

WORKSHOP SUMMARY

Living Cully Plaza



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OVERVIEW

On September 1, 2015, Living Cully Plaza held a community meeting to review with the neighborhood the options that have been under consideration since the former home of the Sugar Shack was acquired earlier this year.

The goal of the session was twofold:

- Provide Redevelopment Education
- Gather Feedback on Redevelopment Options



Subject Property

Living Cully Plaza must commit to a plan that is acceptable to its lender prior to the end of March in 2017, and having stakeholders weigh in on the possibilities is a big part of finalizing any plan for the building.

OPTIONS EVALUATED

After introductions and an overview/background on the purchase of the buildings, attendees broke into table groups to discuss the options listed below. Each table was tasked with highlighting pros and cons for each option, as well as offering their scenarios for success for each option. A summary of this feedback can be found in the Group Findings section, which begins on Page 2.

- Full Redevelopment into Small Spaces
- As is Rental of the Building, Using Existing Walls and Exits
- Sale of the Building

Discussions also included having to take into account the timelines and parameters of the three deal phases, as they applied to each option:

1. Can the project raise enough money to complete the option being studied?
2. Once the option is completed, does it generate enough in rent to pay for itself on an ongoing basis?
3. Can the project pay off the underlying Craft 3 financing when it is due at the end of December, 2017?

GROUP FINDINGS

Below, please find group findings for each option.

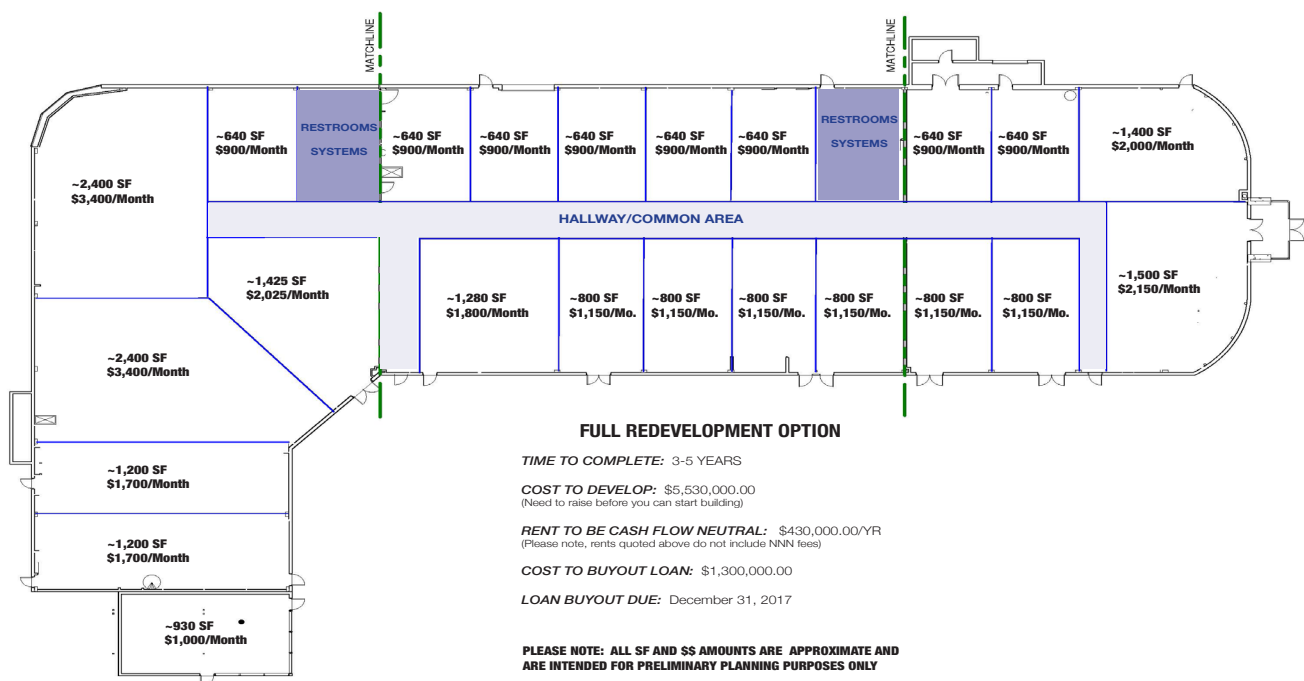
FULL REDEVELOPMENT OPTION

This scenario creates a series of smaller spaces that could be offered to the community for various types of business incubation. It generally envisions creating a node of activity rather than leasing/selling to an anchor tenant.

There are a wide variety of space sizes that might appeal to different types of local businesses in various stages of their operations. In general, it would be finished reasonably warmly, requiring little tenant improvement for an open floorplan retail/office use.

The challenges with this scenario are large. This project is very expensive to build out, and would require raising millions of dollars and then completing a large redevelopment before December 31, 2017, unless other construction financing could be obtained.

Additionally, if the project chooses to charge reasonable rents to neighborhood tenants, it would also require a second round of raising money to buy out Craft 3 from its loan.



FULL REDEVELOPMENT OPTION FEEDBACK

PROS

CONS

<i>What everyone dreams of!</i>	<i>Not enough time to complete.</i>
<i>Keep development in the hands of the community.</i>	<i>Could be a lot of vacancies.</i>
<i>Possibility for job opportunities with many small businesses.</i>	<i>Might require high rents, which won't be within reach of locals.</i>
<i>Good for small local businesses.</i>	<i>Very expensive, requires a lot of fundraising.</i>
<i>Good diversity in offerings and space sizes.</i>	<i>Fundraise not only to develop, but to be choosy about tenants.</i>
<i>Could still try to attract anchor tenants to offset costs for small biz.</i>	<i>Higher risk project.</i>

IF COMPLETED, WHAT CHARACTERISTICS WOULD SUGGEST THE FULL REDEVELOPMENT OPTION WAS A SUCCESS?

- 90% occupancy.
- Blend of anchors/tenants (regional and local).
- Meets the needs of local residents.
- Does not contain expensive shops that locals cannot afford.
- Offers local employment
- Options for youth employment
- Community center

- Grocery store
- Project can support itself with reasonable rents.
- Offers local jobs to the community during the redevelopment.
- Sustainability component.
- Well managed (not like the flea markets)

OTHER COMMENTS ON THE FULL REDEVELOPMENT OPTION

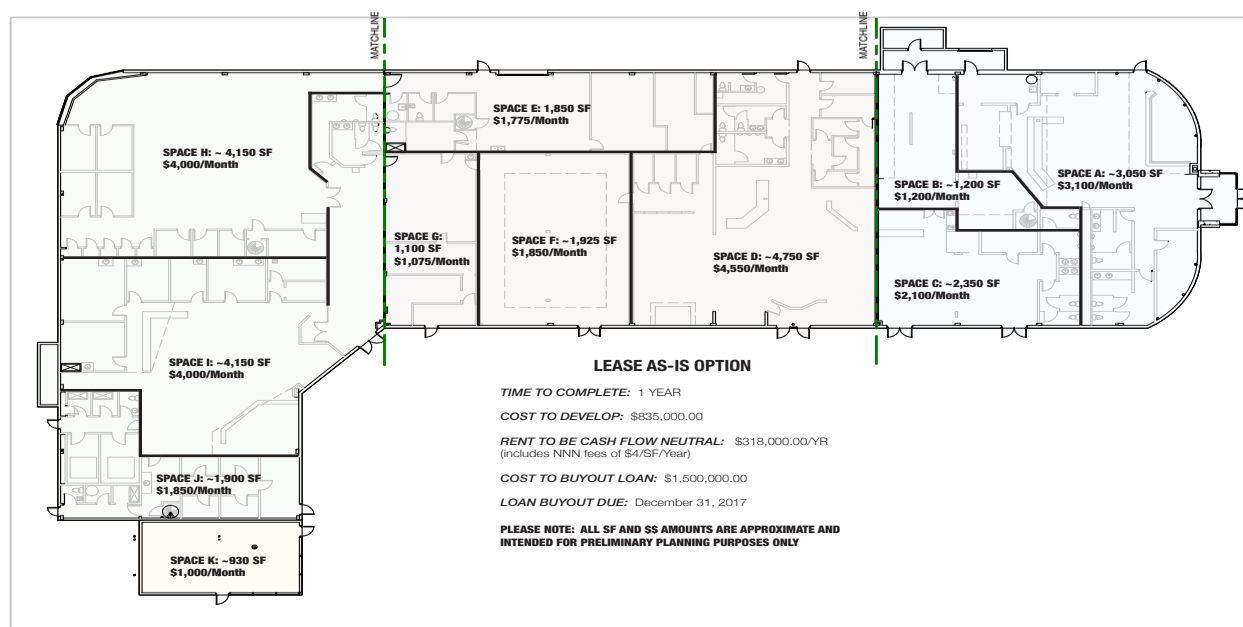
Participants wanted to know how to get the city more involved. And, they noted that in order to make this scenario work, a compelling story and mission would have to be developed to assist with fundraising.

AS-IS RENTAL OPTION

The goal in this scenario is to retain the building, and tenant it to get it cash flow stable while spending as little money as possible. In order to minimize costs, the development would have to utilize existing man doors, demising walls, and roll up doors to create a series of smaller spaces for lease. A possible way to demise the building into smaller spaces using existing infrastructure is shown on the next page. Please note, this demising plan does include a common area set of restrooms.

This scenario has many pluses, the two biggest being that it can be implemented right away and requires smaller amounts of money for fundraising.





AS-IS RENTAL OPTION FEEDBACK

PROS

CONS

More doable financially, logistically, and time-wise.	Might not be very attractive.
Could collaborate with non-profit partners to put them in spaces.	Difficult for small local tenants to afford to fix up the space.
Fewer tenants needed over the full redevelopment option	Will be inactive without stores/ storefronts.
Keeps the property in community hands and control.	Could be hard to tenant since spaces will be rough.
Options for non-retail and light industrial tenants.	Not very small spaces, so may not be as good for local tenants.
Job generation.	Not as exciting, does not capture the imagination.

IF COMPLETED, WHAT CHARACTERISTICS WOULD SUGGEST THE AS-IS RENTAL OPTION WAS A SUCCESS?

- Community center space with a pool!
- Creates jobs.
- Offers amenities, like day care or event space.
- Represents neighborhood diversity.
- No adult/sin uses.
- Youth recreation options.
- Visually appealing.
- Has a Starbucks.

OTHER COMMENTS ON THE AS-IS RENTAL OPTION

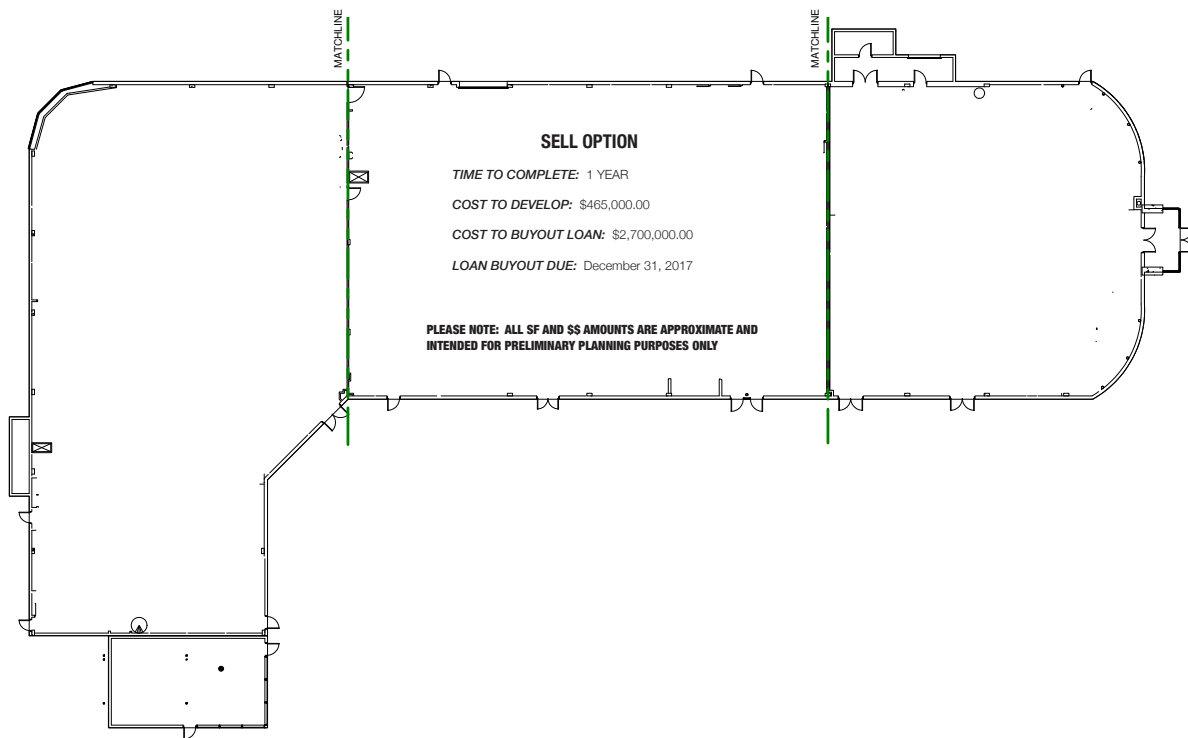
One of our participants had been to a Christmas party in a restaurant that used to be in the building called “The Table” back in the ‘80s, reminding us all that the building was not always a community sore spot. Attendees thought that adding a food cart pod could generate more revenue, maybe provide coffee shop amenity for the neighborhood. There was real concern that this could end up looking junky and be inactive, so people wanted to maintain cleanliness and create a high quality exterior experience. Another noted a beauty salon might be interested in the space.

SELL OPTION

This scenario is the simplest to complete and the least risky financially. It requires little additional fund raising, and in the current real estate market, would most easily meet the deadline for the buyout of Craft 3.

The biggest items to address with this option are that the new owners/developers would have to institute a community benefits agreement and bring tenants/uses/jobs that are attractive to Cully and don’t spur gentrification and displacement.

Some parameters of this deal are shown in the floor plan on the next page.



SELL OPTION FEEDBACK

PROS

Most feasible of all options.

Easy to buyout loan at the end.

"Ninguna!"

CONS

Less control.

Could hurt local business depending on what goes into the space.

IF COMPLETED, WHAT CHARACTERISTICS WOULD SUGGEST THE SELL OPTION WAS A SUCCESS?

- Deed restrictions on negative businesses, including guns, adult, marijuana, and liquor.
- Development brought a Winco.
- Development did not bring a large grocer.
- Employs local people/job creation.
- No excessive noise or odors.
- No Les Schwab or car oriented businesses.
- Community serving businesses.
- No storage space.
- Something with visual appeal, storefronts, exterior improvements, and positive activity at the street level.
- Had a strong community benefits agreement in place.
- A whole new direction, with mixed use. Affordable housing up top and retail below.
- No Walmart.
- A community college.
- Family entertainment (like a Chuck-e-Cheese).
- Indoor soccer facility.
- Large government service office use.
- Youth oriented user, like YMCA or Boys & Girls Club

OTHER COMMENTS ON THE SELL OPTION

The sell option was by far the least popular option at the Spanish speaking table. There is a strong desire in the Latino community to keep the property under neighborhood control.

OPTION RANKINGS

Each table of participants was asked, as a group, to rank the 3 options, from best to worst. Each table came up with different results!

Table 1.

Their vote was unanimous. They ranked the options in the following order, from best to worst.

1. **As-Is Rental.** This seemed the most doable for a group that supported something by the community, for the community.
2. **Full Redevelop.** This is the one they liked the most, but it was ranked second because of financial considerations.
3. **Sell.** If they could have, they might have eliminated this entirely as an option!

Table 2.

Their vote was also unanimous, but almost the opposite of Table 1!

1. **Sell.** This seemed the fastest option to get momentum going on the site, and the least risky financially.
2. **As-Is Rental.** This seemed doable if the goal was to retain ownership of the building.
3. **Full Redevelop.** Assessed as a very risky option.

Table 3.

This group did not come to a consensus, instead having the three remaining attendees at the end of the session have different individual rankings, see below! A big concern of this group was keeping quality high and generating activity at the site. They want a project that is a strong net-positive to the neighborhood.

Person 1	Person 2	Person 3
1. As-Is Rental	1. Sell	1. Full Redevelopment
2. Sell	2. Full Redevelopment	2. As-Is Rental
3. Full Redevelopment	3. As-Is Rental	3. Sell