City Center Redevelopment Authority Meeting Minutes

Date: April 18, 2024
Time: 12:30-2:00 pm
Location
City Hall – Council Chambers Fl 2
415 W 6th Street
Vancouver, WA 98668

Members

Marc Fazio
President

Richard Krippaehne
Debi Ewing
David Copenhaver
Michi Slick
Alisa Pyszka
Allison Reynolds

Regular Meeting (Convened in person and via video conference)
The meeting agenda materials referenced in these minutes can be found online. Link to Microsoft Teams meeting video: 24 04 18 CCRA Meeting Video.

Item 1: Call to Order and Roll Call
The April 18, 2024, meeting of the City Center Redevelopment Authority was called to order at 12:33 pm by Marc Fazio.

Board Members Present: Marc Fazio, David Copenhaver, Debi Ewing, Michi Slick, Alisa Pyszka, Allison Reynolds, Richard Krippaehne

Board Members Absent: None

Staff Present: Patrick Quinton, Chad Eiken, Rebecca Small, Kimberly Kerlee, Dan Lloyd

Guests: None

Item 2: Approval of Minutes
Motion by Slick, seconded by Pyszka, and carried unanimously to approve the March 21, 2024, minutes.

Item 3: Executive Directors Report
Executive Director Quinton provided an update on the development pipeline report. Quinton highlighted several new projects that have entered the pipeline and projects that have moved throughout the development stages. Quinton mentioned The Heights RFP that closes onMay 17 and the Downtown Redevelopment Study RFP for which staff and Board Member Pyszka will be interviewing finalists.

Item 4: Green Building Policy Update
Quinton introduced Chad Eiken and Rebecca Small who provided a presentation on the Green Building Policy. Eiken reviewed the policy scope, Climate Action framework and the implementation considerations. Small

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reviewed the engagement strategy and approaches to developing the policy and presented the development timeline and next steps.

President Fazio asked if Vancouver was one of the only cities in the state without a Green Building Policy. Small and Quinton responded and further discussion occurred.

Board member Ewing asked the subcommittee to weigh in on their thoughts. Slick responded and stated they did not have a preview of the presentation during the Development Subcommittee but mentioned the possible impact the policy could have on the development pipeline.

Board members were overall pleased with the current state of the Green Building Policy and discussed items to consider and provided feedback.

Eiken mentioned they plan to come back to the CCRA Board in the summer with an update.

Item 5: Business Planning Follow-up

Patrick Quinton acknowledged work done by City staff Chim Chune Ko, Lee Lankford-Woo and Chris Harder on the Economic Development team. Quinton provided a presentation and reviewed the February CCRA workshop discussion and recommended functions, roles, and authority of the board. Quinton reviewed the operating resources and revenues, and necessary City contributions and capital funding if CCRA was to transition to an independent entity and the hypothetical governance and the authority of the board over operations and projects with City Council oversight.

President Fazio asked about the Board's authority over selling properties if CCRA was independent. Quinton responded.

Quinton reviewed the operating roles of board members and City staff and provided the timeline and next steps on the CCRA Business Plan.

Board members were overall pleased with the plan and provided feedback and items to consider. Board members agreed that the plan could move forward to City Council for discussion and feedback and brought back to the CCRA Board to review the comments.

Item 6: Public Comment

None

Item 7: Executive Session (as needed)

None

Adjournment

1:58 pm

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Marc Fazio, Board President

Meetings of the City Center Redevelopment Authority are electronically recorded on audio. The audio tapes are kept on file in the office of the City Clerk for a period of six years.

Downtown Redevelopment Study Contractor Selection

Chim Chune Ko
Real Estate Project Manager
Economic Prosperity and Housing
5/16/2024

Project Summary

This project seeks to establish high level priorities for equitable redevelopment activities downtown that promote resident diversity, housing accessibility and affordability, multimodal transportation, job creation, and business and economic development over the next 5 years.

Proposed Scope

1. Identify 3-4 priority redevelopment opportunity areas to prioritize redevelopment to meet housing supply and economic development needs.
2. Identify and analyze publicly and privately owned strategic parcels within each opportunity area where redevelopment efforts and resources should be prioritized to catalyze additional redevelopment.
3. Develop recommendations for public amenities, infrastructure, and technologies to promote equitable and sustainable development and outcomes in opportunity areas.
4. Create a redevelopment strategy of near-term actions to advance redevelopment that leverage other ongoing, planned, and future work downtown.

Proposal Analysis

- Project Approach and Understanding
- Proposer Capabilities and Qualifications
- References
- Cost of Proposal

Recommended Consultant

bae urban economics

SERA

HHPR

- Deep understanding of project intent and goals
- Extensive experience with related studies and unique funding mechanisms
- Recent experience completing Inclusionary Housing Calibration Study for Portland
- Within project budget

Discussion

Action Requested

- **Vote to recommend that City Manager approve and execute proposed contract.**

Thank you

Commercial Real Estate Market Overview

CCRA

May 16, 2024

Mike Wilkerson, Ph.D.

ECO northwest

Macro Market Conditions

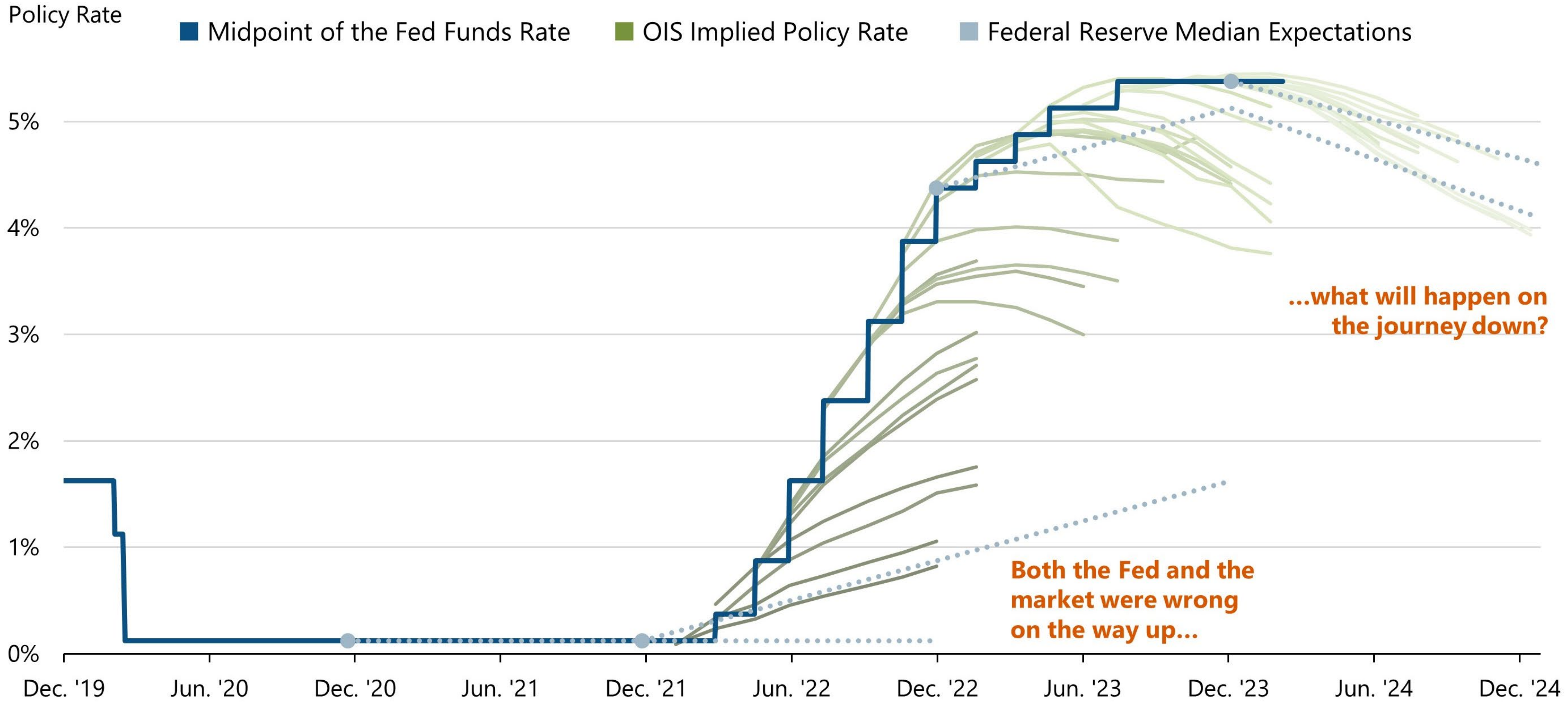
INFLATION
B. Rich
HEDGEYE

Interest rates increased more than expected, staying elevated longer

Blame Game

Federal Reserve Policy Rate Versus Market and Federal Reserve Expectations

For The Week Ending 02/16/2024

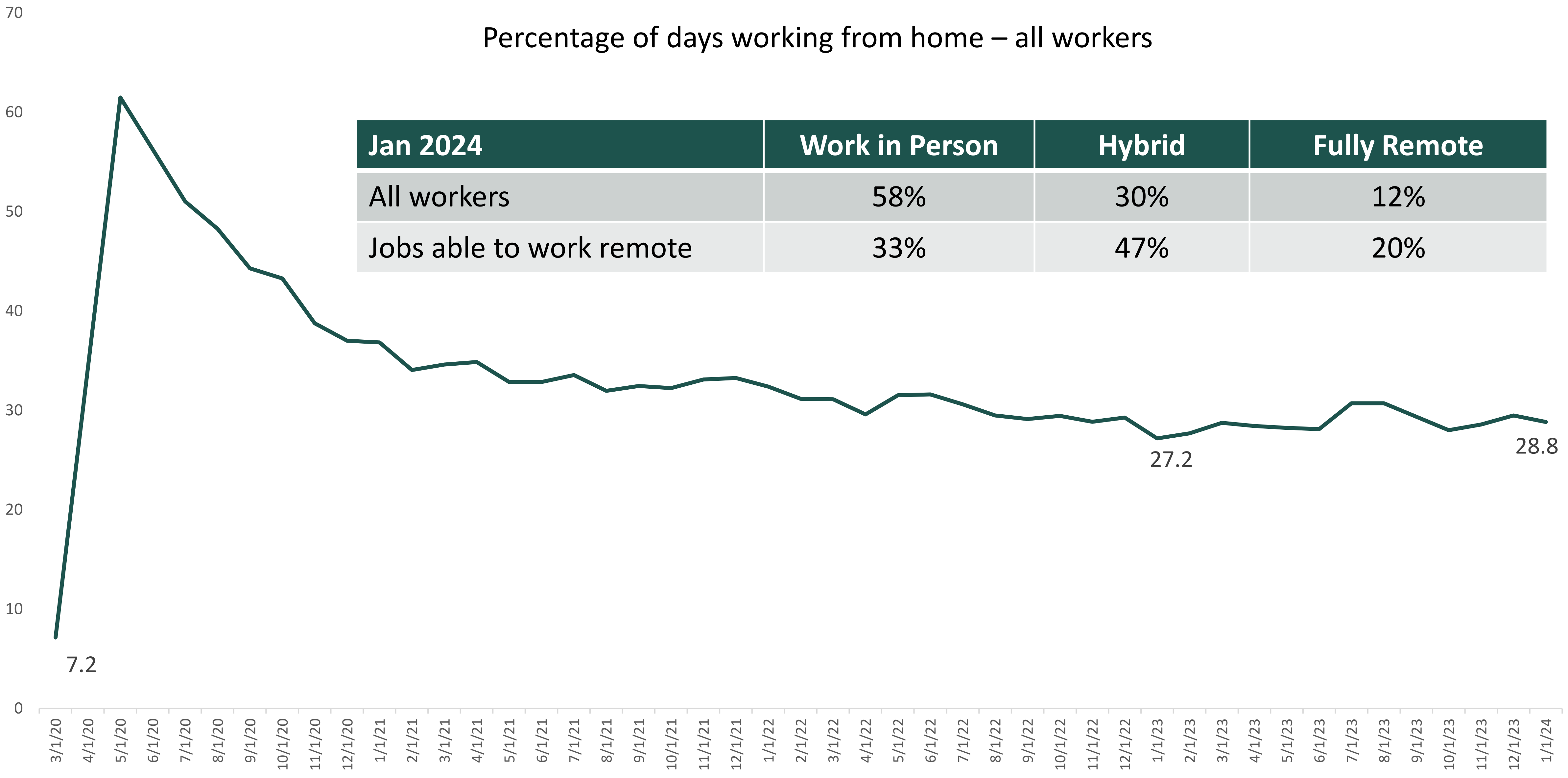


Source: Federal Reserve, Bloomberg, Payden Calculations

Office Market Conditions

ECOnorthwest

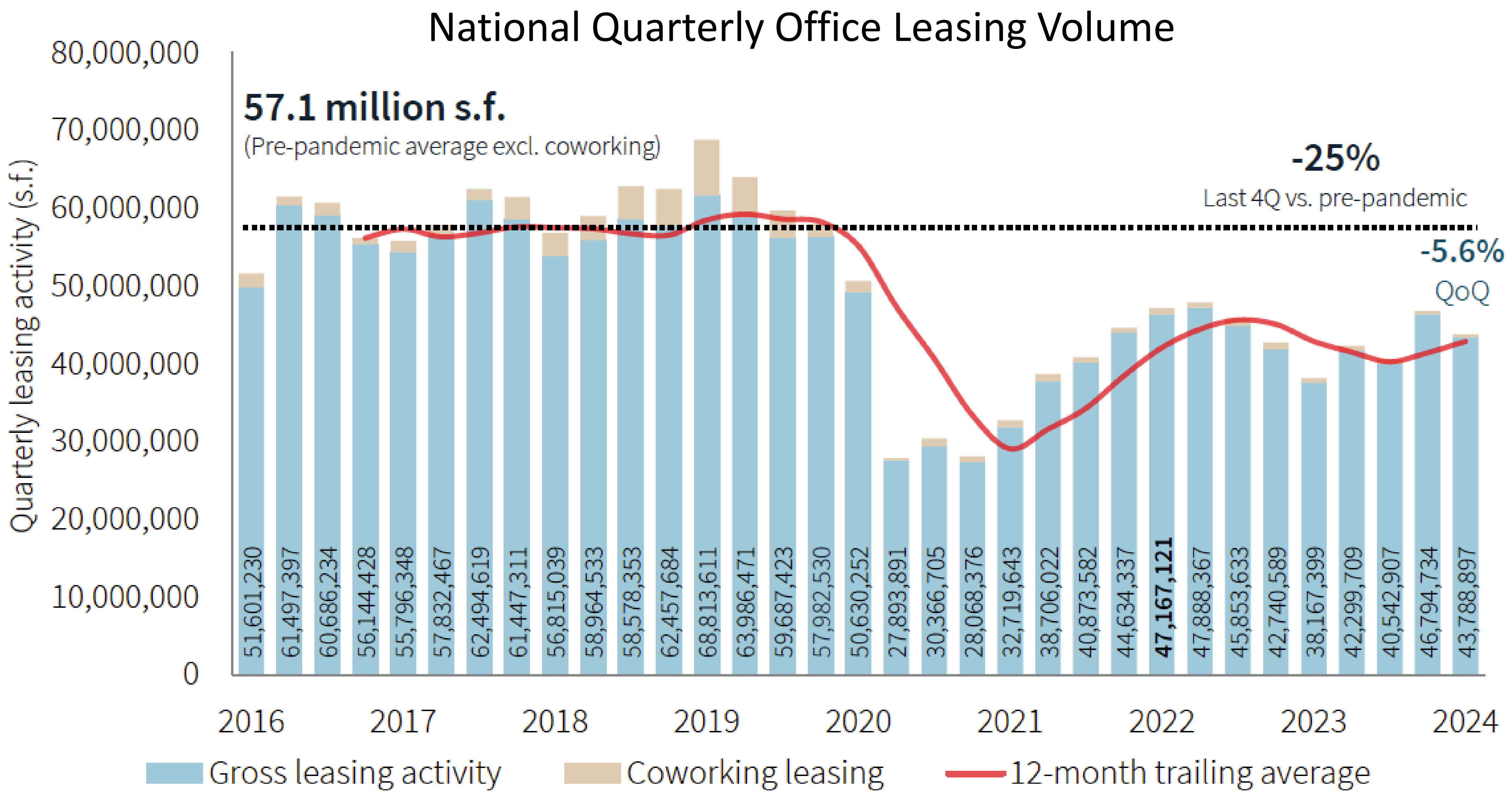
Hybrid and remote work are now at a "new normal" level



Jan 2024	Work in Person	Hybrid	Fully Remote
All workers	58%	30%	12%
Jobs able to work remote	33%	47%	20%

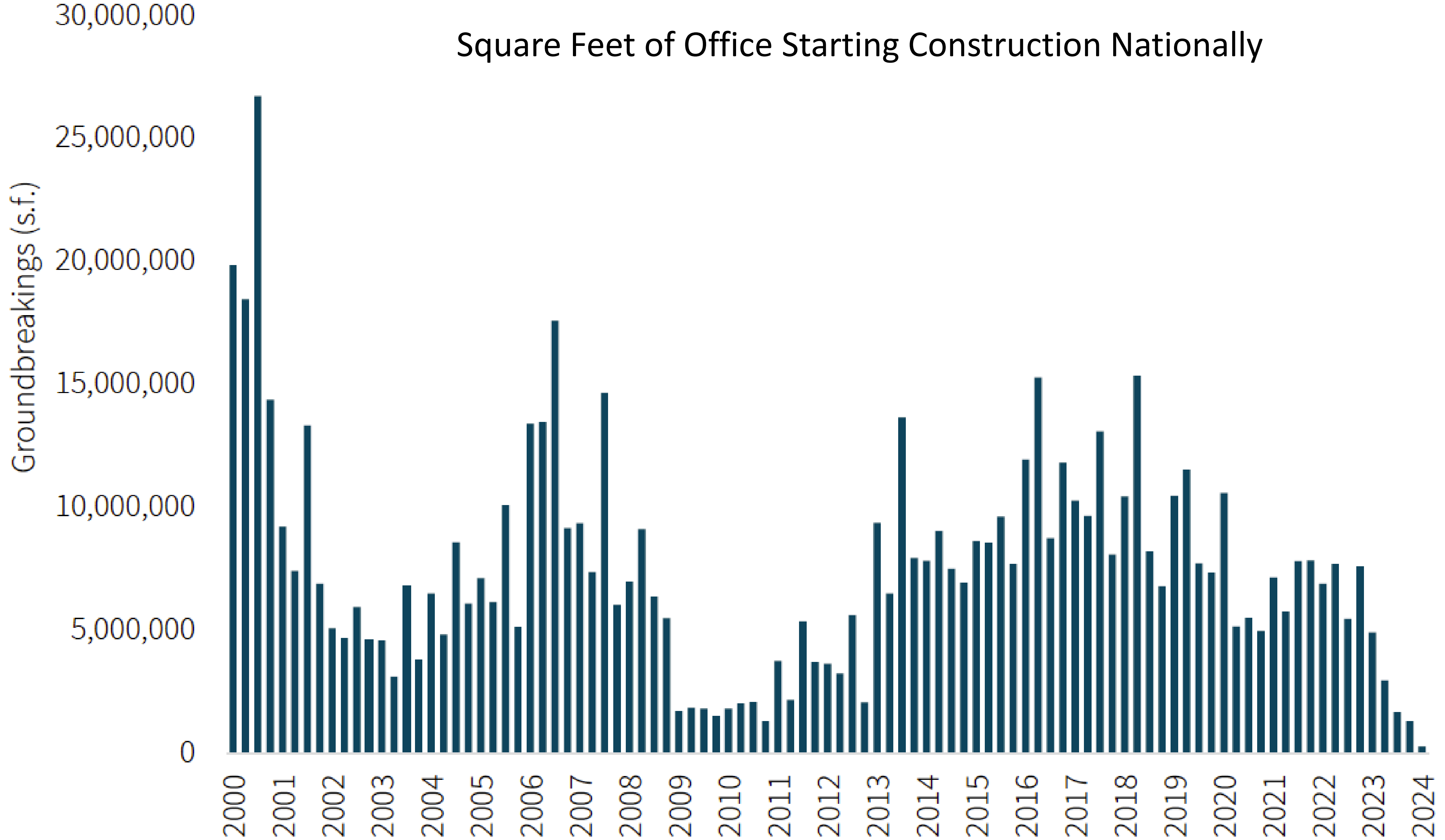
Source: SWAA, WFH Research

Office Leasing volume still down 25% from pre-pandemic levels



Source: JLL Research

1Q 2024 had the fewest amount of Office construction starts in history



Source: JLL Research

Office vacancy rate in Vancouver increasing, will jump with ZI move

Office Vacancy Rate in Vancouver

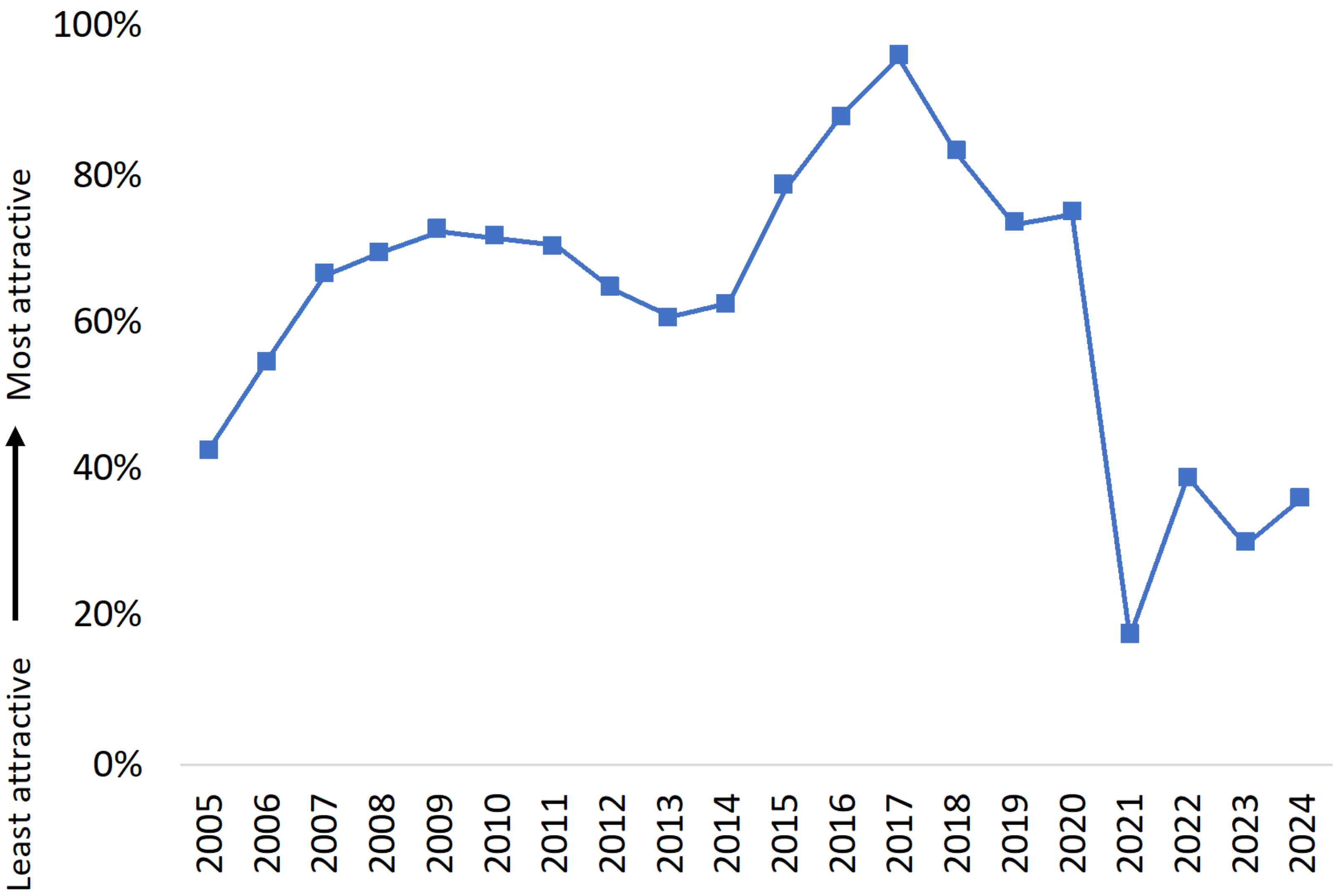
Source: CoStar

National perception of regional market continues to be a headwind

1	Nashville	41	Boise
2	Phoenix	42	Pittsburgh
3	Dallas/Fort Worth	43	Norfolk
4	Atlanta	44	Cape Coral/Fort Myers/Naples
5	Austin	45	Washington, DC–MD suburbs
6	San Diego	46	Jersey City
7	Boston	47	Sacramento
8	San Antonio	48	St. Louis
9	Raleigh/Durham	49	Greenville, SC
10	Seattle	50	Baltimore
11	Houston	51	Portland, OR
12	Denver	52	Westchester, NY/Fairfield, CT
13	Charlotte	53	Columbus
14	Miami	54	San Francisco
15	Northern New Jersey	55	Birmingham
16	Washington, DC–Northern VA	56	Memphis
17	Los Angeles	57	Charleston
18	Tampa/St. Petersburg	58	Tacoma
19	Orlando	59	Tallahassee
20	Las Vegas	60	Cleveland
21	Fort Lauderdale	61	Knoxville
22	Indianapolis	62	Milwaukee
23	Washington, DC–District	63	Louisville
24	Orange County	64	Omaha
25	Inland Empire	65	Oklahoma City
26	Minneapolis/St. Paul	66	Cincinnati
27	Philadelphia	67	New Orleans
28	Brooklyn	68	Chattanooga
29	Chicago	69	Des Moines
30	Salt Lake City	70	Providence, RI
31	Manhattan	71	Honolulu
32	Richmond	72	Deltona/Daytona
33	San Jose	73	Buffalo
34	Kansas City	74	Portland, ME
35	Palm Beach	75	Albuquerque
36	Jacksonville	76	Tucson
37	NYC Other	77	Spokane, WA/Coeur d'Alene, ID
38	Long Island	78	Gainesville
39	Detroit	79	Madison
40	Oakland/East Bay	80	Hartford

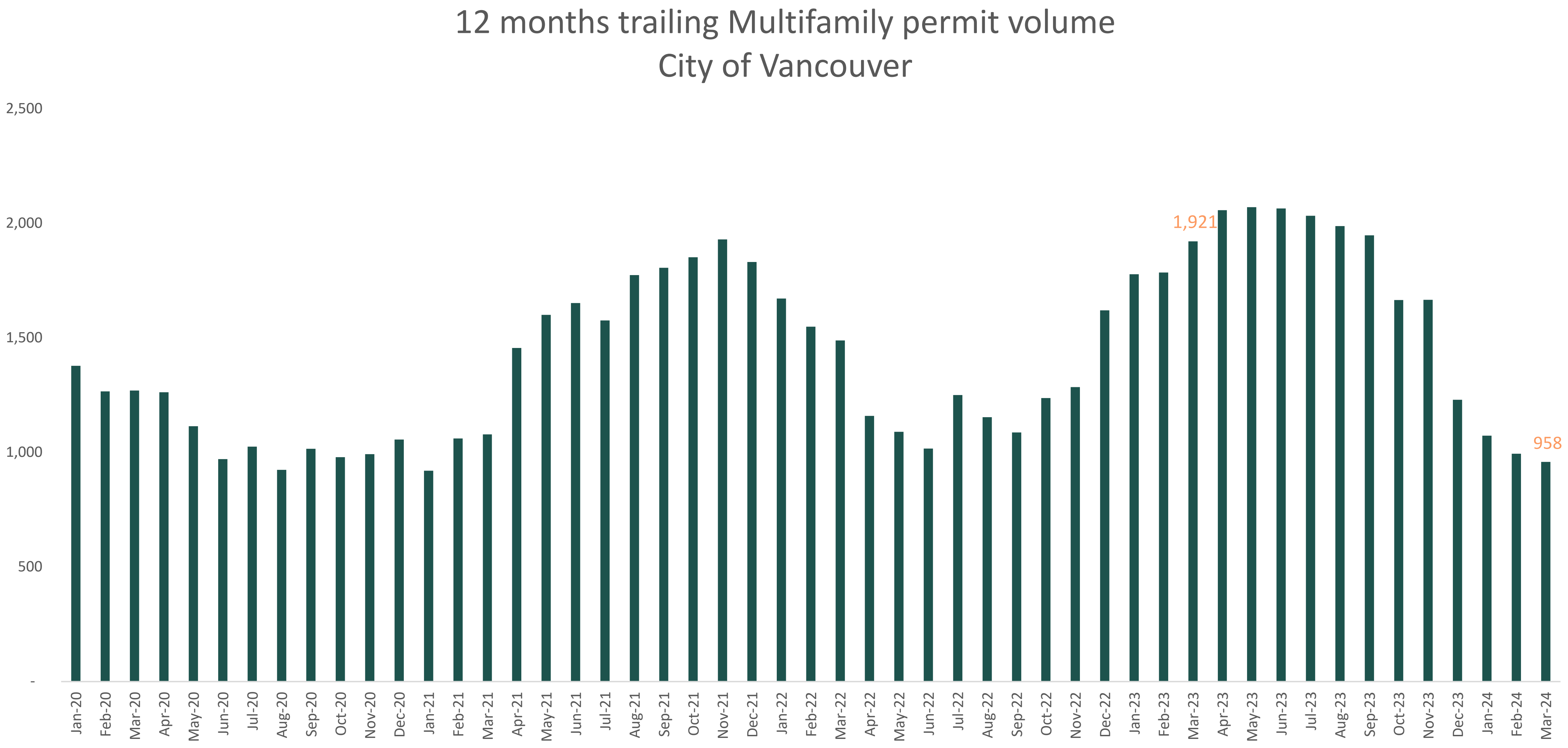
Source: *Emerging Trends in Real Estate 2024* survey.

ULI Development Opportunity Ranking (2024)

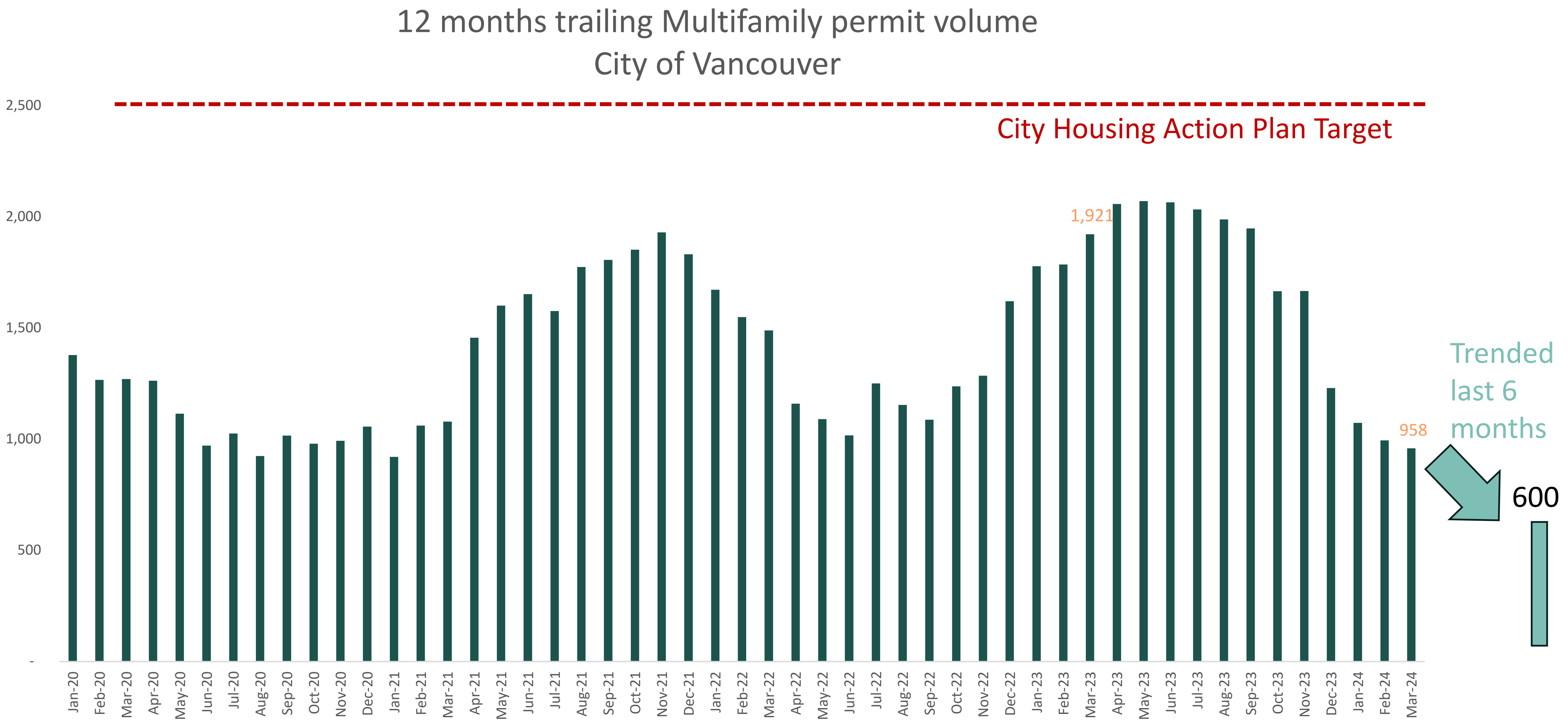


Multifamily Market Conditions

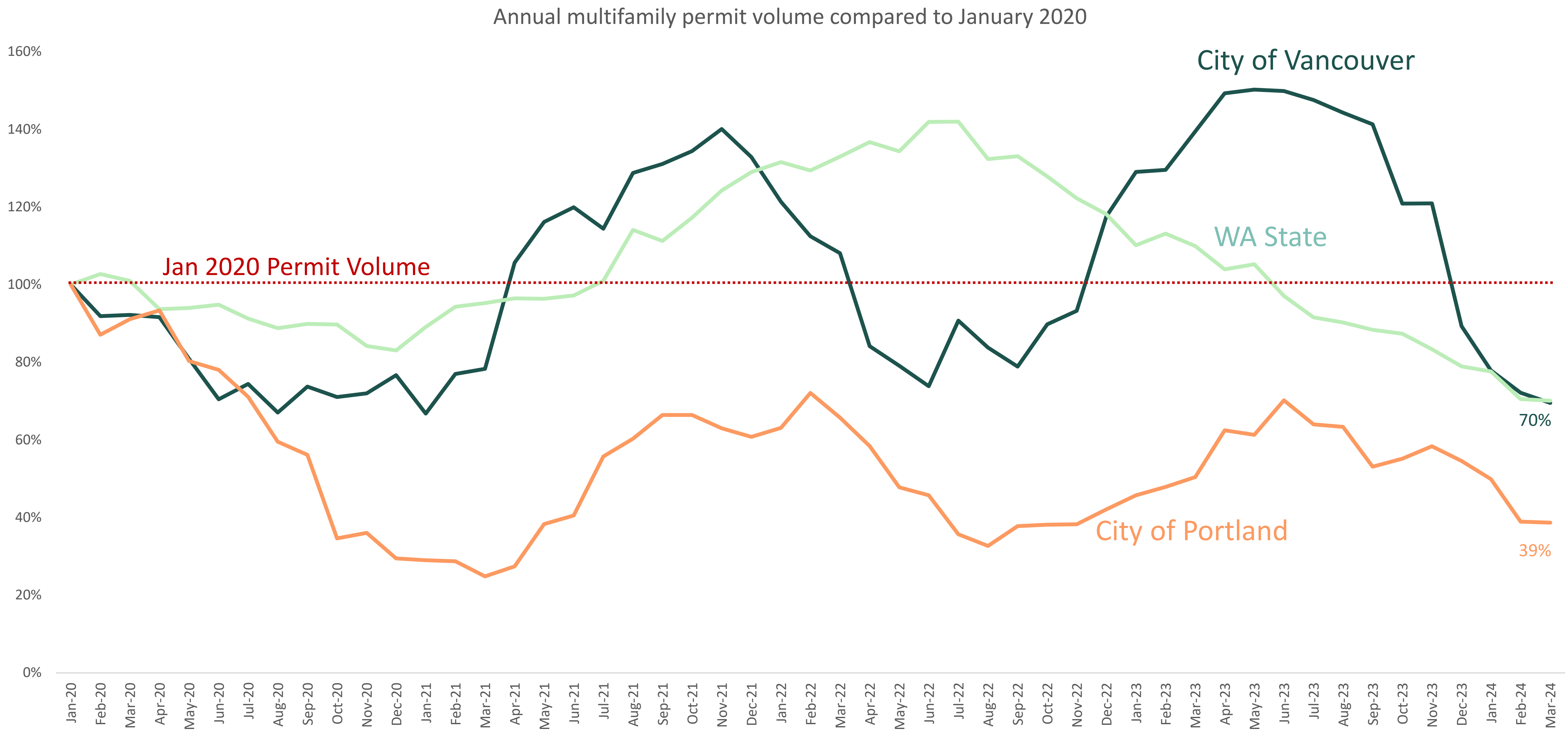
Multifamily permit volume down 50% from a year ago



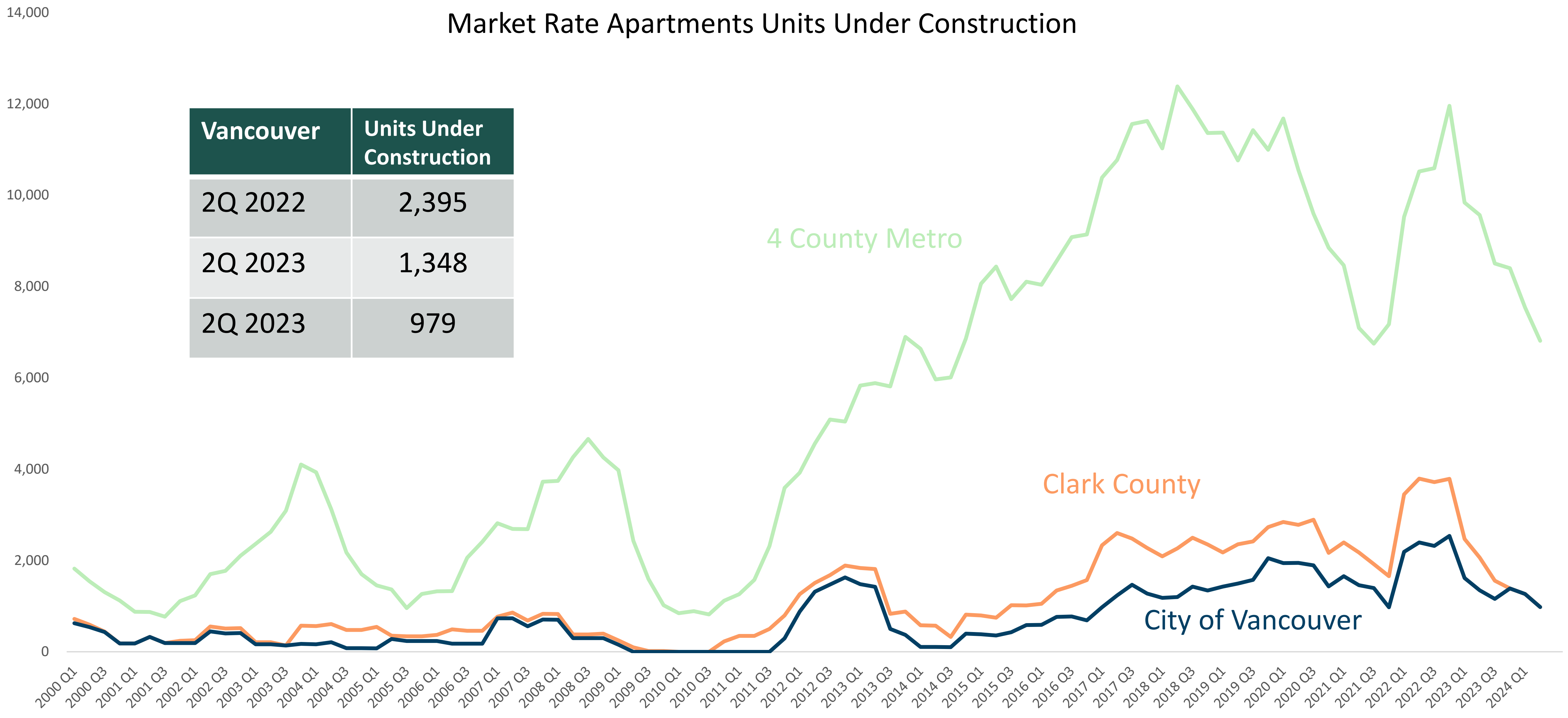
The permitting trend in the last 6 months indicates a continued decline



Multifamily permit decline in Vancouver mirrors WA state average



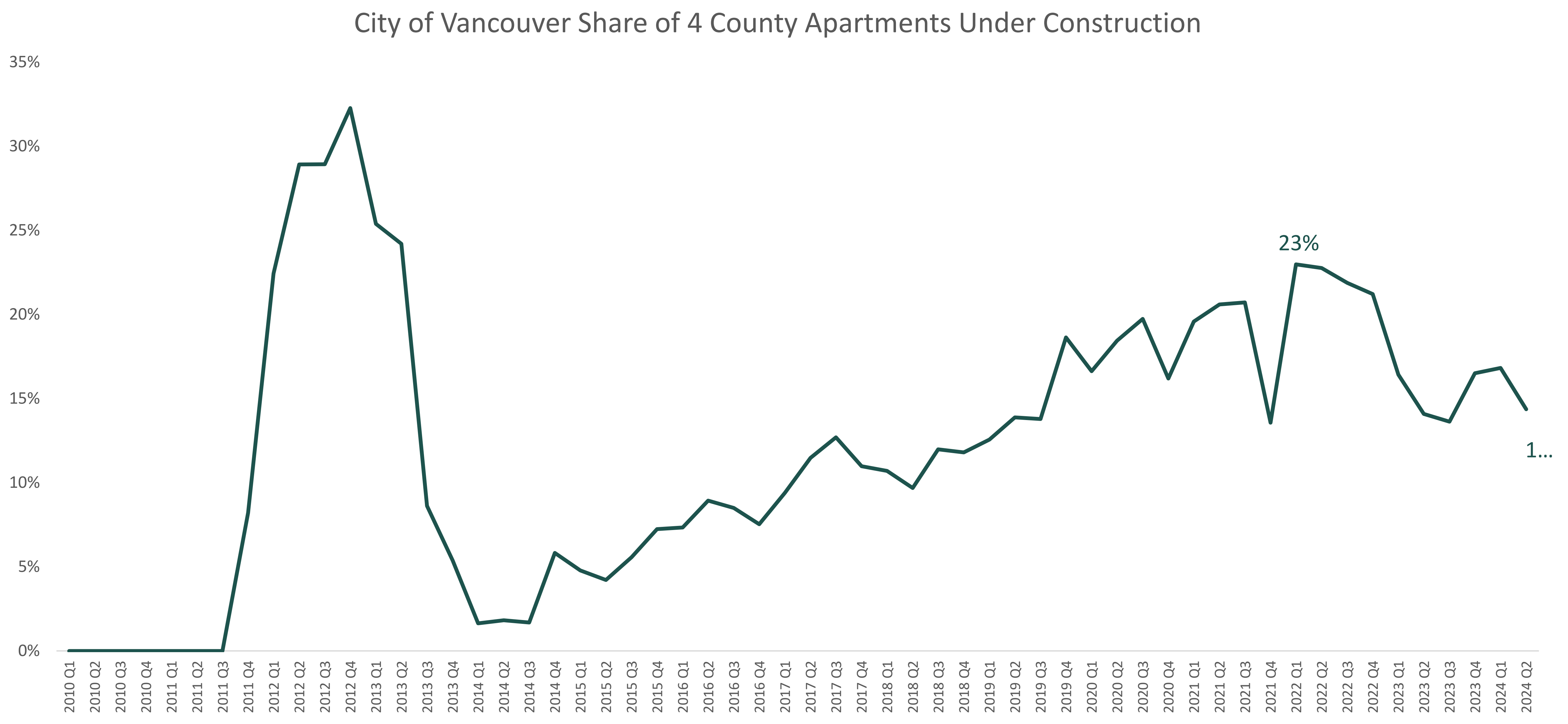
Apartments under construction peaked in 2Q 2022



Vancouver	Units Under Construction
2Q 2022	2,395
2Q 2023	1,348
2Q 2023	979

Source: CoStar

Vancouver’s share of regional production is decreasing



Source: CoStar

Apartment Feasibility Economics

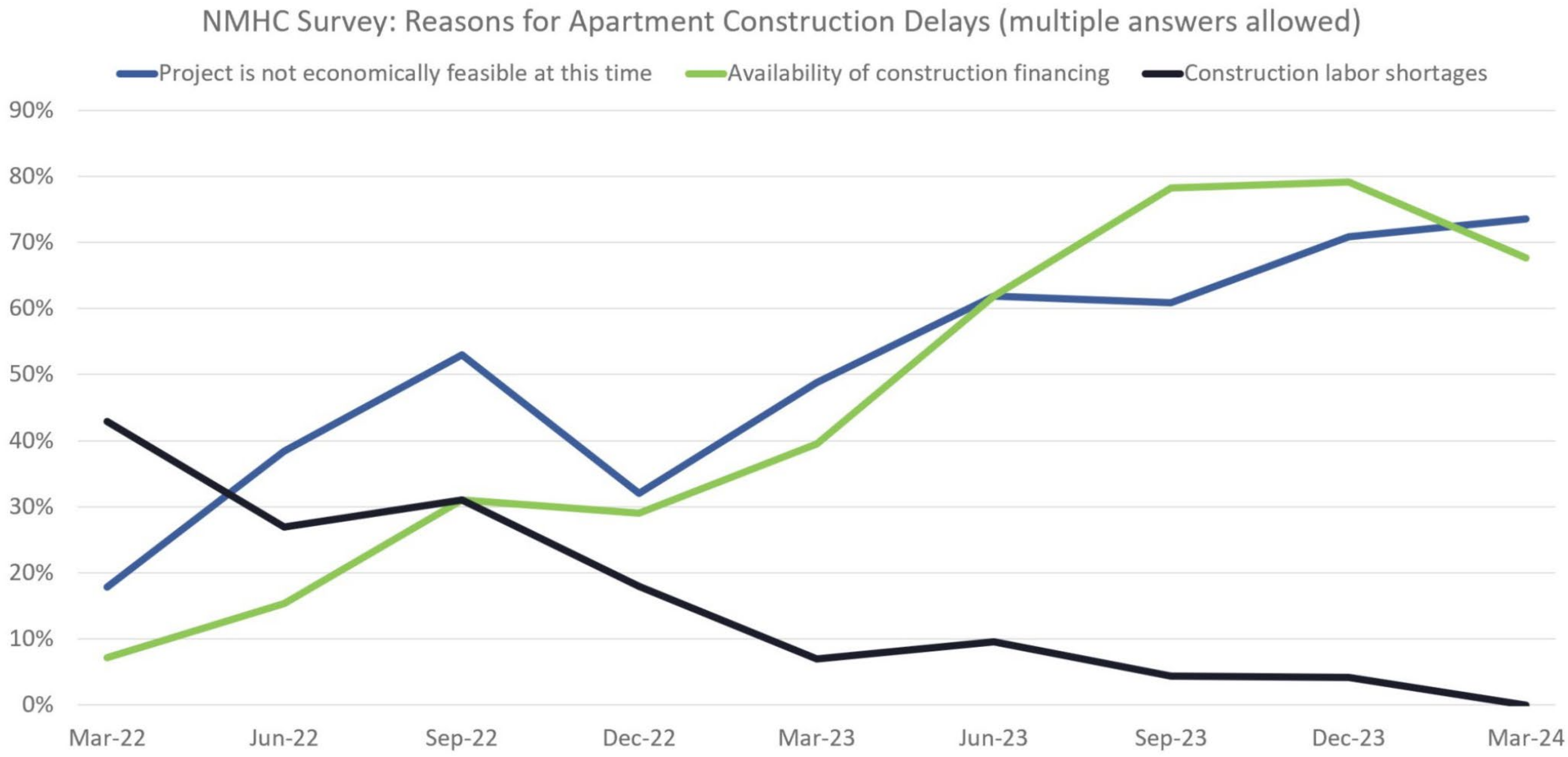
Apartment Feasibility Challenges

1. Underwriting debt in current market conditions is challenged due to higher return requirements, rents stabilizing, and increased construction costs

2. The cost of acquiring stabilized performing apartments is well below the cost of new construction

3. For completed buildings that are achieving stabilized occupancy, there are challenges in obtaining permanent financing

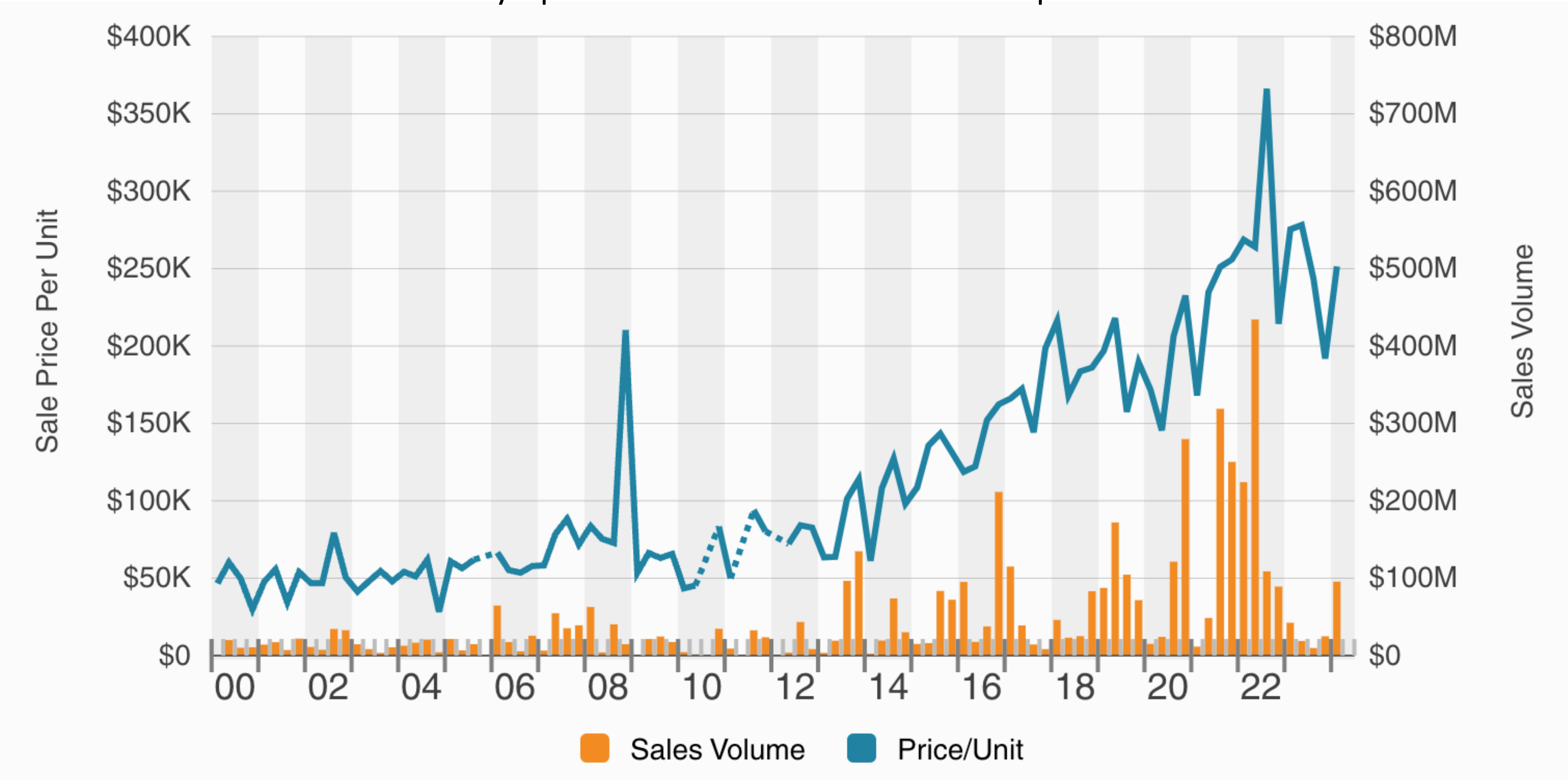
Feasibility and Financing Driving Delays in Apartment Construction



Source: NMHC Quarterly Apartment Construction Survey

Acquisition prices have decreased to below the cost of new construction

Clark County Apartment Sales Volume and Price per Unit

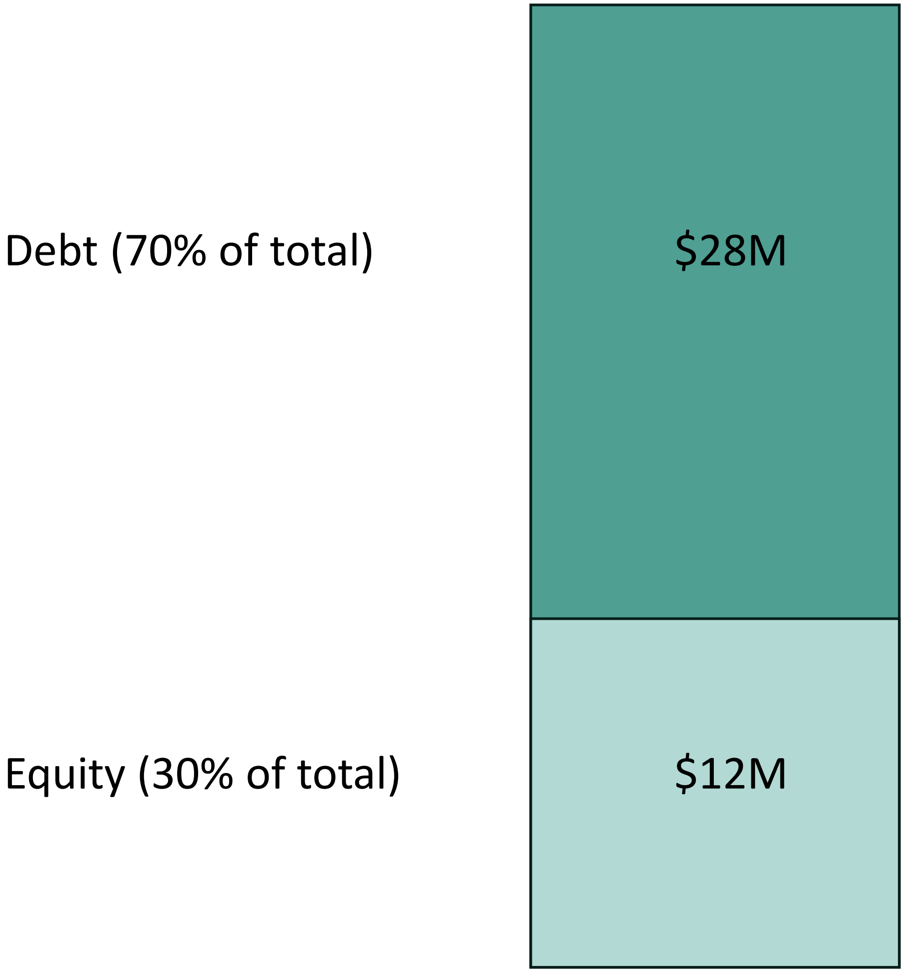


Average Sale price per apartment unit in Clark County dropped from $300k+ in 2021 to $250k in 2024

Source: Costar

Typical Multifamily Development Capital Stack

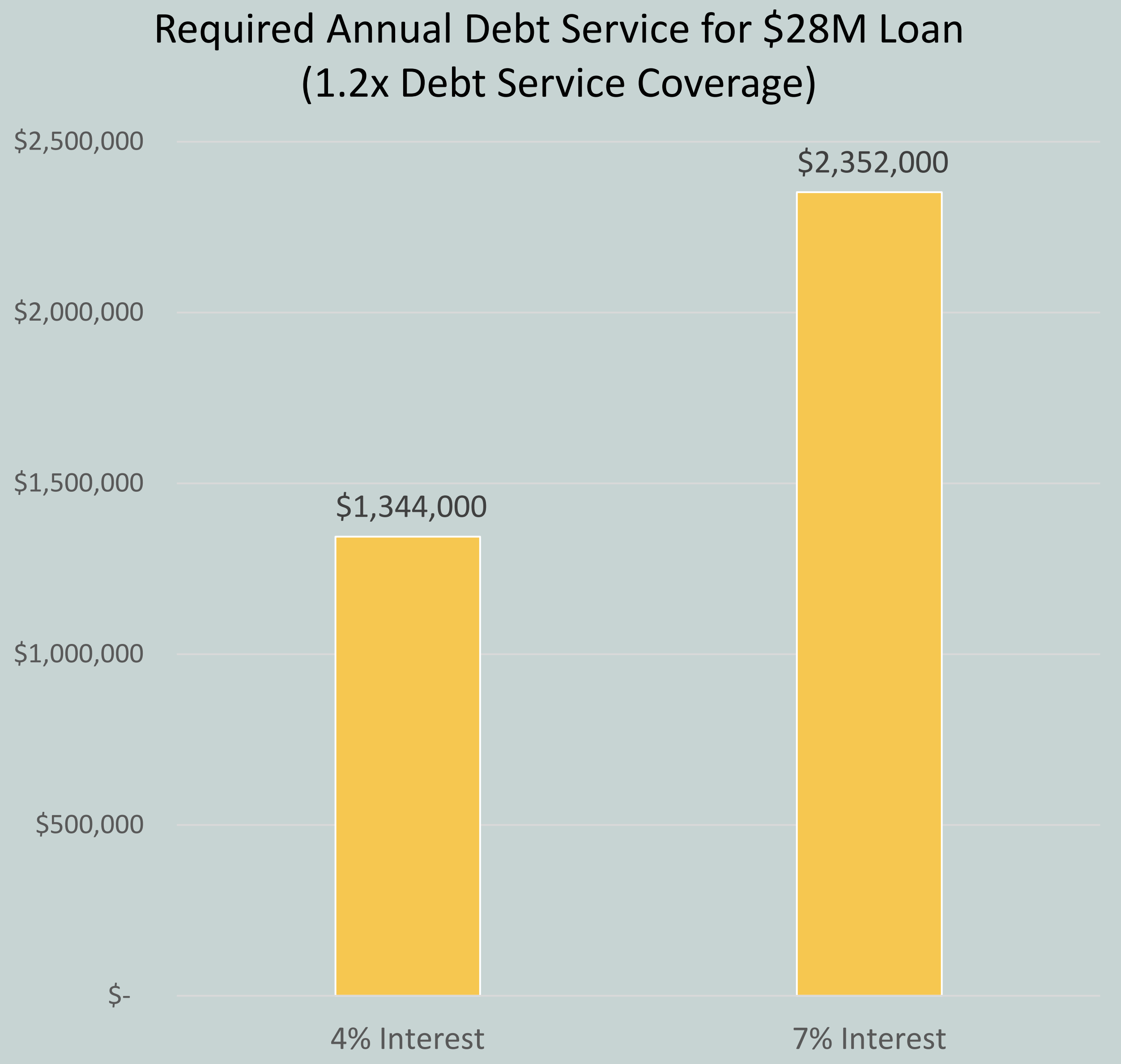
Total Project Cost = $40 Million
Current Cost to Deliver a new Unit = $400k (100 units)

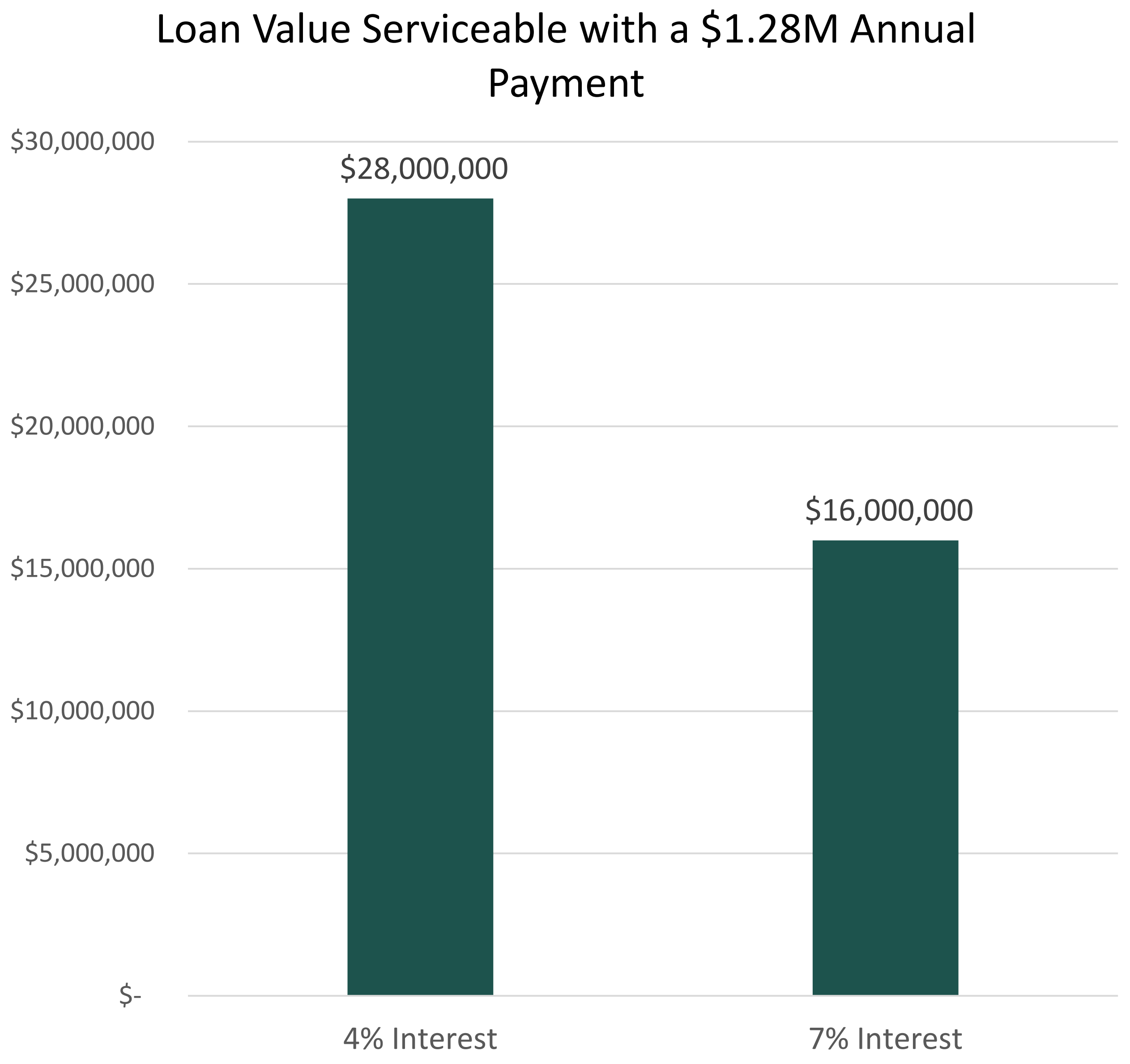


- **Developers seek to maximize leverage through debt to increase return on equity**

- **Reduction in debt will increase costs and required equity, and therefore lower return**

Impacts of Higher Interest Rates on Leverage

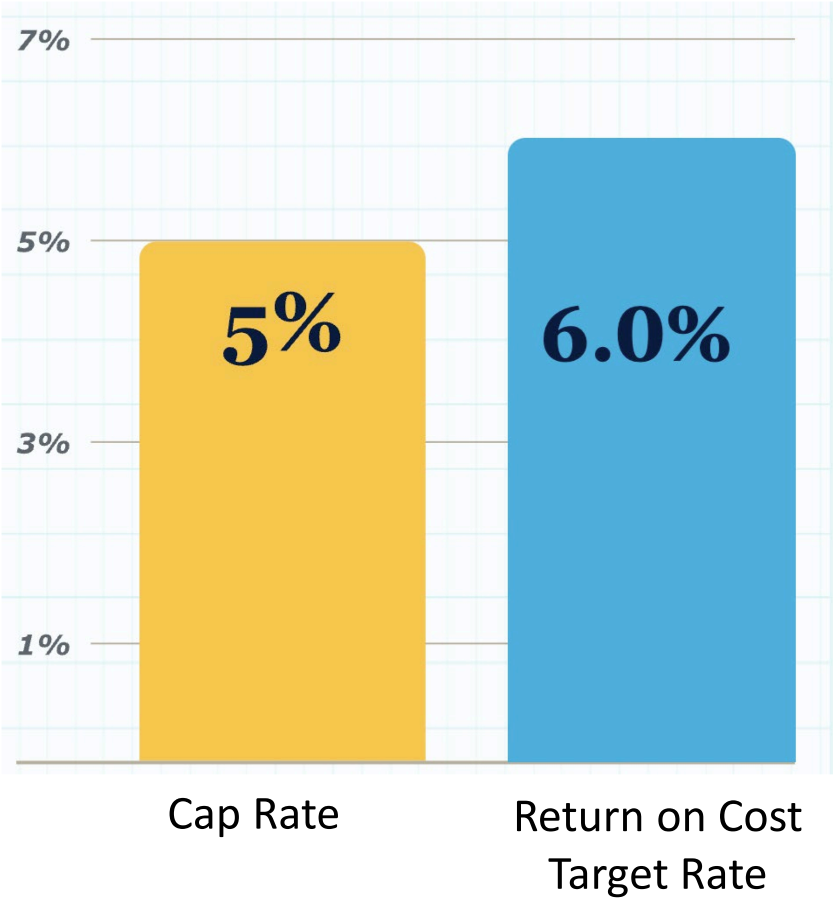




Mortgage Rates Chart | Historical and Current Rate Trends (themortgagereports.com)

Rent levels in the current market don’t meet underwriting targets

Lender Required Rate of Return



Spread is to account for risk and a rate of return

Current market rent = $2,300

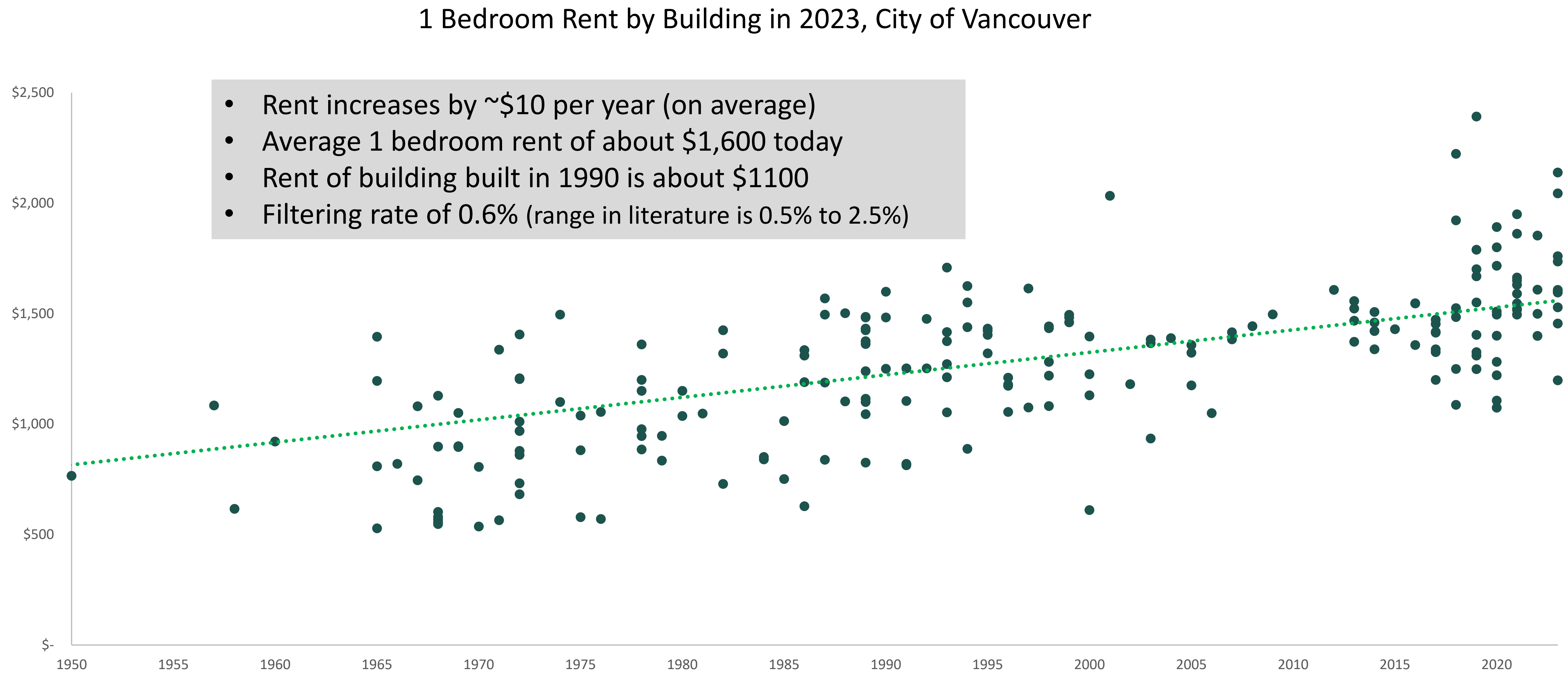
Return on Cost = 4.7%

Needed Rent= $2,900

Return on Cost = 6%

Holding everything else constant, including interest rate, rent would need to increase by 25% to achieve feasibility

New construction, even at high rents, adds supply that benefits broad market rent



Source: CoStar

Takeaways


HEDGEYE
B. Rich
THE END IS NEAR
HE'S DEFINITELY NOT TALKING ABOUT INFLATION.

Policy levers are limited

- Position city for change in market conditions
  - Don’t make development more expensive, time consuming or unpredictable
  - Continue to prepare City sites for redevelopment – e.g., Heights, Ops Center
  - Align incentives and public investment with available sites – e.g., MFTE, infrastructure
  - Establish clear policies and priorities - Comp Plan, Green Building Policy, Downtown Redevelopment Study

- Continue to pursue time and cost savings for all projects
  - Development review
  - SDCs and Impact Fees

- Take advantage of market lull to build affordable housing
  - Leverage all City resources (e.g., direct investment, land, fees) in affordable housing
  - Prioritize shovel ready projects for permitting and investment

ECOnorthwest

Los Angeles

Portland

Seattle

Boise