units</th>
<th>Total Ownership Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to $15K</td>
<td>up to $375</td>
<td>up to $75K</td>
<td>12%</td>
<td>1,899</td>
<td>65%</td>
<td>1,235</td>
<td>665</td>
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<tr>
<td>$15-35K</td>
<td>$375 - $875</td>
<td>$75 to $150K</td>
<td>26%</td>
<td>4,114</td>
<td>55%</td>
<td>2,260</td>
<td>1,855</td>
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<tr>
<td>$35-50K</td>
<td>$875 - $1,000</td>
<td>$150 to $200K</td>
<td>16%</td>
<td>2,531</td>
<td>40%</td>
<td>1,015</td>
<td>1,515</td>
</tr>
<tr>
<td>$50-75K</td>
<td>$1,000+</td>
<td>$200 to $250K</td>
<td>21%</td>
<td>3,322</td>
<td>25%</td>
<td>830</td>
<td>2,490</td>
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<tr>
<td>$75-100K</td>
<td>$1,000+</td>
<td>$250 to $350K</td>
<td>11%</td>
<td>1,740</td>
<td>15%</td>
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<td>1,480</td>
</tr>
<tr>
<td>$100K and up</td>
<td>$1,000+</td>
<td>$350K and up</td>
<td>14%</td>
<td>2,215</td>
<td>5%</td>
<td>110</td>
<td>2,105</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td></td>
<td><strong>100%</strong></td>
<td><strong>15,821</strong></td>
<td><strong>36%</strong></td>
<td><strong>5,710</strong></td>
<td><strong>10,110</strong></td>
</tr>
</tbody>
</table>

Note: Totals may not sum correctly due to rounding.

Source: ESRI Business Analyst; Forecasts of Oregon's County Populations by Age and Sex, 2000 – 2040, Office of Economic Analysis, Department of Administrative Services, State of Oregon; Population Forecasts for Marion County, its Cities and Unincorporated Area 2010-2030, PSU Population Research Center, September 2008.
Summary: 10-year Housing Projection by Household Income

The majority of the housing demand over the next 10 years will be for middle income households, both rental and ownership housing.

City of Salem

Salem MSA (excluding City of Salem)

Source: ESRI Business Analyst; Forecasts of Oregon's County Populations by Age and Sex, 2000 – 2040, Office of Economic Analysis, Department of Administrative Services, State of Oregon; Population Forecasts for Marion County, its Cities and Unincorporated Area 2010-2030, PSU Population Research Center, September 2008.
The City of Salem permitted 940 housing units/year on average from 1990 to 2007 prior to the recession. The annual number of permits issued since 2008 has been well below average, indicating a potential pent up demand.

Salem has a Deficit of Multifamily Land

According to the 2011 Salem-Keizer Housing Needs Analysis (a periodic study required by the State land use program), the Salem UGB has a deficit of land zoned for multifamily use.

Based on the 2011 Analysis, there is a current deficit of 228 acres of multifamily land, a surplus of single family land, and an adequate amount of mixed use land.

This report assumes that a mix of all three housing types, particularly multifamily, will be provided at the North Campus.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SF</td>
<td>14,325</td>
<td>24,916</td>
<td>10,591</td>
<td></td>
<td>None</td>
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<tr>
<td>MF</td>
<td>6,638</td>
<td>3,355</td>
<td>(3,283)</td>
<td>14.4</td>
<td>228</td>
</tr>
<tr>
<td>MU</td>
<td>624</td>
<td>624</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Salem UGB Total</td>
<td>21,587</td>
<td>28,895</td>
<td>None</td>
<td>None</td>
<td>228</td>
</tr>
</tbody>
</table>

North Campus Housing Capture

The preliminary analysis forecast shows absorption, both sales and leases, of the 490 units in the current development program (see page 12) within four to six years, based on multiple housing products simultaneously serving multiple demographic segments.

<table>
<thead>
<tr>
<th>North Campus Housing Capture</th>
<th>2013-2018</th>
<th>2018-2023</th>
<th>2013-2023 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>City of Salem (Primary Market Area)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net New Households</td>
<td>4,678</td>
<td>4,580</td>
<td>9,258</td>
</tr>
<tr>
<td>North Campus Capture of Net New Housing (Low Scenario - 4%)</td>
<td>190</td>
<td>180</td>
<td>370</td>
</tr>
<tr>
<td>North Campus Capture of Net New Housing (High Scenario - 6%)</td>
<td>280</td>
<td>270</td>
<td>550</td>
</tr>
<tr>
<td><strong>Salem MSA (Secondary Market Area)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net New Households (Excluding City of Salem)</td>
<td>8,009</td>
<td>7,812</td>
<td>15,821</td>
</tr>
<tr>
<td>North Campus Capture of Net New Housing (Low Scenario - 2.5%)</td>
<td>200</td>
<td>200</td>
<td>400</td>
</tr>
<tr>
<td>North Campus Capture of Net New Housing (Low Scenario - 3.5%)</td>
<td>280</td>
<td>270</td>
<td>550</td>
</tr>
<tr>
<td><strong>North Campus Total Capture - Low Scenario</strong></td>
<td>390</td>
<td>380</td>
<td>770</td>
</tr>
<tr>
<td><strong>North Campus Total Capture - High Scenario</strong></td>
<td>560</td>
<td>540</td>
<td>1,100</td>
</tr>
</tbody>
</table>
Householder Living Alone 2010

2010 Nonfamily Households with a Householder Living Alone (U.S. Census) by Block Groups (%)

- 50.01% or greater
- 40.01% - 50.00%
- 30.01% - 40.00%
- 20.01% - 30.00%
- 20.00% or less

Source: ESRI Business Analyst.
Median Rent (Renter Occupied) 2005-2009

Source: ESRI Business Analyst.
Median Home Value (owner occupied) 2005-2009

Source: ESRI Business Analyst.
Household Incomes

North Campus

North Campus Market Area
Population Growth Rate, 2000-2010

North Campus
North Campus Market Area
Salem Median Sales Price September to November 2012

The North Campus is included in the Northeast Salem neighborhood which had a median sales price of $106,703 from September to November of 2012, a 7.2 percent increase year-over-year.
The Salem housing market is experiencing median sales prices near 2005 levels, after having peaked in 2007 to 2008.

Source: Trulia.