



City of Longview

1525 Broadway
Longview, WA 98632
www.ci.longview.wa.us

City Council

*Mayor MaryAlice Wallis
Mayor Pro Tem Michael Wallin
Council Member Ruth Kendall
Council Member Chet Makinster
Council Member Steve Moon
Council Member Christine Schott
Council Member Hillary Strobel*

Thursday, April 23, 2020

6:00 PM

Virtual Meeting

NOTICE IS HEREBY GIVEN, in accordance with RCW Chapter 42.30, that the City Council of the City of Longview, Washington, will conduct a virtual Zoom meeting on Thursday, April 23rd, at 6:00 p.m.

All members of the public are encouraged to listen in to the meeting and participate via a moderator. For information about Zoom accessibility, please contact the City Clerk's Office at 360-442-5041.

Please click the link below to join the meeting:

<https://zoom.us/j/93078131345>

Telephone options (you may need to try more than one number if you receive a busy signal):

Dial any of the following numbers:

1-408-638-0968

1-669-900-6833

1-346-248-7799

1-646-876-9923

1-253-215-8782

1-301-715-8592

1-312-626-6799

Meeting ID: 930 7813 1345

1. CALL TO ORDER

2. WORKSHOP

20-000193 WEST LONGVIEW SEWER LAGOONS PRESENTATION

**RECOMMENDED ACTION:
DIRECTION TO STAFF**

**20-000194 LATECOMER AGREEMENTS FOR PRIVATELY FUNDED STREET, STORMWATER,
SANITARY SEWER, AND WATER IMPROVEMENTS PRESENTATION**

**RECOMMENDED ACTION:
DIRECTION TO STAFF**

3. ADJOURNMENT

**NEXT REGULAR COUNCIL MEETINGS:
THURSDAY, MAY 14, 2020 - 7:00 P.M.
THURSDAY, MAY 28, 2020 - 7:00 P.M.**



City of Longview

Agenda Summary

WEST LONGVIEW SEWER LAGOONS PRESENTATION

RECOMMENDED ACTION: DIRECTION TO STAFF

COUNCIL STRATEGIC INITIATIVE ADDRESSED:

Provide sustainable water quality & environmental infrastructure.
Strengthen Economic Conditions & Create New Opportunities.

SUMMARY STATEMENT:

The West Longview Lagoons Wastewater Treatment Plant was taken out of service in March 2012 and accumulated biosolids dredged and removed by the end of 2014. In May of 2017 Staff presented information regarding potential future use for West Longview Lagoons property. At that time the direction to staff was to study the feasibility and probable cost of converting the site to housing.

The study and financial analysis is complete. Staff studied four options that will be presented tonight:

- Sell the site "as is."
- Fill the site to elevation 7 and sell the site.
- Fill the site, construct the needed infrastructure and sell the site as "development ready."

STAFF CONTACT:

Ken Hash, Public Works Director

Attachments:

1. Lagoons workshop staff report - KH
2. Utility Facility Reuse Workshop 5.11.17 - KH
3. Longview-Lagoon-Market-Analyses-09-10-2019 - KH
4. LV Lagoon Site & Utility Plans - KH
5. Longview-Lagoons-Net-Value-Memo-03-26-2019 - KH

April 23, 2020

TO: City Council
FROM: Ken Hash, Public Works Director
SUBJECT: West Longview Sewer Lagoons Staff Report

ATTACHMENTS:

May 5, 2017 Council Workshop Presentation
Gibbs & Olson Conceptual Design and Cost Estimate
Johnson Economics report

History

- May 5th 2017 Council Workshop presented eight possible re-uses:
 1. Remove structures; leave as-is
 2. Nature Park – Paths, bird watching
 3. Park with developed facilities
 4. Regional Stormwater Facility
 - May be combined with other options
 5. Wetlands Mitigation
 - Project Specific Mitigation
 - Mitigation Bank
 6. Commercial/Residential Development
 7. Soil excavation disposal site for city projects
 8. Solar electrical generating facility
- Council direction was to explore the Commercial/Residential Development option.

Staff retained local consultant Gibbs & Olson and their subcontractor, Johnson Economics of Portland, to develop a conceptual redevelopment plan and perform a cost/value analysis of that concept.

Summary of the Conceptual Design and Construction Cost Estimate

The design includes 124 cottage homes, 330 rental apartments, and 55 rental townhomes, for a total of 509 dwelling units. Site access would be only from Coal Creek Road, and the design and estimate includes filling the existing lagoons and constructing the public and private roads, utilities, and neighborhood amenities usual to neighborhood developments, such as open space, parking, and stormwater management.

The estimate included two site-filling options. The first fills the site to 7,' matching the elevation of Robbins Addition to the immediate east. The second fills the site to 11,' allowing dry-trench

construction of buried utilities. Because the additional cost of filling to 11' exceeds the savings achieved by dry-trench construction, the 11' option isn't further referenced in this memo.

Space could be reserved for a small commercial component to be developed once the neighborhood, and the resulting customer base, are established.

Filling the site to 7' would cost \$12.7 million. Filling to 11' would cost \$24.7 million. Constructing the public infrastructure would cost \$27.7 million.

Summary of the Market Analysis

Johnson Economics considered residual land values and project absorption potential before recommending a development program consisting of 20 acres of cottage homes, 13 acres of apartments, and 3 acres of townhomes, as shown in the conceptual design. They estimated an 8-year absorption period, and a residual land value of \$75,000 per acre in the current market.

A small commercial component might be feasible at the Lagoon site toward the end of the residential buildout.

Disposition Cost/Value Analysis

Johnson Economics also evaluated three disposition options for the conceptual design, using the Gibbs & Olson cost estimate.

The three options all assume the residences all become privately owned, with the City retaining only the public infrastructure components. The disposition scenarios are as follows:

1. Sell the site as-is.
2. Fill the site to 7' and sell as a whole.
3. Fill the site to 7', construct the public infrastructure, plat the residential parcels or create salable binding site plans, and sell as a whole.

The three options are based on the conceptual design and estimate by Gibbs and Olson, but each assigns responsibilities and costs differently between the City and private developers. Private development costs can be assumed similar to the City's costs, although the costs of capital and labor will have some impact. Please note, however, that if the City prepares the site and sells off smaller parcels, smaller developers can participate.

Feasibility Study Results

The estimated value of the completed project is \$93 million under all three disposition options.

Under Option 1, where the site is sold as-is, the developer's cost is estimated to \$112 million, which implies that the developer would need to be given the land at no cost, plus an additional \$19 million subsidy (a \$17 million present value), to be profitable. Because the City would only recover \$12 million in tax revenue (present value), Option 1 costs the city \$5.1 million.

Under Option 2, where the City fills the site before selling it otherwise undeveloped, the developer's estimated cost is \$98 million. Profitability would require the developer be given the land at no cost plus an estimated \$5 million subsidy. Tax revenues could eventually offset the \$5 million, but due to the cost of filling the site, a net loss to the City of \$4.9 million remains.

Under Option 3, the City fills the site and constructs the public infrastructure, reducing the developer's project cost to \$71million, suggesting the site, now with infrastructure and defined parcels, has a value of \$22 million. Future tax receipts increase this to a \$33 million value to the City. However, the City first would have to incur \$37 million in fill and infrastructure, for a net loss of \$3.7 million under this option.

To summarize, each of the three options loses money, in a fairly limited range from \$5.1 to 3.7 million. However, to reduce City losses by that \$1.4 million requires an expenditure of \$37 million. These losses, and the high costs of reducing them, are due simply to the cost of filling the site.

Lagoon Redevelopment Recap

The original options, last presented in May 2017, were:

- Remove structures; leave as-is
- Nature Park – Paths, bird watching
- Park with developed facilities
- Regional Stormwater Facility
- Wetlands Mitigation
- Commercial/Residential Development
- Soil excavation disposal site for city projects
- Solar electrical generating facility

Several can now be removed.

Wetland mitigation bank. A wetland bank is a regulatory structure used to certify a wetland restoration, enhancement, or creation as meeting regulatory standards, and allowing the sale of credits to recoup costs or turn a profit. The design and certification process is costly, and our site, at 45 acres, is considered too small to be commercially viable.

Wetland qualities originally present on the site were severely disrupted by lagoon construction in 1966 and 1984. While much of the interior levee system was built of on-site soils, 30,000 yards of imported soil were needed, along with rip rap for levee slopes and gravel for the levee tops. Restoration of the interior of the site to mitigation standards would be an extremely expensive bulk earthwork project.

Additionally, the COE-certified levee forming two sides of the lagoon complex also protects the City from flooding. We have assumed it must remain in place and unmodified. This means the 45-acre site is separated from most of its natural source of water, and will remain so, limiting mitigation appeal to regulators and funding partners alike.

Overall, profitable mitigation banks require larger, less-degraded sites with better connectivity to natural water sources. In my opinion, this option can be dropped.

Commercial/Residential Development: From the Johnson Economics report, this also is a non-starter.

Soil excavation disposal site: 230,000 yards of fill are needed to fill the lagoons to elevation 7.' To put this in perspective, the Beech Street Extension project will generate approximately 15,000 CY of excavation material. So, we would need 15 major road construction projects, each

generating 15,000 CY of structural-quality fill, to fill the lagoons to the desired elevation. Road construction spoils are rarely of that quality. My opinion is that this option is a non-starter.

Solar electrical generating facility: Developing a solar generating site and facility, while not specifically considered by the Johnson Economics report, would require investing in site preparation on a scale similar to Option 2, but generate less long-term value. Therefore, this is a non-starter.

This quickly narrows the list to:

- Remove structures; leave as-is
- Nature Park – Paths, bird watching
- Park with developed facilities
- Regional Stormwater Facility

Recommendation

Continue with the feasibility study, but shift towards a concept combining a regional stormwater or flood storage facility with a park. The resulting study and report would support review of the four remaining options, and include:

- Monitoring and recording groundwater levels within the site, and surface water levels in surrounding water bodies
- Cooperate with CDID#1 to determine flood storage or similar functional needs
- Conceptual layout and earthwork design
- Opinions of cost
- Partnering opportunities
- Grant and funding opportunities

UTILITY FACILITY RE-USE WORKSHOP

- WEST LONGVIEW SEWER LAGOONS
- FISHERS LANE TREATMENT PLANT

May 11, 2017

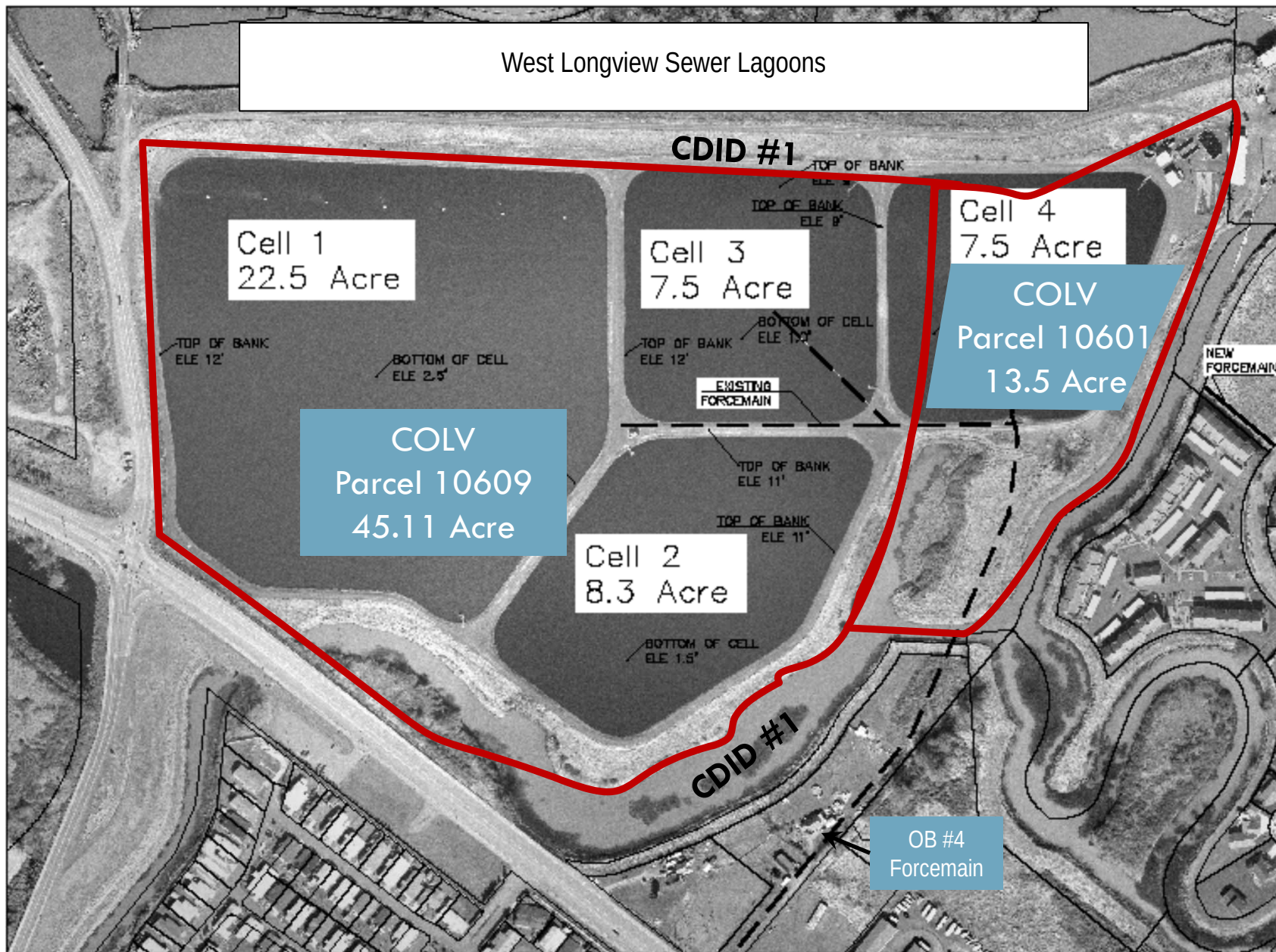
WEST LONGVIEW SEWER LAGOONS

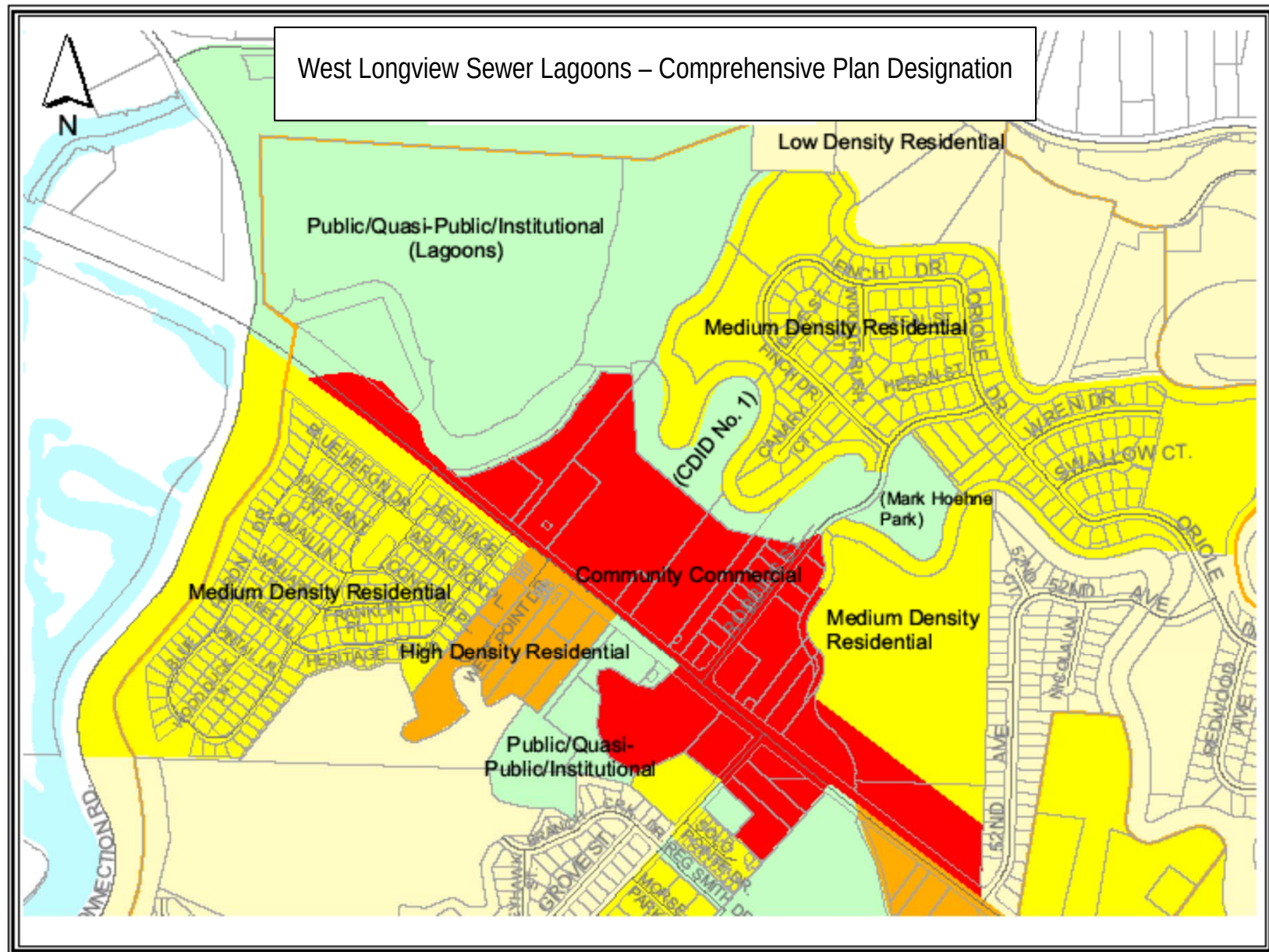


WEST LONGVIEW SEWER LAGOONS

CURRENT STATUS:

- Facility removed from service in March 2012
- Biosolids removal and beneficial re-use completed Oct. 2013
 - Closure permit requires one foot of clean fill if water cap is removed
- Some buildings and tanks remain
- Midge Fly control
 - Implemented as needed – portable light tower at west end of lagoons
 - Used in 2013 during dredging operation
 - Used in summer 2014
 - No action needed in 2015 or 2016.





WEST LONGVIEW SEWER LAGOONS RE-USE OPTIONS

POSSIBLE USES

- Remove structures; leave as-is
- Nature Park – Paths, bird watching
- Park with developed facilities
- Regional Stormwater Facility
 - May be combined with other options
- Wetlands Mitigation
 - Project Specific Mitigation
 - Mitigation Bank
- Commercial/Residential Development
- Soil excavation disposal site for city projects
- Solar electrical generating facility
- Other uses?

CONSIDERATIONS

- Adjacent property uses
- Marketability to buyers
 - Concern about residual effects from prior use
- Community acceptance
- Cost to build/operate
- Revenue opportunity
- Ability to permit
- Public input

COMPREHENSIVE PLAN OPEN HOUSE COMMENTS

- Lagoon Re-use Options and Barlow Point Options presented at November 2016 Open House
- Approximately 50 constituents attended
- Crowd reaction favored parks development and open-space preservation
- Ten written comments received regarding Lagoons; all ten supported open space, recreation, and habitat uses.
- Two e-mail comments were received; both supported residential development.

WEST LONGVIEW LAGOONS RE-USE OPTIONS

OPTIONS	PROS	CONS
Nature Park	• Adjacent to regional trail • Park may include additional trails	• Cost to build/operate • May require insect control • Special Property Use permit required • Imported fill required for dewatered cells
Developed Park	• Adjacent to regional trail • Provide additional soccer/ball fields/other uses for community	• Cost to build/operate • Special Property Use permit required • Imported fill required ▪ 1-foot ≈ \$2.2M
Regional Stormwater Facility	• Adjacent to Ditch 10 • Preserves land for potential future regulatory compliance • May be designed as joint park/detention/treatment facility	• Cost to build/operate • May require insect control • Special Property Use permit required • Imported fill required if joint use facility ▪ 1-foot ≈ \$2.2M

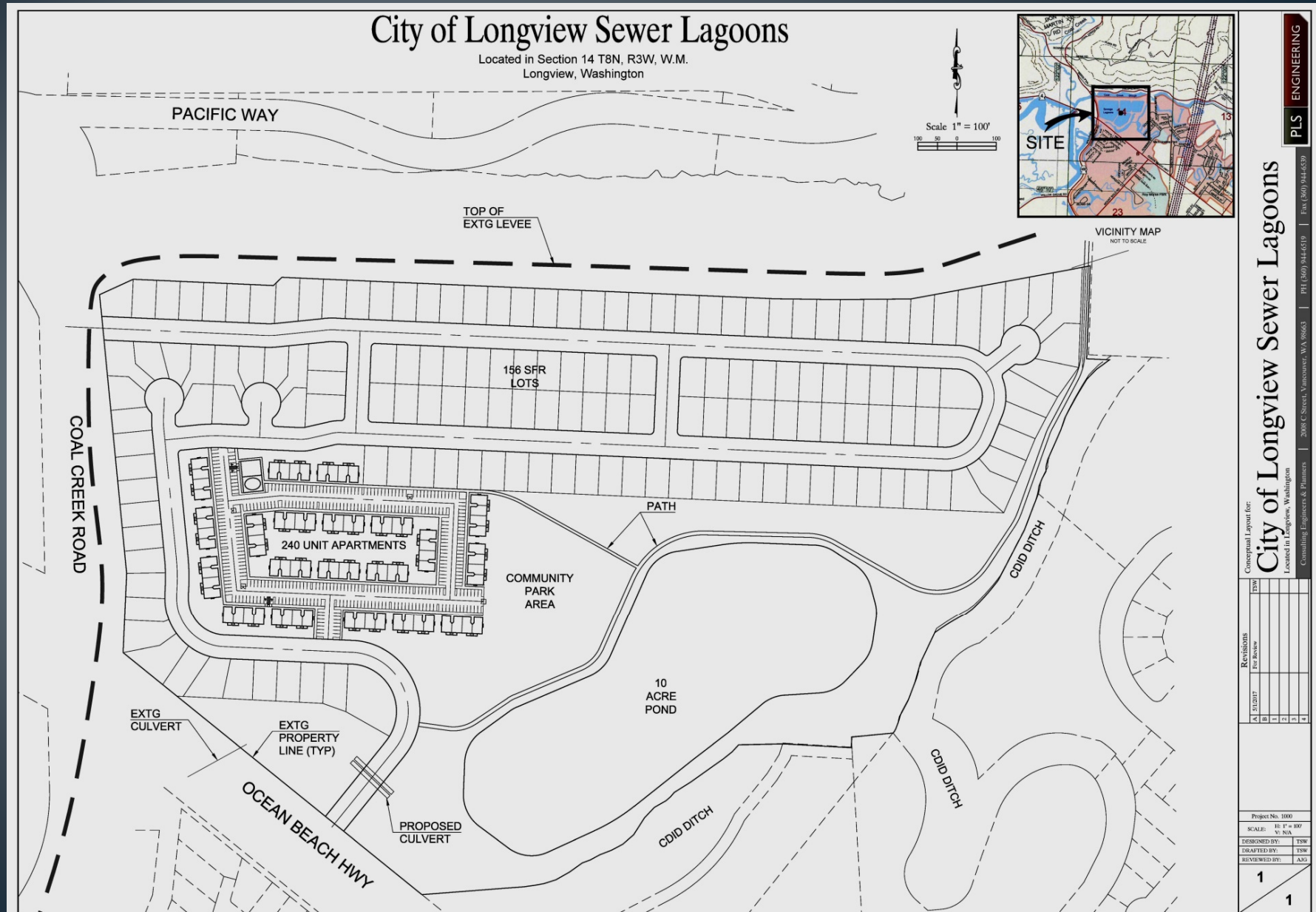
WEST LONGVIEW LAGOONS RE-USE OPTIONS

OPTIONS	PROS	CONS
Wetland Mitigation – • Project specific • Mitigation bank	• Supports economic growth • Phased improvement options • Large local projects likely to need off-site mitigation • Improved marketability and use for mitigated area Mitigation Bank - • Federal initiative to require developers to purchase mitigation bank credits • Revenue likely to exceed costs after all wetland credits sold	• Long permitting process • May require insect control • Deed restriction required Mitigation Bank - • Long term investment • Long term maintenance • Lack of river connection could limit area allowed to purchase wetland credits

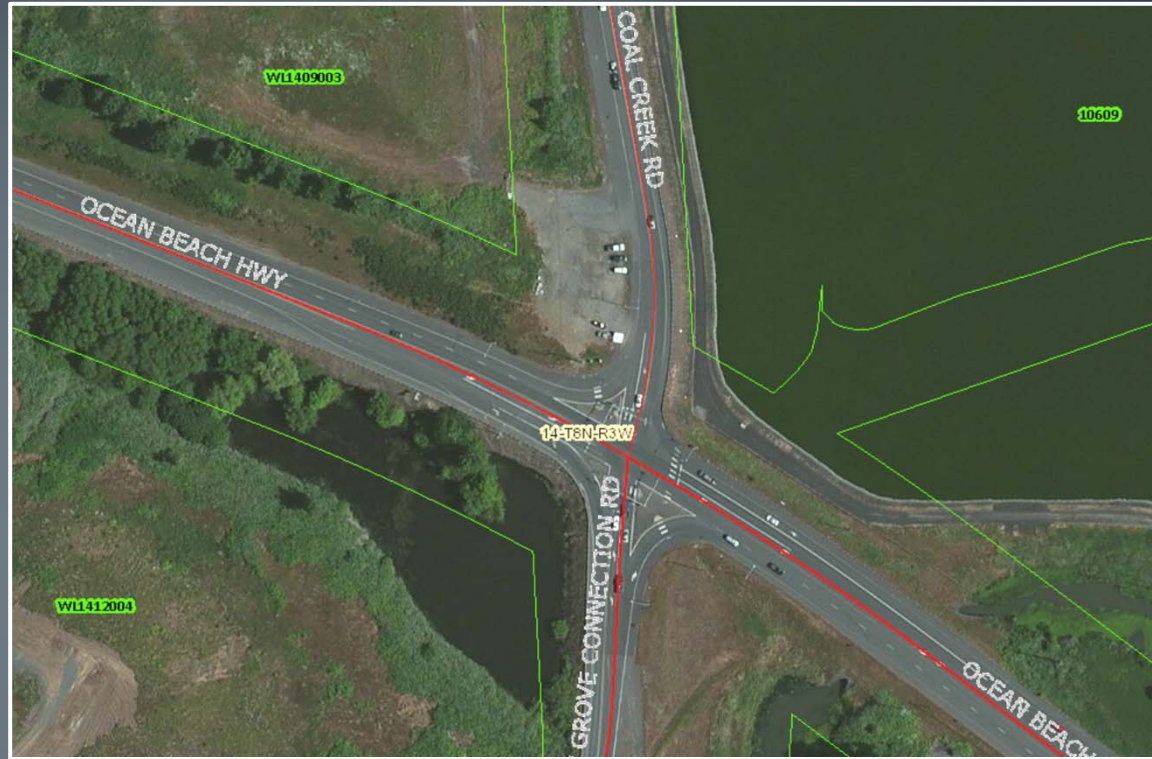
WEST LONGVIEW LAGOONS RE-USE OPTIONS

OPTIONS	PROS	CONS
Commercial/ Residential Development	• Zoned for residential development	• Low assessed value (\$0.31 /sf); nearby AV as low as \$0.06 / sf. • Current zoning is SFR • May be cost prohibitive ▪ Ocean Beach Highway access ▪ Ditch 10 crossing required ▪ May be limited to right-in, right-out only ▪ Nearby commercial properties have high vacancy rate and high number of days on the market for sale. ▪ Distance to I-5 for commuters or customers
Soil Excavation Disposal Site for City Projects	• Provides long term disposal site certainty	• Cost to develop and operate higher than current disposal costs • Existing commercial disposal site estimates 25 year life remaining

RESIDENTIAL DEVELOPMENT LAYOUT



Commercial Property Sales



NW Corner of Coal Creek & Ocean Beach Hwy

- 2491 Average Daily Traffic Count – WSDOT
- Has been for sale for years with no development
- Land available in the area at a fraction of the cost to develop this corner

Commercial Property Sales



5708 Ocean Beach Hwy

- Has been listed for over 5 years.
- Nearby properties have had long listings without a sale.

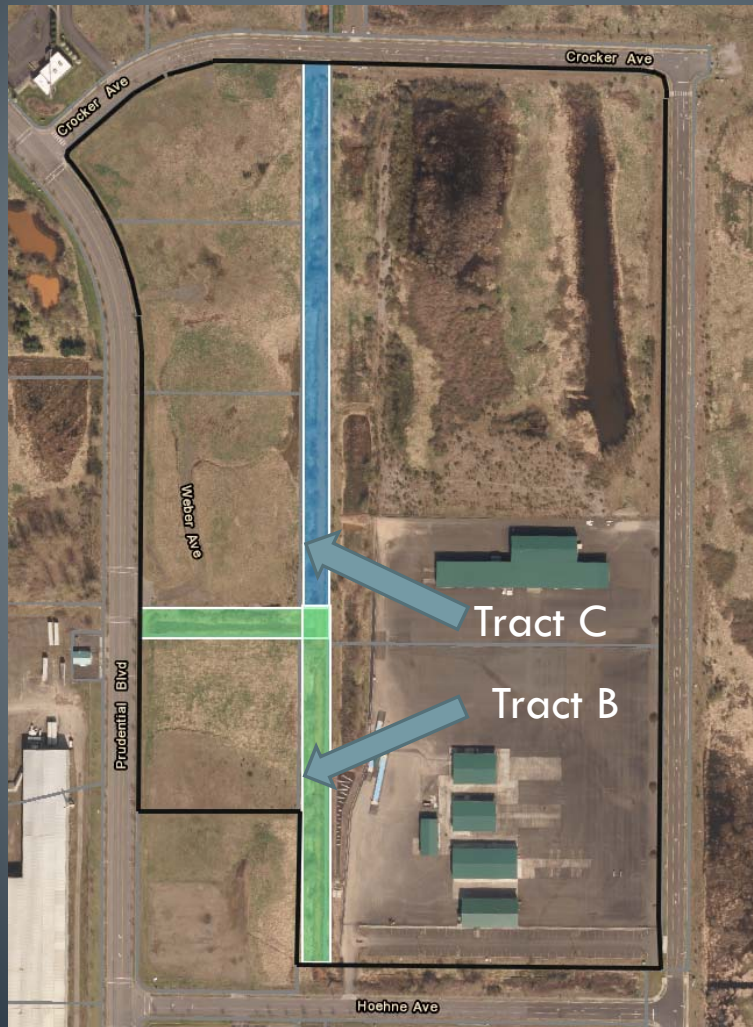
Commercial Property Sales



5612 Ocean Beach Hwy

- Current rental market would not profitably support similar developments.
- Lagoon site unlikely to be commercially viable for ten years.

Pacific Coast Fertilizer Potential Wetlands Mitigation



- Tracts B and C require wetland mitigation if compromised by development
 - Tract B = 1.79 acres
 - Tract C = 1.91 acres
- Assuming a 3:1 mitigation ratio, 11.1 acres of mitigation wetland would be required.

Pacific Coast Fertilizer Potential Wetlands Mitigation



- 11.1 acre mitigation site is approximately 25% of available mitigation wetland area
- Approximately 35 acres of wetland mitigation area would remain for future projects

WEST LONGVIEW SEWER LAGOONS

RECOMMENDATION:

- Use site for wetlands mitigation or wetlands mitigation bank

FISHERS LANE WATER TREATMENT PLANT



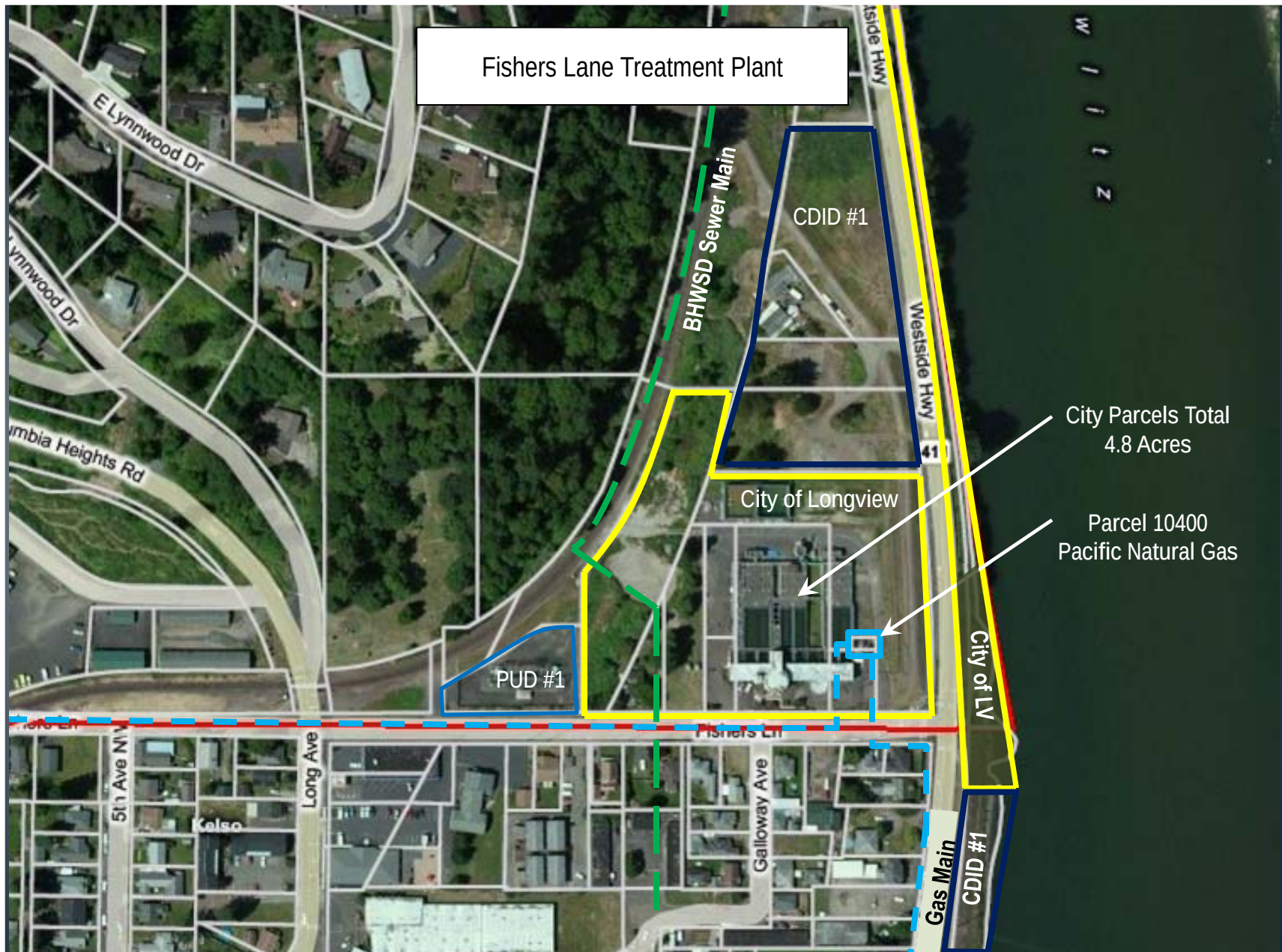
FISHERS LANE WATER TREATMENT PLANT



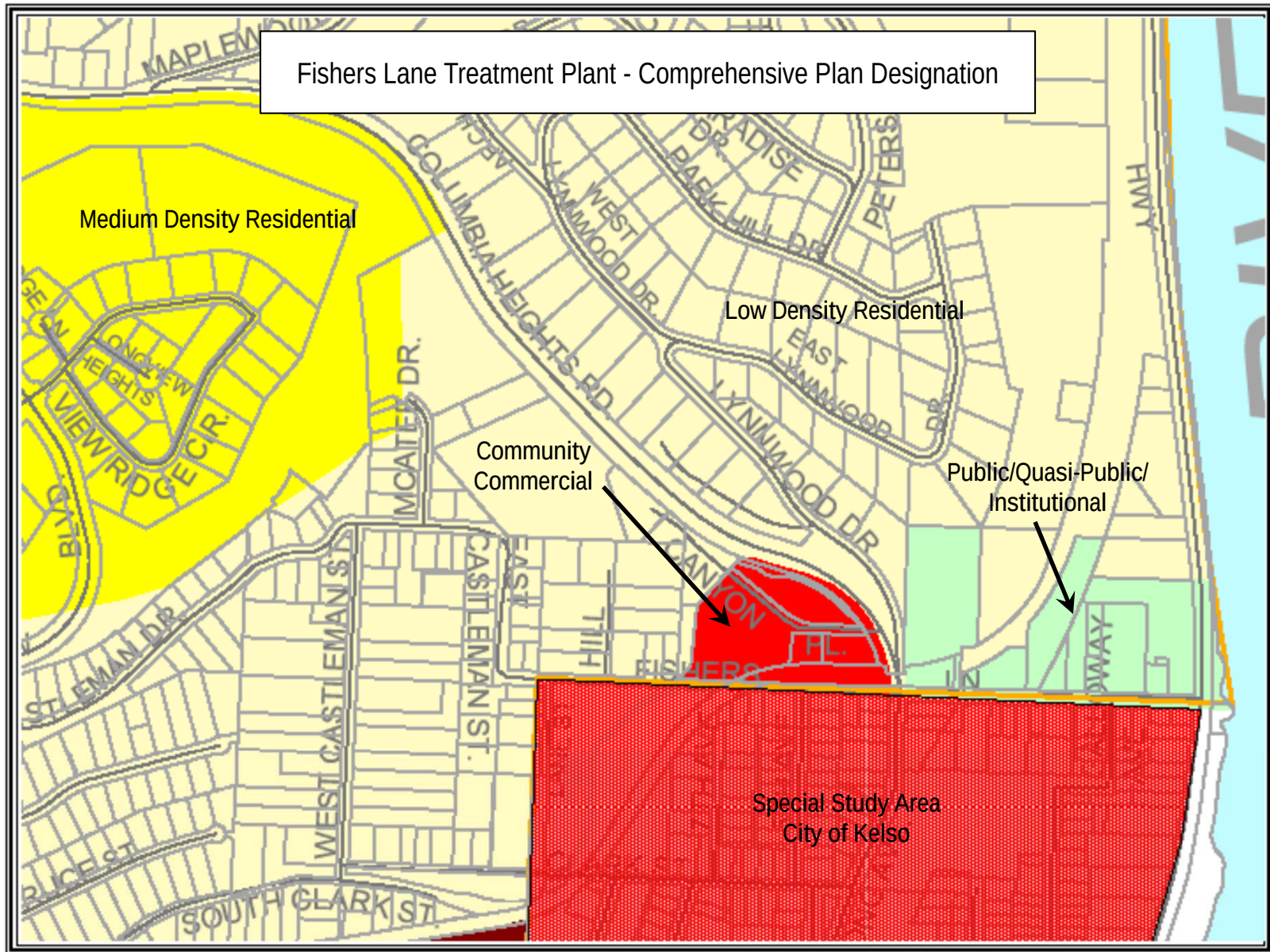
FISHERS LANE WATER TREATMENT PLANT

CURRENT STATUS:

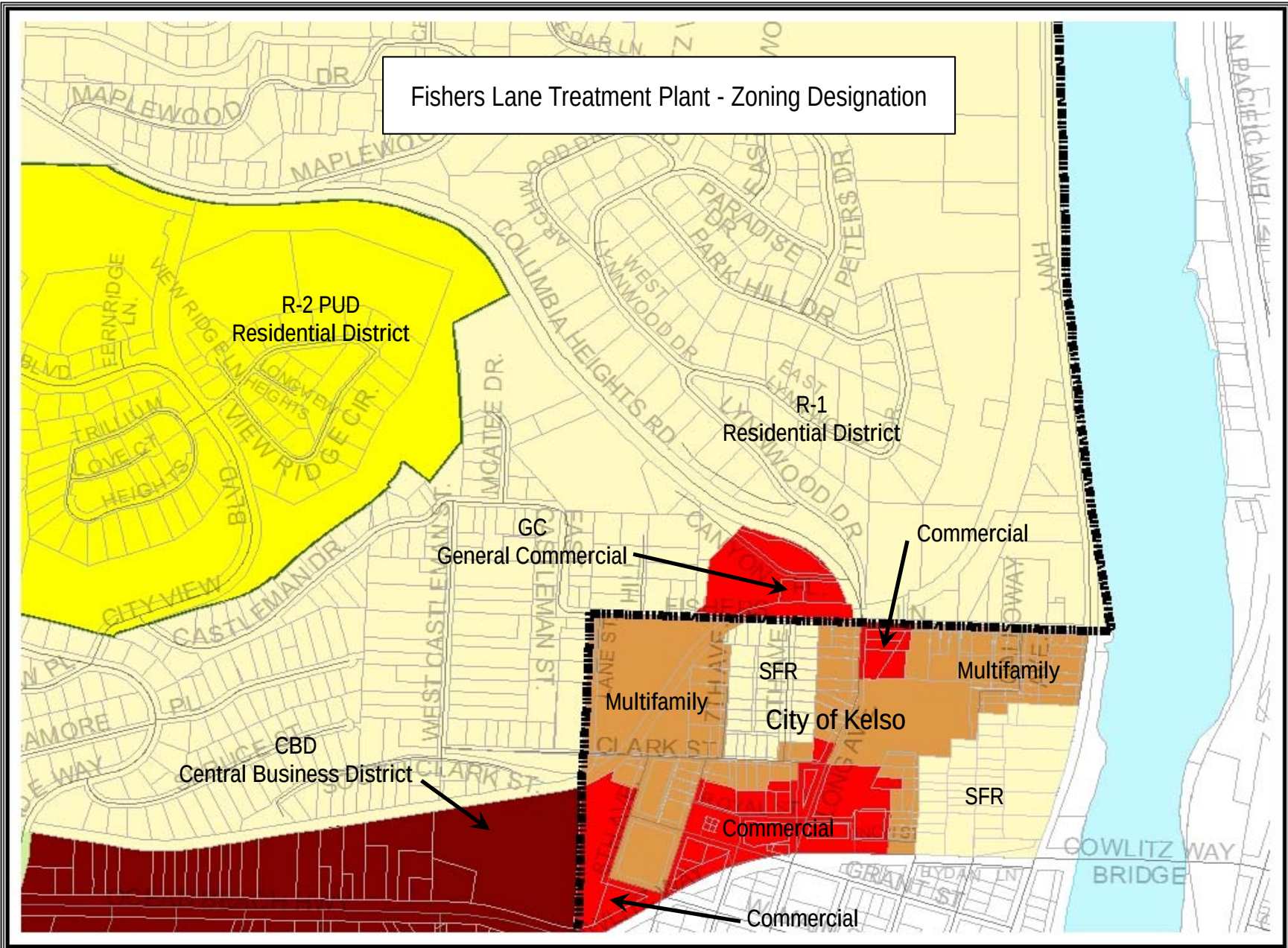
- 2013: Decommissioned
 - Drained basins, removed chemicals, installed stormwater controls, etc.
 - Conducted Hazardous Assessment Survey (housekeeping items)
 - Salvaged small equipment, spare parts and tools for City use
- 2014: Repurposing Study
 - Feasibility study to identify and evaluate possible options for re-use
- 2016: Site Modifications
 - Test well drilled to determine collector well feasibility; marginal results
 - Cowlitz River Intake Structure rebuilt for Lake Sacajawea flushing
 - Weather station relocated to Mint Farm RWTP
- 2017: Abandoned
 - Used periodically as temporary staging area by City contractors
 - Contract monitoring service for site security



Fishers Lane Treatment Plant - Comprehensive Plan Designation



Fishers Lane Treatment Plant - Zoning Designation



FISHERS LANE TREATMENT PLANT RE-USE OPTIONS

POSSIBLE USES

- City Park
- Community Center
- Homeless Shelter
- Animal Shelter
- Library
- Food Bank
- Storefront Retail
- Multi-Family Housing
- Fish Hatchery
- Regional Training Facility
- Staging/Material Storage
- Others?

CONSIDERATIONS

- Neighborhood impacts
- Adjacent property uses
- Suitable vs desirable location
- Extent of demolition required
- Re-use of existing infrastructure
- Marketability to buyers
- Community acceptance
- City, County or nonprofit benefit
- Cost to build/operate
- Phased implementation options
- Revenue generation

FISHERS LANE TREATMENT PLANT RE-USE OPTIONS

OPTIONS	PROS	CONS
Sell As-Is	Requires minimal effort	- Demolition costs a liability - Uncertain Real Estate market - Poor marketability - Likely long marketing time - Zoning limitation
Salvage / Demolish Structures / Sell Land	- Eliminates attractive nuisance and liability - Greenfield curb appeal - Allows time to consider options - Provides for greater property use options	Lost equity if alternate use of existing structures could be found (e.g. Regional Training Facility)
Partial Sale/ Dedication	- Potential levee improvements and state route realignment - Fosters local relationships	- Low assessed value (\$1.70/sf) - Remainder may be less usable and less marketable - Funding for levee and state route improvements uncertain

FISHERS LANE TREATMENT PLANT RE-USE OPTIONS

OPTIONS	PROS	CONS
Developed Park	• Complements Cowlitz County Regional Trail Plan • Potential Rails to Trails corridor next to site • Less costly than other options to build/operate	• May attract transients • Proximity PUD substation and natural gas valving station • Requires special use permit • Demolition required
Fish Hatchery	• Proximity to Cowlitz River • Water rights may be transferrable to new use • Basin configuration conducive to hatchery needs (rehab needed)	• Downstream of spawning areas • NOAA/WDFW permitting issues • Further evaluation required • Limited funding and support for hatcheries • Requires special use permit
Regional Training Facility	• Avoids some demolition costs • Improved training opportunities • Potential revenue source to offset operating costs • Ability to phase construction • Grant funding may be available	• Expensive • Further analysis needed for concrete structures • Additional land may be needed • Neighborhood impacts • Requires special use permit

FISHERS LANE TREATMENT PLANT RE-USE OPTIONS

OPTIONS	ESTIMATED COST*	ESTIMATED REVENUE
Salvage/Demo/Sell	\$2,720,000	\$300,000
Regional Training Facility	Phase 1: \$ 850,000 Total Facility: \$6,600,000 RWTP Property Acquisition Cost (per County Assessed Value) • Land: \$ 288,300 • Improvements: \$8,076,600	\$100,000/yr

**Estimated cost based on 0.96% average annual inflation rate between 2014 and 2017.*

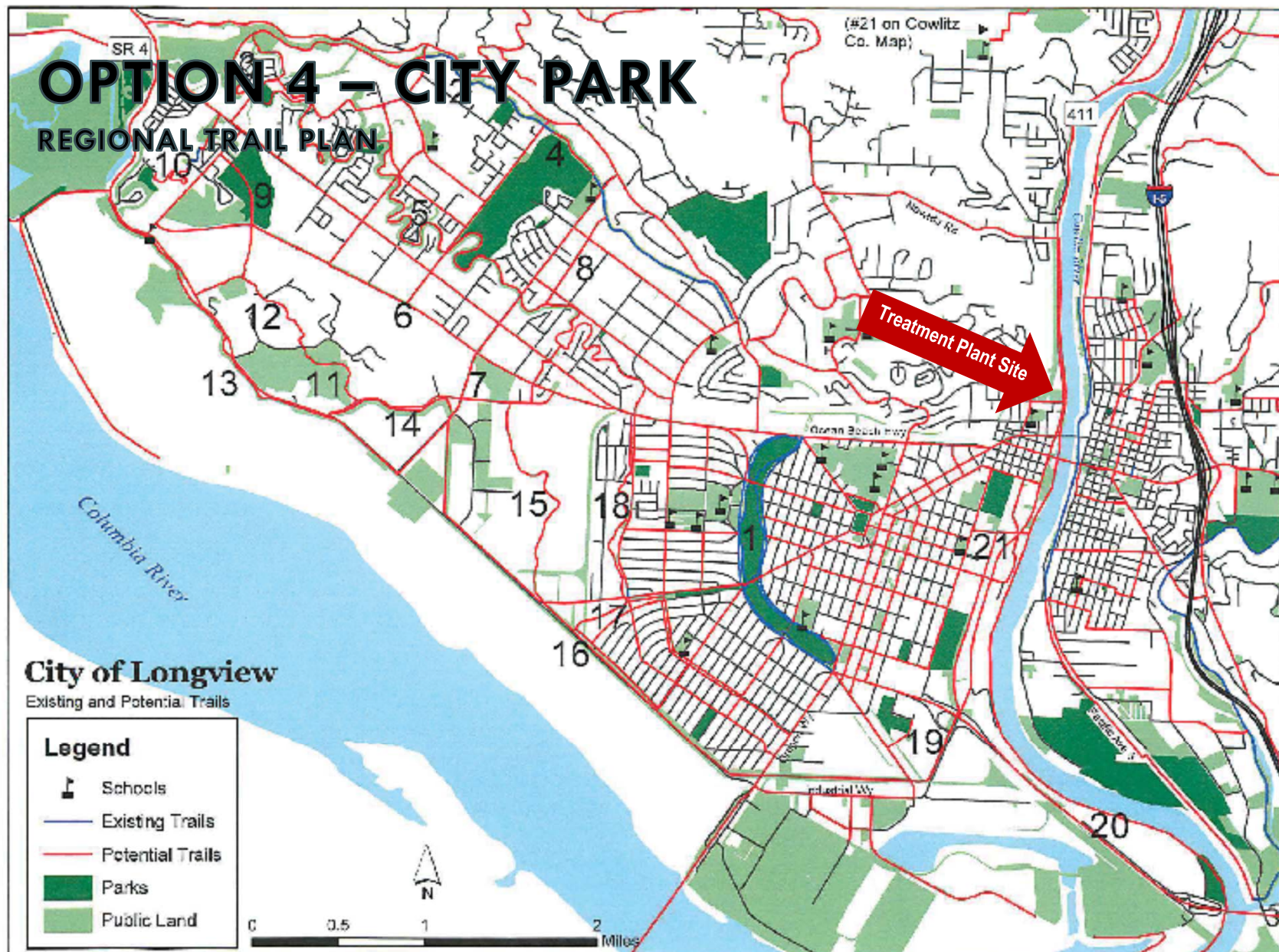
Treatment Plant Ownership

- Land - City owns 100%
- Structures/Equipment - City owns 85.3% ; BHWSD owns 14.7%
- Demolition costs shared by ownership percentage
- Cost to develop (except demolition) and revenue received from final option would be 100% City

FISHERS LANE WATER TREATMENT PLANT

Recommendation:

- Salvage/Auction equipment
- Market as-is after salvage/auction with condition to re-use property within a certain time period
- If no buyers, demolish and clear site
- After clearing, develop city park or market for sale



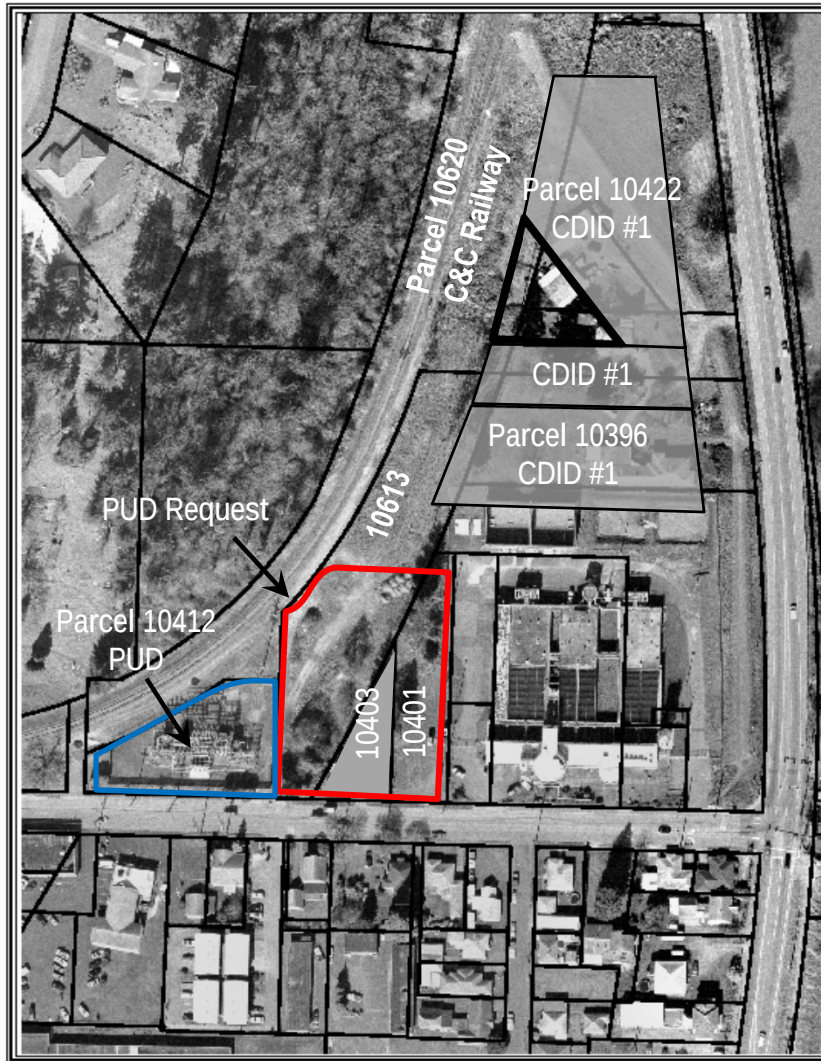
FISHERS LANE TREATMENT PLANT RE-USE OPTIONS

REGIONAL TRAINING FACILITY	COST*	SUBTOTAL
• <u>General Site/Code Improvements</u>		\$ 850,000
• <u>Functional Improvements*</u>		\$ 3,450,000
• Community Room, Entry & Kitchennette	\$1,112,000	
• Computer Lab & Offices	\$ 331,000	
• Fitness Room & Restrooms/Locker Rooms	\$ 546,000	
• Defensive Tactics Room	\$ 144,000	
• SCBA Confidence Course	\$ 175,000	
• Live Fire Training	\$ 268,000	
• Sprinklers & Standpipes	\$ 57,000	
• Hazardous Material Handling	\$ 6,000	
• Training Water Reservoir	\$ 340,000	
• Urban Search & Rescue	\$ 93,000	
• Wide Area Search & Rescue	\$ 196,000	
• Ventilation Props	\$ 26,000	
• Rapelling Props & Anchors	\$ 6,000	
• Tactical Simunition Training Area	\$ 150,000	
• <u>Indoor Shooting Range</u>		\$ 2,300,000
TOTAL		\$ 6,600,000

**Based on 0.96% annual inflation rate 2014 to 2017. Offsite improvements on adjacent CDID property not estimated*

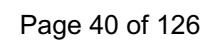
OPTION 3 – PARTIAL SALE/DEDICATION

PUD SUBSTATION EXPANSION

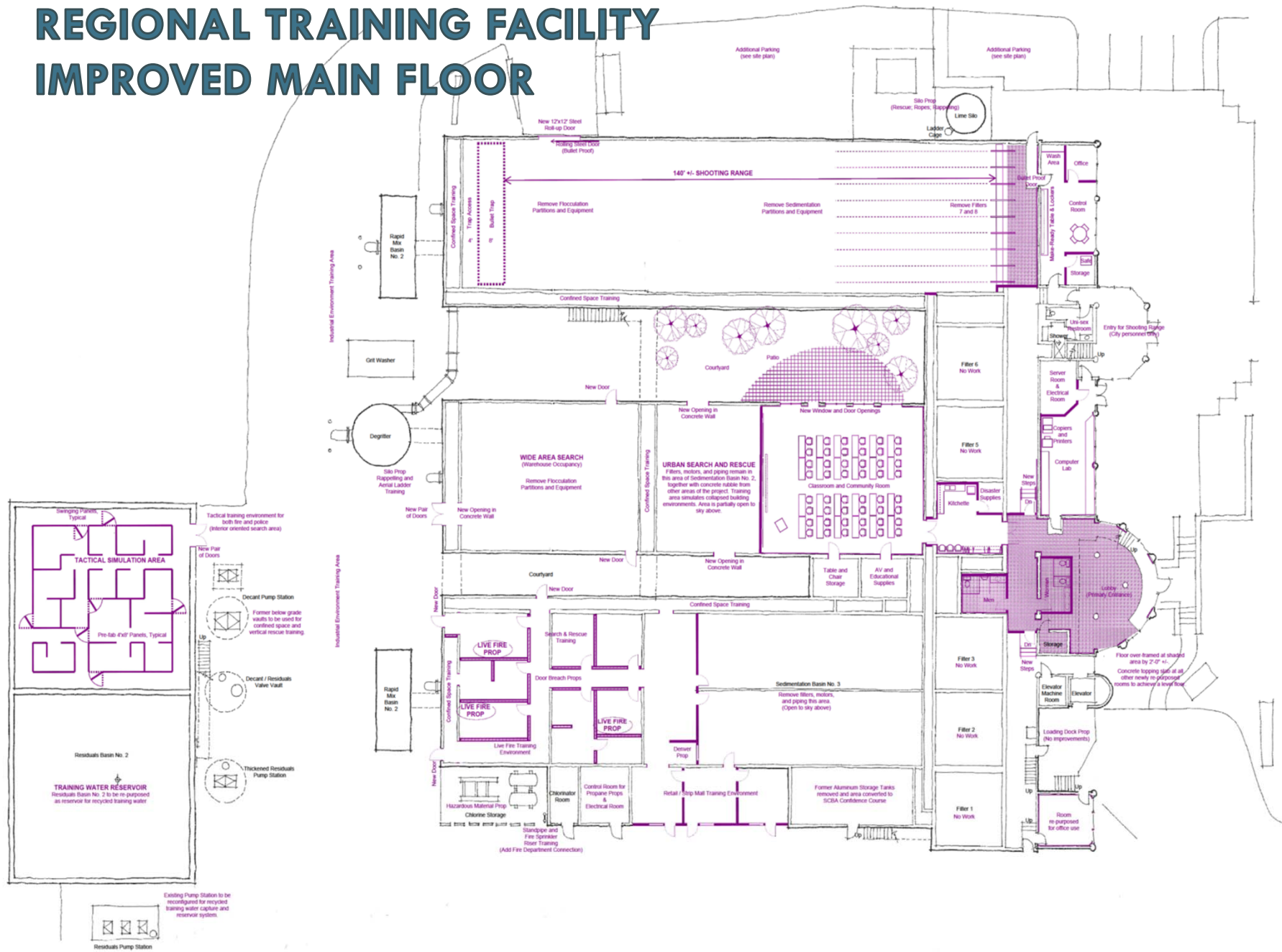


Parcel	10613	10403	10401
PUD Request (Acres)	0.5	0.2	0.4
Total PUD Request			1.1
2016 Assessed Value (\$/SF)	\$1.30	\$2.98	\$0.82
Average AV			\$1.70/SF
Estimated PUD Sale	\$89,697		

CONCEPTUAL SITE PLAN



REGIONAL TRAINING FACILITY IMPROVED MAIN FLOOR



REGIONAL TRAINING FACILITY IMPROVED MAIN FLOOR





MARKET ANALYSIS FOR THE WEST LONGVIEW SEWER LAGOON SITE, IN LONGVIEW, WASHINGTON

PREPARED FOR
GIBBS & OLSON, INC.
and
THE CITY OF LONGVIEW
SEPTEMBER 2019

JOHNSON ECONOMICS, LLC
621 SW Alder St, Suite 506
Portland, Oregon 97205



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I. INTRODUCTION

JOHNSON ECONOMICS was retained by GIBBS & OLSON, INC. to conduct a highest-and-best use analysis for the City of Longview's West Longview Sewer Lagoon. The main objective of the analysis is to develop a market-responsive development program for the site, with estimates of achievable land prices in a development-ready state.

The analysis evaluates economic and market trends in Cowlitz County and Longview, and provides estimates of achievable pricing and market absorption for a range of land uses and product types at the subject site. The main components of this study are:

- Site evaluation;
- Analysis of relevant local economic, demographic, and market trends;
- Survey of the competitive environment, including existing and anticipated future supply;
- Market depth analysis, with absorption projections for the market and the subject site;
- Proforma financial analysis with estimates of achievable land prices at the subject site; and
- Recommendations with respect to development program, revenue potential and absorption.

II. EXECUTIVE SUMMARY

ECONOMIC TRENDS

Cowlitz County has underperformed the remainder of Washington State and the nation in terms of economic growth over the past two decades. Over the past three years, the job growth has been close to the national growth, averaging 1.3% per year (1.2% in 2018), adding around 500 new jobs per year. The state, in comparison, averaged 2.8% annual growth over this three-year period, and Clark County averaged 3.9%. Young workers have dominated the job growth in Cowlitz County in recent years.

The average wage level in Cowlitz County has grown somewhat faster than the national rate over the past ten years, but somewhat slower than in most other parts of the Pacific Northwest. As of 2017, wages are on average 6% below Clark County, 19% below the Portland Metro Area, 23% below the Washington State average, and 14% below the national average.

Household income growth has been held back by the relatively weak job growth in recent years. Median income levels have only risen 0.7% per year on average since 2012, compared to 6.1% per year in Clark County, 4.8% in the Portland Metro Area, 4.3% in Washington State, and 3.3% nationwide. As of 2017, the median income level in Cowlitz County is \$49,500, which is 34% below Clark County, 31% below the Portland Metro Area, 30% below Washington State, and 18% below the national level.

Reflecting the moderate employment growth, population growth has also been moderate in Cowlitz County in recent years. In the current decade, the county has averaged annual growth of 0.6%, compared to 1.5% in Clark County, 1.3% in Washington State, and 0.7% nationally. In Longview, the average annual growth in this decade has been 0.4%. A disproportionate share of the current population and household growth is taking place among seniors.

THE OWNERSHIP MARKET

Prior to the last recession, new housing construction totaled 500-700 units per year in Cowlitz County and 200-250 units per year in Longview. During the downturn, the construction activity fell to around 100 units per year countywide and 20 units in Longview. Since then, the level has increased to nearly 500 units in the county and 35-50 in Longview. Rental apartments have been a negligible part of the new housing construction over the past ten years.



Sales of existing homes has roughly doubled since the last downturn but remains well below pre-recession levels. Within the market area defined for the subject site (Longview plus unincorporated areas to the north), detached single-family homes currently represent around 900 transactions per year while attached homes represent around 50.

The supply of listed homes has declined dramatically over the past five years, causing the median market time to decline to 18 days in 2018. The reduction in available supply has caused steep price increases, averaging 9.6% per year since 2012 – in line with the Clark County trend. Longview's 2018 median price was \$217,000, which represents a 2% discount to the countywide median and a 24% discount to Clark County.

JOHNSON ECONOMICS conducted a survey of six single-family for-sale developments in Longview for this analysis. These include the most recent subdivisions in the city within the market for small- and mid-size lots. The survey indicates a somewhat weak market for new single-family homes in Longview, with relatively slow lot and home sales. Four surveyed projects located in the Ocean Beach Highway corridor achieved absorption rates of two to three homes per year. Adjusted to current levels, home prices at these four projects range from \$266,000 for a 1,200-square-foot home to \$440,000 for a 2,100-square-foot house on a large lot. On a per-square-foot (PSF) basis, the adjusted home prices range from \$150 to \$249, with the most comparable project averaging \$216.

We estimate that single-family homes at the subject site can achieve prices ranging from around \$285,000 for 1,400-square-foot townhomes to around \$415,000 for 2,150-square-foot detached homes. Lot prices are estimated to range from \$40,000 for 2,400 square feet to \$76,000 for 7,000 square feet.

THE RENTAL MARKET

Like the ownership market, the rental market is also experiencing a supply shortage. The vacancy rate in Longview is currently 1.5%, which is unusually low both in a geographic and historical context. The rate has been below 2.0% for most of the past three years. In comparison, the Clark County rate is currently 3.9%, closer to the 5.0% typically regarded to represent a healthy supply-demand balance.

The average rent level in Longview is currently \$1.04 per square foot, which represents a 3.7% discount to the county average and 26.2% to Clark County. The rent growth in Longview has been relatively moderate compared to surrounding areas, peaking at 8.2% per year in 2Q16 and currently sitting at 4.0% per year. The latter is low considering the current vacancy rate, indicating that the current occupancy pressure is on the most affordable units, and that the appetite for high-rent supply is limited.

JOHNSON ECONOMICS surveyed a sample of nine rental apartment projects for this analysis, including five located in the Ocean Beach Highway corridor and two in Kelso. The seven projects in the Kelso-Longview market reflect a stabilized occupancy rate of 99.6%, with five being 100.0% occupied. Monthly rents range from \$775 for older one-bedroom units to \$1,650 for the most expensive of the newest three-bedroom duplexes. We estimate that the subject site can achieve monthly rents in the \$1,100-1,500 range in the current market depending on unit type and size, with a typical suburban unit mix expected to average \$1.46 PSF. Without townhomes (\$1.27 PSF), we would expect an average of \$1.49 PSF.

RESIDENTIAL SUPPLY AND DEMAND

For the Longview market, we project demand growth of around 600 housing units over a five-year period, including 320 multifamily units, 230 detached single-family homes, and 70 attached homes. We estimate that there is pent-up demand for an additional 250 multifamily rental units at current market pricing, plus another 250 units at moderately discounted below-market rates. In total, this represents demand for around 1,100 housing units. In comparison, the current pipeline totals 780 units, including 120 regulated affordable apartments. Without additional housing projects entering the pipeline, this indicates potential for another 330 units over the five-year period, including 260 apartment units, evenly split between market-rate and below-market units.



FIGURE 2.1: SUPPLY-DEMAND RECONCILIATION, LONGVIEW PMA (2019-24)

	NET NEW DEMAND (2019-24) *			SUPPLY PIPELINE (2019+)			MARKET OPPORTUNITY		
Housing Type	Market-Rate	Affordable	Total	Market-Rate	Affordable	Total	Market-Rate	Affordable	Total
Single-family detached	226	0	226	168	0	168	58	0	58
Single-family attached	66	0	66	50	0	50	16	0	16
Multi-family	566	250	816	440	120	560	126	130	256
Total	859	250	1,109	658	120	778	201	130	331

* Includes pent-up demand.

SOURCE: JOHNSON ECONOMICS

COMMERCIAL SPACE

JOHNSON ECONOMICS surveyed a sample of four commercial properties in the Ocean Beach Highway corridor for this analysis. Three of these are suburban strip malls located between half a mile and three miles from the subject site. Vacancy rates are relatively high at these properties, between 21% and 39%, indicating limited demand. Lease rates correlate with traffic volumes on Ocean Beach Highway. The highest rate, \$18.00 PSF (NNN), is at 32nd Avenue Plaza, adjacent to Fred Meyer, where the average daily traffic volume is 21,000. The lowest rates, \$6.00-12.00 PSF (NNN) are at Baker's Corner, half a mile from the subject site, where the traffic volume is 9,700.

At the subject site, where the daily traffic volume is currently 6,800, we expect lease rates in the \$10.00-12.00 range (NNN) to be achievable for a new project in the current market. We would expect a lease rate around \$16.00 PSF (NNN) to be achievable assuming an additional 700 housing units at or to the west of the subject site.

RESIDUAL LAND VALUES

Based on current achievable pricing and typical construction costs and developer profit targets, we estimate that only rental housing and certain forms of detached ownership housing are viable at the subject site in the current market. The product types that yield the highest residual land values are rental apartments (\$99,000/ac), rental townhomes (\$89,000/ac), and for-sale cottage homes (\$58,000/ac). Retail space and higher-density urban for-sale housing represent negative residual land values in the current market, while larger single-family homes are estimated to be right at break-even levels. Note that residual land values are highly sensitive to changes in achievable pricing and construction costs. Substantial changes to these values are therefore possible over the life of the subject development.

FIGURE 2.2: SUMMARY OF ESTIMATED RESIDUAL LAND VALUES, SUBJECT SITE

Land Use	Category	Product	Per Acre	Per SqFt	Per Unit
Commercial	Retail	Single story w/surface parking	-\$557,478	-\$12.80	N/A
	Rental	Apartments, 3-story wood w/surface parking	\$98,557	\$2.26	\$3,791
Residential	Ownership	Townhomes, 2-story wood w/garage	\$88,756	\$2.04	\$4,931
		Townhomes, 3-story wood w/garage	-\$49,948	-\$1.15	-\$3,122
		Duplex (side-by-side) w/garage	-\$43,826	-\$1.01	-\$3,130
		Skinny home	-\$43,565	-\$1.00	-\$3,630
		Cottage	\$58,470	\$1.34	\$7,309
		Standard	\$7,102	\$0.16	\$1,184
		First move-up	\$1,913	\$0.04	\$383

SOURCE: JOHNSON ECONOMICS



MARKET-ORIENTED DEVELOPMENT PROGRAM

Taking into account absorption potential as well as residual land values, we would recommend a development program for the subject site mainly consisting of the three product types that exhibit the highest current residual land values. For a 35-acre site, we estimate that the shortest absorption period (~8 years) would be achieved with around 20 acres of for-sale cottage homes, 13 acres of rental apartments, and 3 acres of rental townhomes. This mix, which totals 535 residential units at the assumed densities, represents a blended residual land value of \$75,000 per acre in the current market, without discounting for the time value of money.

A small commercial component might be feasible at the subject site toward the end of the residential buildout, though this is unlikely to have significant impact on the overall economics of the development.

FIGURE 2.2: SUMMARY OF ESTIMATED RESIDUAL LAND VALUES, SUBJECT SITE

Product Type	LONGVIEW PMA							SUBJECT SITE (35 AC)			
	2019-24 Demand Growth*	Annual Demand, 2019-24*	Units in Pipeline	Years to Absorb Pipeline	Assumed Density	Annual Land Absorption	Share of Absorbed Land	Allocation Land	Units	Absorption Period 100% Capture	50% Capture
Rental Apartments	566	113	440	4 yrs	26 u/ac	2.4 ac	36%	13 ac	330 u	5 yrs	11 yrs
Rental Townhomes	46	9	50	5 yrs	18 u/ac	0.5 ac	8%	3 ac	49 u	5 yrs	11 yrs
Cottage Homes	148	30	92	3 yrs	8 u/ac	3.7 ac	56%	20 ac	157 u	5 yrs	11 yrs

SOURCE: JOHNSON ECONOMICS



III. SITE ANALYSIS

THE SUBJECT SITE

The subject site is approximately 59 acres in size and is located west in Longview, Washington, just within city limits, at the northeast corner of Ocean Beach Highway and Coal Creek Road. The site is roughly five miles west of Downtown Longview and seven miles west of the I-5 freeway. Areas to the north are partly forested; partly built out with large-lot single-family housing, while areas to the east and south are built out with urban single- and multifamily housing. There is also some commercial use just to the south of the subject site, including a self-storage facility, a small strip mall, and a few smaller free-standing buildings. The nearest major shopping center is Walmart 2.5 miles to the east. A larger center anchored by Fred Meyer is one mile further east.

FIGURE 3.1: SUBJECT SITE



SOURCE: QGIS, Cowlitz County, Google Earth



RESIDENTIAL MARKET AREA DEFINITION

The Primary Market Area (PMA) is defined as the geographic region from which a development is expected to draw most of its market support, and within which similar projects compete on a comparable basis. In other words, it is the geographic region from which we would expect potential tenants to evaluate alternative options.

For this analysis, we define the PMA as outlined below, largely corresponding to the City of Longview plus partly developed unincorporated areas to the north, including Coal Creek, Longview Heights, and Beacon Hill. The market area is bounded by Cowlitz River in the east, Industrial Way in the south, and the Solo Slough in the west.

FIGURE 3.2: PRIMARY MARKET AREA



SOURCE: Google Earth, JOHNSON ECONOMICS



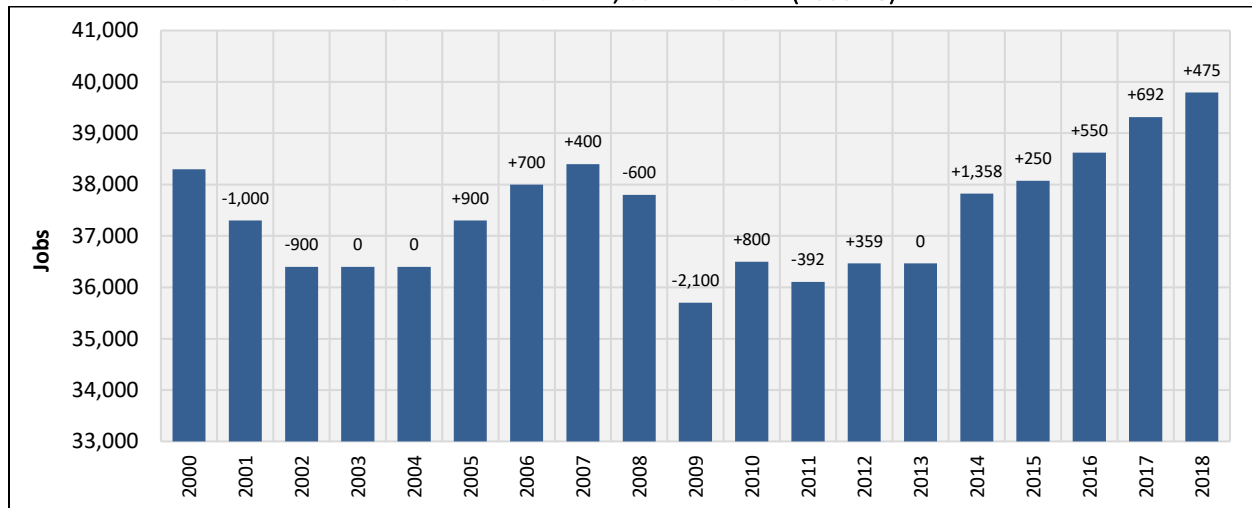
IV. SOCIO-ECONOMIC CONTEXT

EMPLOYMENT

TOTAL NON-FARM EMPLOYMENT

Cowlitz County currently employs nearly 40,000 workers, after exhibiting positive or flat job growth every year since 2011, averaging 525 new jobs per year. The last recession (2008-09) eliminated 2,700 jobs from the pre-recession employment peak of 38,400 in 2007. Since 2009, the county has added nearly 4,100 new jobs, for an average of 450 jobs per year. Since the turn of the millennium, roughly 1,500 jobs have been added, or 83 jobs per year on average.

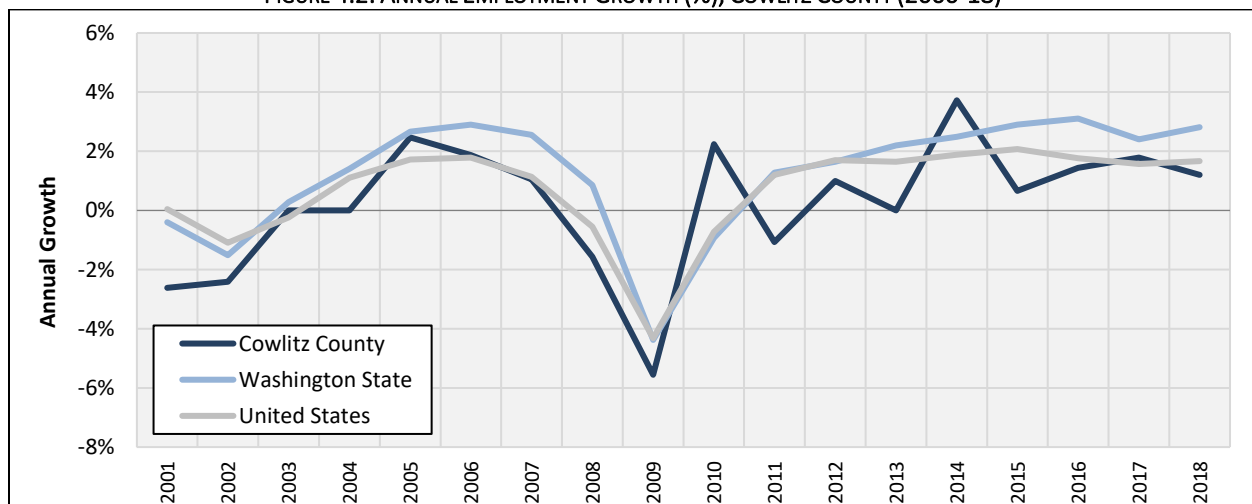
FIGURE 4.1: EMPLOYMENT, COWLITZ COUNTY (2000-18)



SOURCE: WA Employment Security Department, JOHNSON ECONOMICS

The employment growth in Cowlitz County has been weaker than in the remainder of Washington State and the nation over the past two decades. The underperformance was most pronounced in the early 2000s and in the first half of the current expansion (2011-13). Over the past three years, the job growth has been close to the national growth, averaging 1.3% per year (1.2% in 2018). The state, in comparison, averaged 2.8% annual growth over this period.

FIGURE 4.2: ANNUAL EMPLOYMENT GROWTH (%), COWLITZ COUNTY (2000-18)

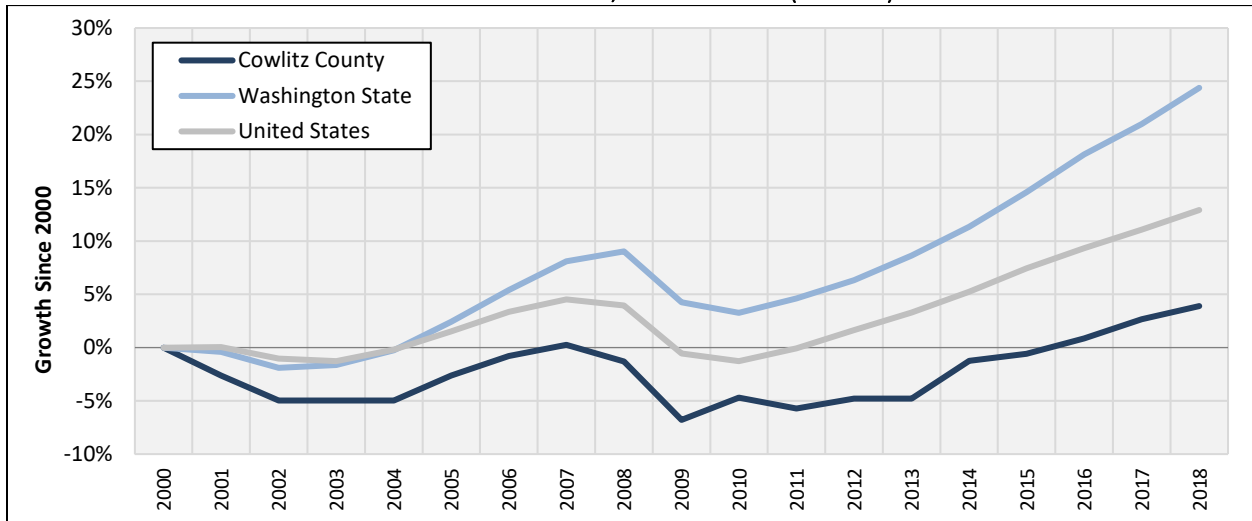


SOURCE: WA Employment Security Department, JOHNSON ECONOMICS



The underperformance of Cowlitz County comes into clearer view when job growth is measured on a cumulative basis. The following chart shows job growth since 2000. Whereas Washington State has grown its employment by 24% over this period (1.2% AAGR), and the United States 13% (0.7% AAGR), Cowlitz County has only increased its employment by 4% since 2000 (0.2% AAGR).

FIGURE 4.3: EMPLOYMENT, COWLITZ COUNTY (2000-18)

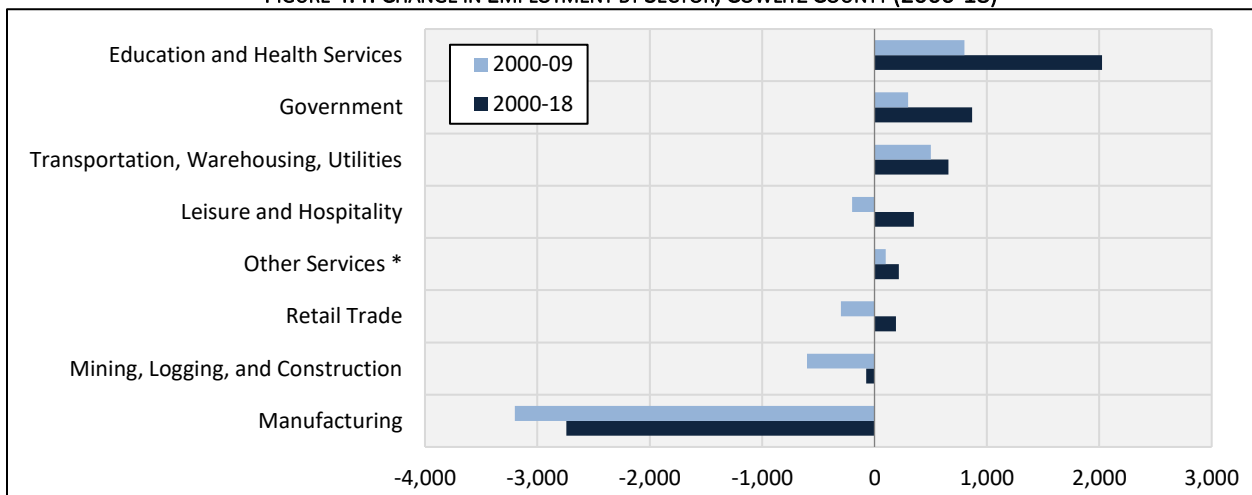


SOURCE: WA Employment Security Department, JOHNSON ECONOMICS

EMPLOYMENT BY INDUSTRY

Much of the underperformance over the past two decades can be attributed to manufacturing, which has shed 3,200 jobs since 2000. The job losses took place in the early and late 2000s, as they did all over the country – largely due to offshoring and increased imports. During the 2000s the manufacturing industry shrank by 34% in Cowlitz County, compared to 33% nationwide. Since 2010, the sector has added 300 jobs (+5.5%). This represents an annual growth rate of 0.7%, considerably weaker than the 1.2% national rate. The strongest growth since 2000 has been in education and health (+2,000 jobs; 45%; 2.1% AAGR). White-collar industries, largely corresponding to the “Other Services” category below, have seen very limited growth, adding 200 jobs since 2000 (+4.3%; 0.2% AAGR).

FIGURE 4.4: CHANGE IN EMPLOYMENT BY SECTOR, COWLITZ COUNTY (2000-18)



* Includes information, financial activities, professional and business services, and other services.

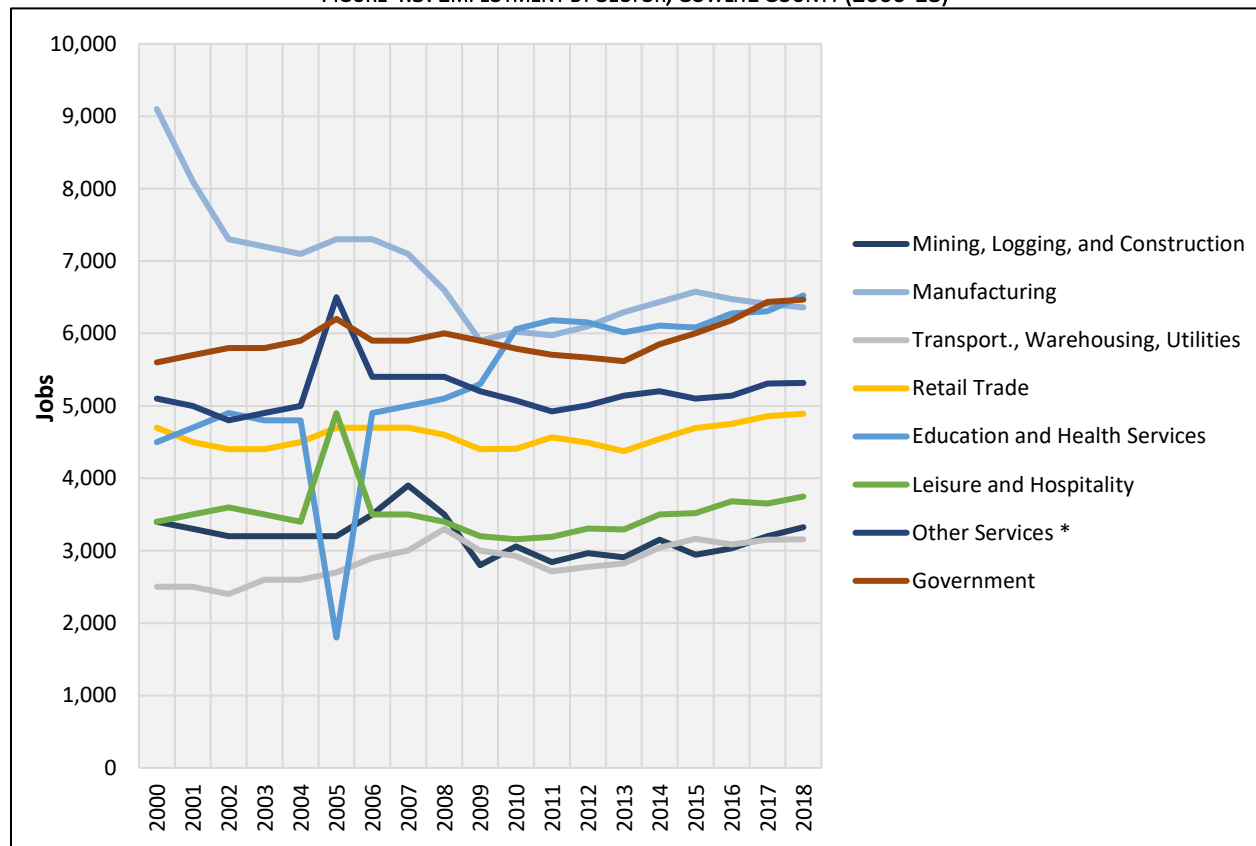
SOURCE: WA Employment Security Department, JOHNSON ECONOMICS



The following chart shows sectoral employment year-by-year since 2000. Whereas the previous decade was marked by several disruptions, the current decade has been stable so far, with relatively even growth across sectors. The eight major sectors displayed below have each added between 230 and 675 jobs, exhibiting average annual growth rates in the 0.6-2.2% range.

The strongest momentum currently is in the public sector, which has approximately the same number of jobs as manufacturing and education/health (~6,500). The government sector has added 850 jobs over the past five years (2.9% AAGR). The leisure/hospitality and retail sectors have also seen strong growth over the past five years, adding 460 and 520 jobs, respectively (2.6% and 2.3% AAGR).

FIGURE 4.5: EMPLOYMENT BY SECTOR, COWLITZ COUNTY (2000-18)



* Includes information, financial activities, professional and business services, and other services.

SOURCE: WA Employment Security Department, JOHNSON ECONOMICS

WAGES

Wages levels in Cowlitz County are relatively low, reflecting the industrial economy. As of 2017, the average wage was \$47,700, which is 6% below Clark County, 19% below the Portland Metro Area, 23% below the Washington State average, and 14% below the national average.

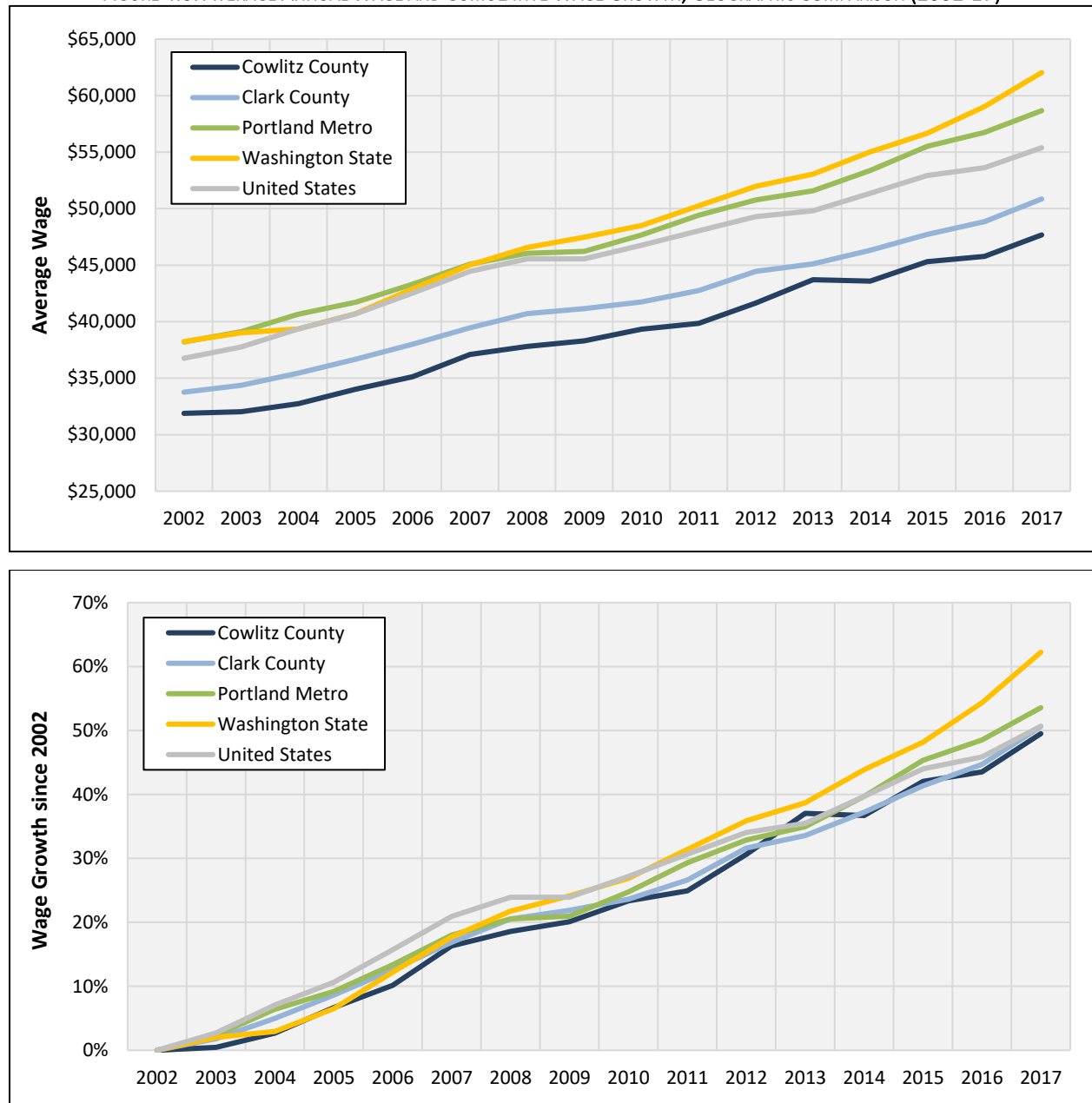
Wages tend to be “sticky,” meaning that they do not decline much during recessions, and do not increase rapidly during expansions (though accelerated wage growth is common as the business cycle matures and labor becomes scarcer). Thus, the average wage level for a geography tends to increase in an almost linear fashion. This is true of Cowlitz County as well, which has averaged 2.5% wage growth per year over the past ten years. This is higher than



the national growth (2.2%), but somewhat lower than in most other parts of the Pacific Northwest. In comparison, Clark County has averaged 2.6%, the Portland Metro Area 2.7%, and Washington State 3.3%. General inflation over this period was 1.6% per year on average, indicating that workers experienced increasing purchasing power over the period. Current year-over-year wage growth is 4.2% in Cowlitz County, in line with Clark County (4.1%) but lower than in Washington State (5.1%).

Measured on a cumulative basis between 2002 and 2017, Cowlitz County increased its average wage level by 50%, while inflation was 36%. In comparison, wage growth over this period was 51% in Clark County and the United States, 54% in the Portland Metro Area, and 62% in Washington State.

FIGURE 4.6: AVERAGE ANNUAL WAGE AND CUMULATIVE WAGE GROWTH, GEOGRAPHIC COMPARISON (2002-17)



SOURCE: U.S. Bureau of Labor Statistics, Oregon Employment Department, JOHNSON ECONOMICS

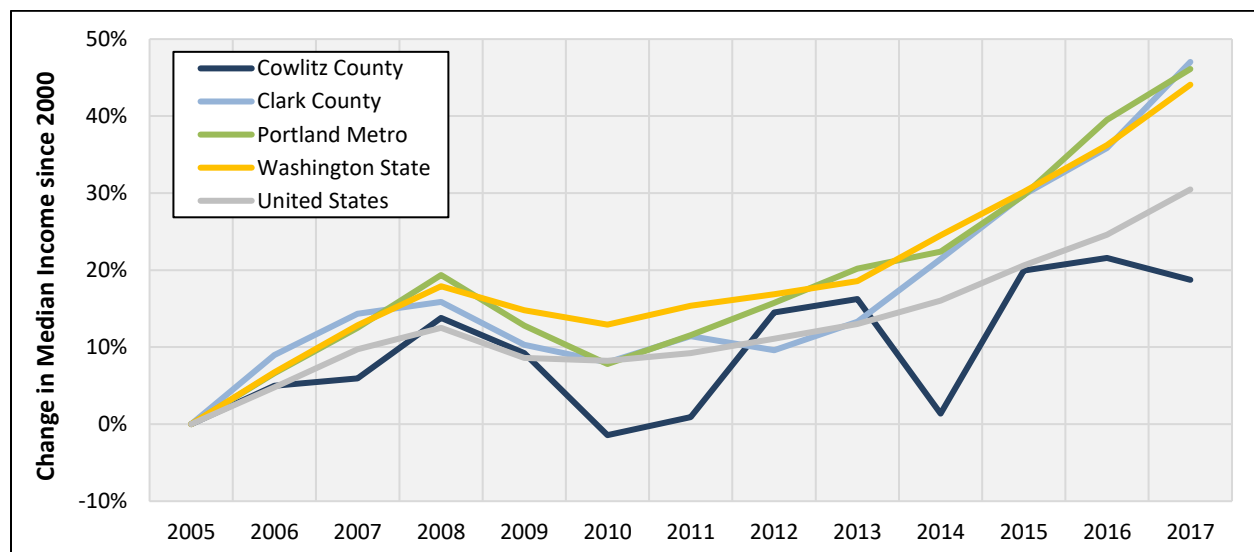
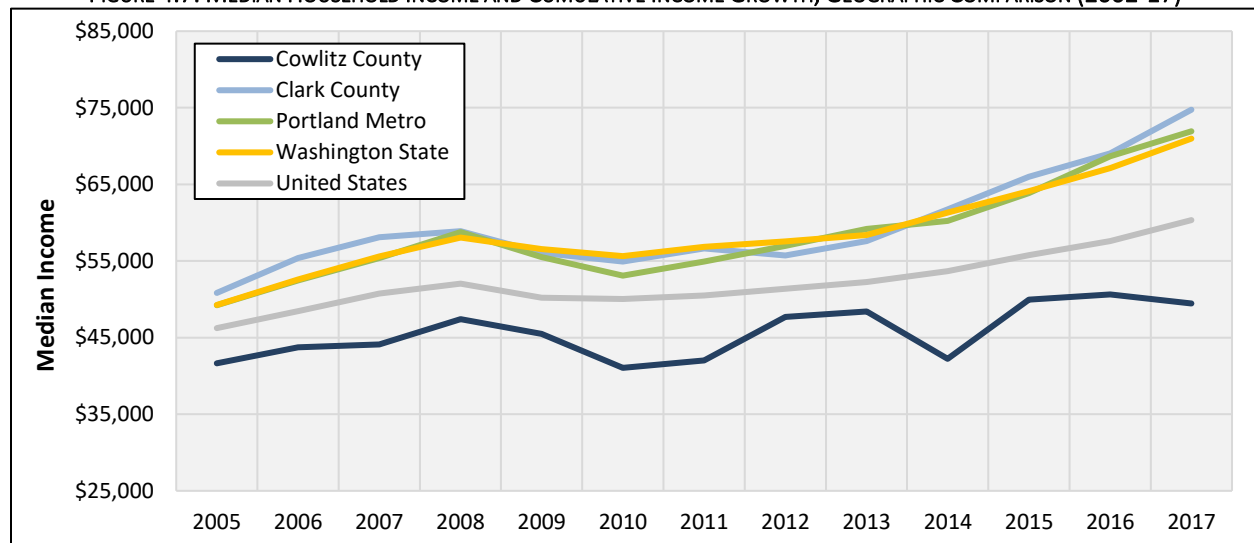


HOUSEHOLD INCOME

Household incomes fluctuate more than average wages, as the income metric is impacted by changes in employment as well as wages. In Cowlitz County, the median household income declined rapidly as jobs were cut between 2008 and 2010 but rose again in the following years. However, the income level has only increased moderately since 2012, gaining 0.7% per year on average. In comparison, the annual growth rate over this period was 6.1% in Clark County, 4.8% in the Portland Metro Area, 4.3% in Washington State, and 3.3% nationwide. The weaker income growth in Cowlitz County reflects the relatively weak job growth. In 2017, the median income level in Cowlitz County decreased 2.3% (\$1,200/year), according to the estimates. However, the county exhibits considerable fluctuation in the income metric due to its small household base. The margin of error in these annual estimates is roughly \$2,000-3,000.

As of 2017, the median income level in Cowlitz County is \$49,500, which is 34% below Clark County, 31% below the Portland Metro Area, 30% below Washington State, and 18% below the national level. Cumulative growth since 2002 is 19% in Cowlitz County, compared to 47% in Clark County, 46% in the Portland Metro Area, 44% in Washington State, and 30% in the United States.

FIGURE 4.7: MEDIAN HOUSEHOLD INCOME AND CUMULATIVE INCOME GROWTH, GEOGRAPHIC COMPARISON (2002-17)



SOURCE: U.S. Census Bureau, JOHNSON ECONOMICS



DEMOGRAPHIC SHIFTS IN THE WORKFORCE

Cowlitz County has seen a shift in its workforce toward younger workers in recent years. This is largely a cyclical phenomenon that can be observed all over the nation. The shift reflects a tightening labor market with reduced availability of experienced labor, forcing employers to hire younger and less experienced workers. The wave of recently graduated millennials has accommodated this shift.

In Cowlitz County the 55-64 age group dominated new hiring (on a net basis) until 2012, when 19-24-year-olds accounted for the largest increase. Since 2014, when the economic recovery took hold in the county, the 25-34 year old segment has been the largest growth segment every year, filling 53% of all new jobs on a net basis. The second largest growth segment is 35-44-year-olds, accounting for 20% of the growth. Note that these estimates reflect calendar-year growth (year-end to year-end), and do not match estimates of average employment by year, presented earlier. Note also that this dataset is available only through 2017.

FIGURE 4.8: NET JOB GROWTH (Y/Y) BY WORKER AGE, COWLITZ COUNTY (2005-2017)

BY AGE	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
19-24	-25	-4	-165	-205	-3	0	43	4	283	184	-43	137	-60
25-34	76	-40	46	-339	-356	-41	-78	-46	77	510	188	398	227
35-44	32	0	-107	-397	-185	-102	-66	127	4	370	-344	303	169
45-54	208	139	-192	-272	-113	-83	-372	-87	-8	86	-267	148	-199
55-64	444	290	275	224	90	303	121	203	86	132	-228	214	-52
65-99	44	128	120	66	81	52	112	188	124	127	61	133	103
TOTAL	934	497	7	-1,162	-736	83	-244	400	590	1,412	-529	1,437	184

SOURCE: U.S. Census Bureau, U.S. Bureau of Labor Statistics, JOHNSON ECONOMICS

The following matrix displays job growth by age and wage for the 2016-17 two-year period, indicating a mix of low/moderate wage and high-wage growth. In the 19-24 age group, workers have moved out of part-time and into full-time positions, with growth across a broad wage range. Among 25-34-year-olds, the job growth has been concentrated in the \$50,000-70,000 range, driven by manufacturing, healthcare, and retail. 35-44-year-olds have mainly filled positions above \$70,000, with construction as the primary driver. The growth above \$100,000 in this age group is primarily due to manufacturing. Among empty nesters and seniors, the growth is mostly in middle-wage jobs, with healthcare and education being the largest contributors.

FIGURE 4.9: EMPLOYMENT GROWTH BY AGE AND WAGE, COWLITZ COUNTY (2016-17)

2014-17, AGE/WAGE	19-24	25-34	35-44	45-54	55-64	65-99	Total
<\$10,000	-324	-247	-5	-7	-16	-14	-464
\$10,000-\$19,999	65	-374	-217	-197	-68	-381	-1,147
\$20,000-\$29,999	171	459	-74	-119	-124	437	775
\$30,000-\$39,999	73	-323	166	100	103	49	171
\$40,000-\$49,999	165	690	37	-169	-24	186	885
\$50,000-\$59,999	-28	483	-15	101	58	120	719
\$60,000-\$69,999	78	416	-49	-84	28	-57	331
\$70,000-\$79,999	18	-335	345	-89	127	195	261
\$80,000-\$89,999	0	513	122	175	-18	-42	751
\$90,000-\$100,000	0	10	-158	99	-31	-28	-107
>\$100,000	0	33	345	-42	31	-42	326
Total	217	1,324	498	-232	65	424	2,504

SOURCE: U.S. Bureau of Labor Statistics, U.S. Census Bureau, JOHNSON ECONOMICS

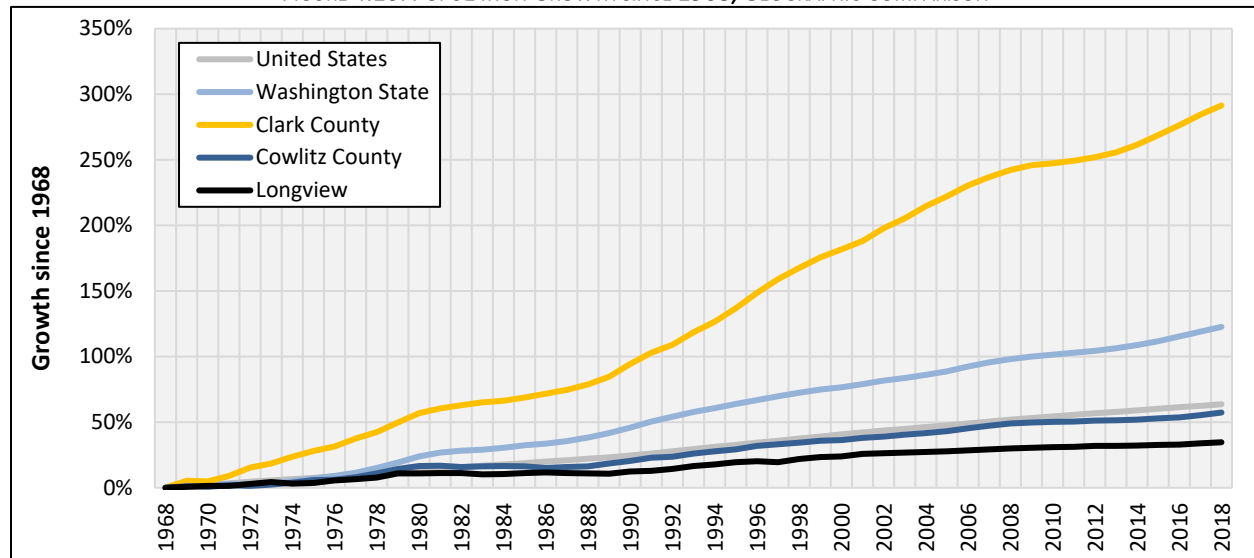


POPULATION

HISTORICAL POPULATION GROWTH

Population growth in Cowlitz County has been relatively weak over the past four decades. This reflects the county's reliance on the manufacturing sector, which has been in decline nationwide since the late 1970s. Since peak manufacturing employment was reached nationally in 1979, the Cowlitz County population has grown by 38%, while Clark County has increased 161%, Washington State 87%, and the United States 46%. Longview has seen even weaker growth than the county, increasing its population by only 21% since 1979. The following chart compares population growth over the past 50 years in these geographies.

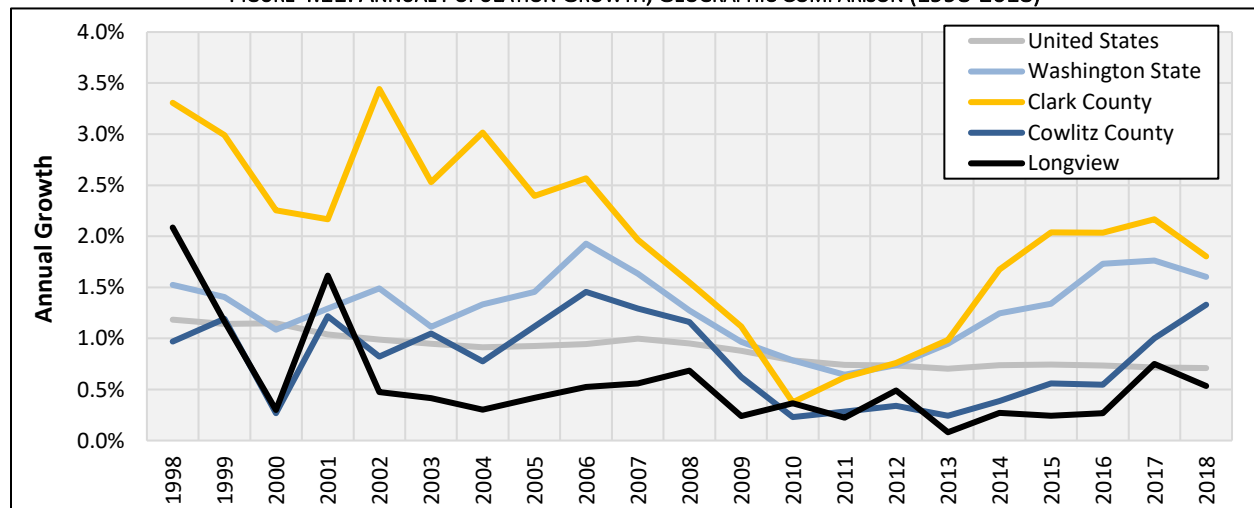
FIGURE 4.10: POPULATION GROWTH SINCE 1968, GEOGRAPHIC COMPARISON



SOURCE: U.S. Census Bureau, JOHNSON ECONOMICS

The weakness in the population growth has continued until the present, with Cowlitz County averaging annual growth of 0.6% in the current decade, compared to 1.5% in Clark County, 1.3% in Washington State, and 0.7% nationally. In Longview, the average annual growth in this decade has been 0.4%.

FIGURE 4.11: ANNUAL POPULATION GROWTH, GEOGRAPHIC COMPARISON (1998-2018)

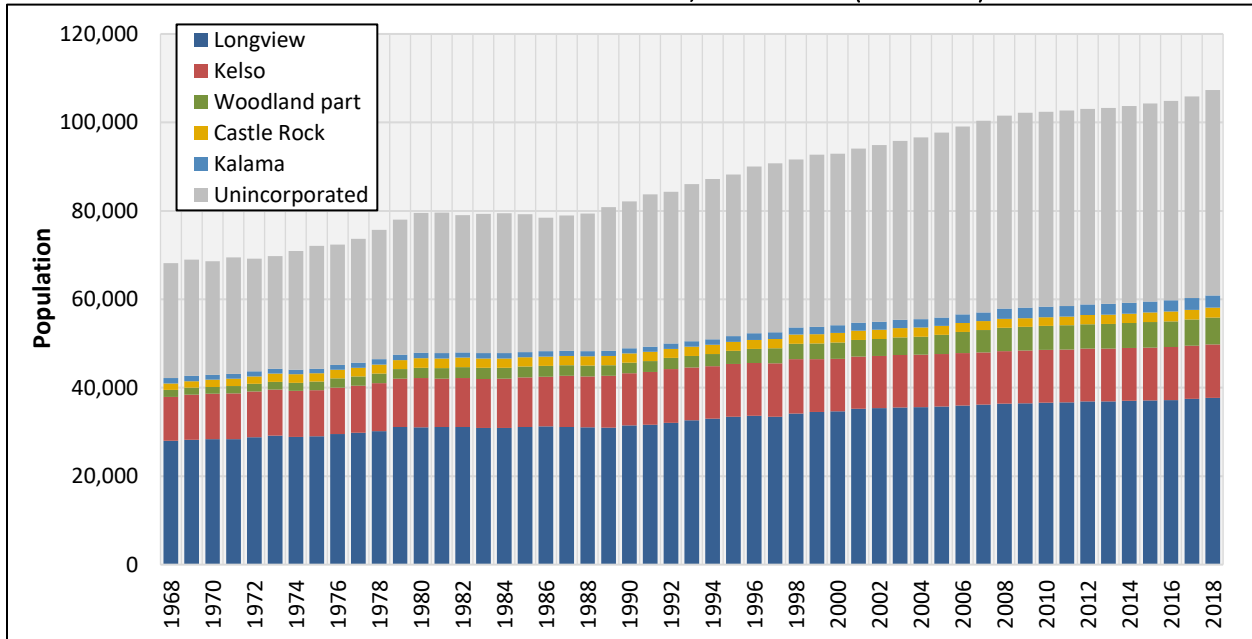


SOURCE: U.S. Census Bureau, JOHNSON ECONOMICS



The following chart displays the historical population in Cowlitz County by jurisdiction. The countywide population grew from 68,200 in 1968 to 92,900 in 2000 and 107,300 in 2018. The Longview population grew from 28,000 in 1968 to 34,700 in 2000 and 37,700 in 2018. Over this 50-year period, the city's share of the countywide population declined from 41% to 35%, due to its very moderate growth over this period – and declines in the 1980s.

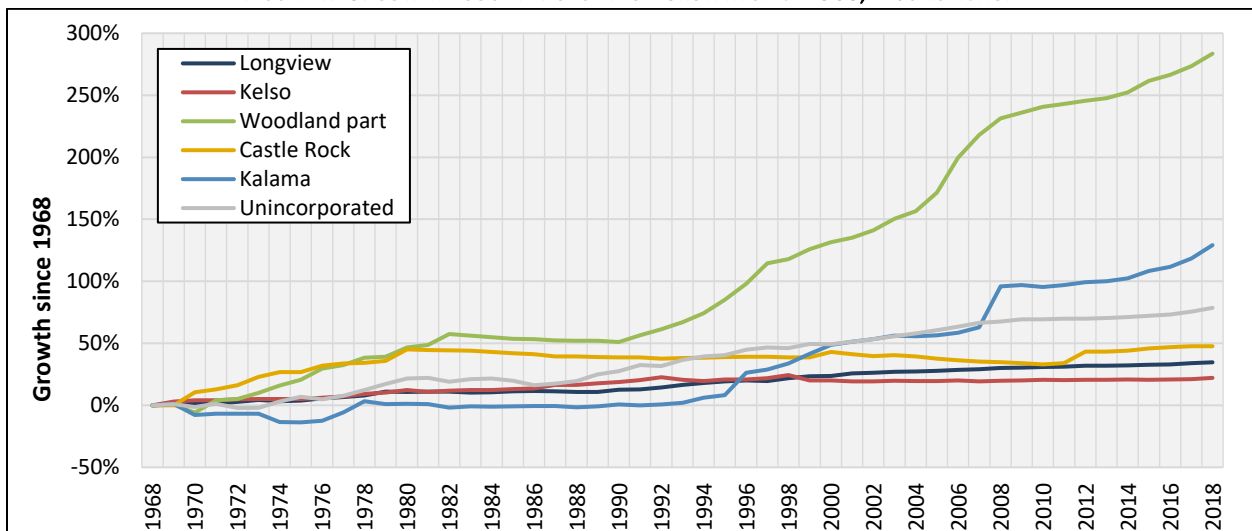
FIGURE 4.12: COWLITZ COUNTY POPULATION, BY JURISDICTION (1968-2018)



SOURCE: U.S. Census Bureau, JOHNSON ECONOMICS

The strongest growth within the county over the 50-year period took place in Woodland, reflecting its location closer to the booming Clark County and the Portland Metro Area. For the same reason, Kalama has also seen relatively strong growth (note major annexation in 2008). Kelso, Longview, and Castle Rock have all seen weak growth, reflecting their reliance on the Kelso-Longview economy.

FIGURE 4.13: COWLITZ COUNTY POPULATION GROWTH SINCE 1968, BY JURISDICTION



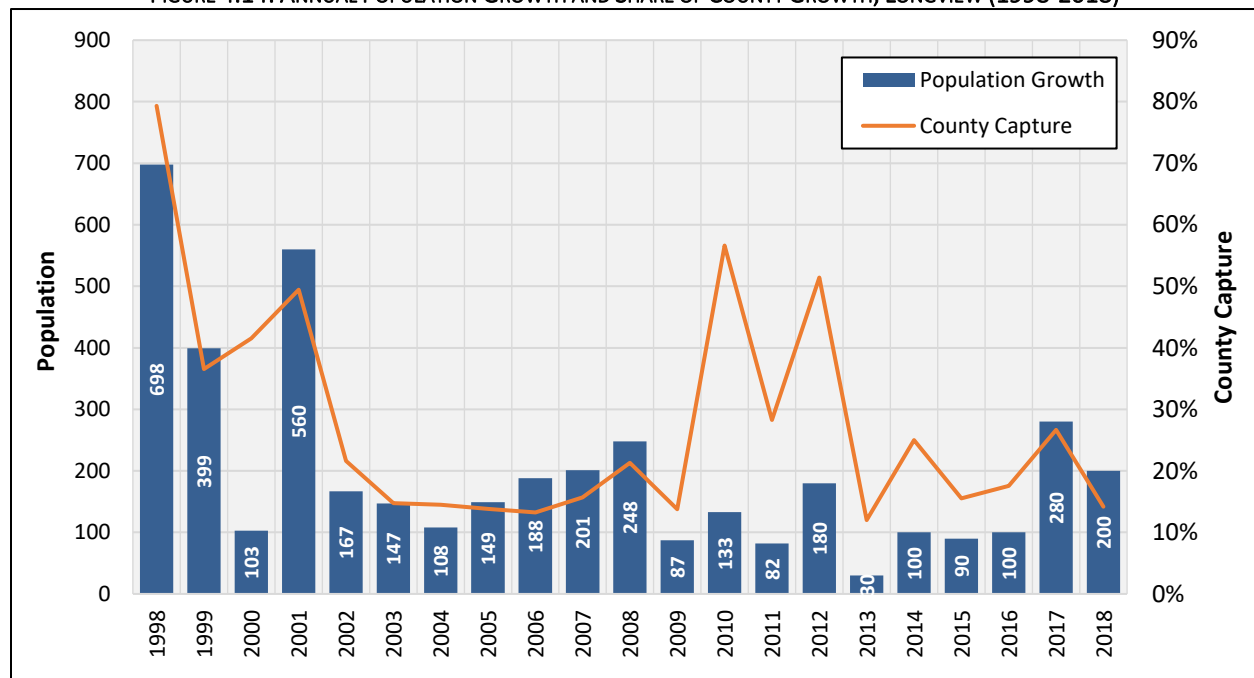
SOURCE: U.S. Census Bureau, JOHNSON ECONOMICS



After negative population growth in Longview in the 1980s, Longview added around 300 people per year on average in the 1990s – when the nation experienced strong suburban growth due to demand for family-friendly single-family housing from baby boomers. The growth moderated in the 2000s, averaging 200 per year. In the current decade, the growth hovered around 100 new residents per year until the past two years, when new home construction allowed for a stronger increase in the range of 200-280 per year.

Longview’s share of county-wide population growth has generally been in the 15-25% range in recent years, well below its 35% share of the county-wide population. The capture rate was higher during the suburban expansion wave in the 1990s and early 2000s, due to the city’s availability of land in West Longview – and in the wake of the last recession, when population growth took place in existing homes rather than new homes. Nearly 60% of the county’s population growth is currently taking place in unincorporated areas. The strongest increase in county capture over the past two decades has been in Kalama, increasing from around 5% to 10%.

FIGURE 4.14: ANNUAL POPULATION GROWTH AND SHARE OF COUNTY GROWTH, LONGVIEW (1998-2018)



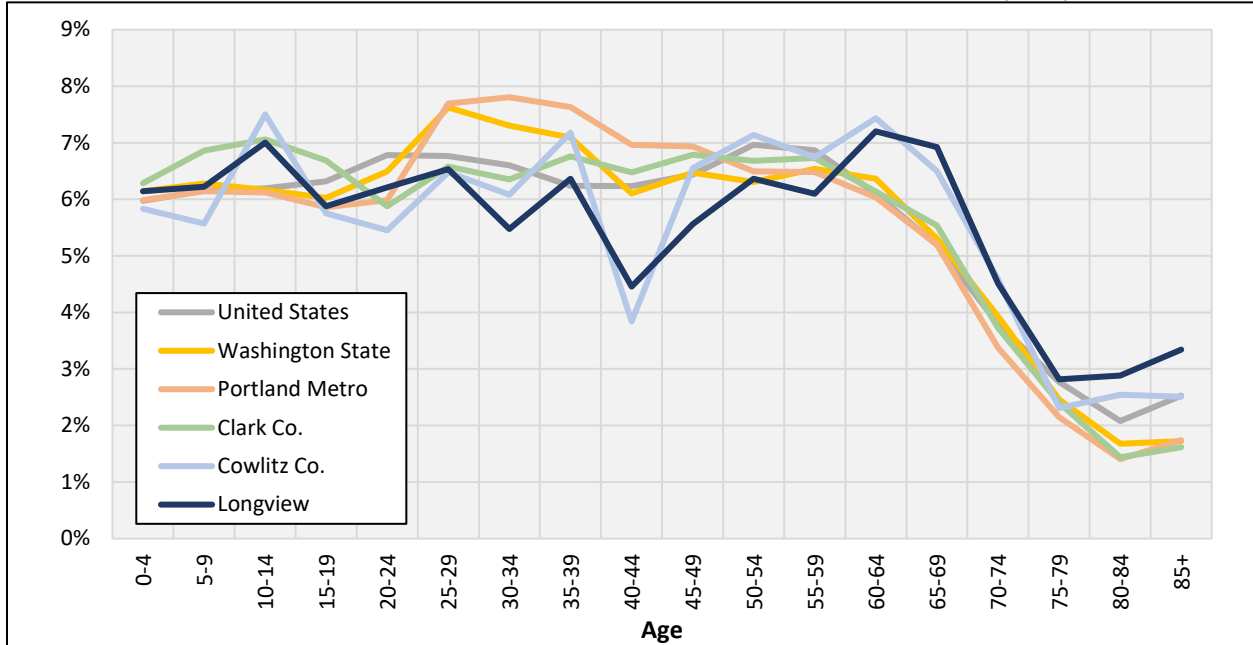
SOURCE: U.S. Census Bureau, JOHNSON ECONOMICS

AGE-WISE POPULATION DISTRIBUTION

The populations of Cowlitz County and Longview are characterized by relatively large senior segments and relatively small young-adult and family-age segments (next page). Taking into account the small family segments (age 30-49), there are relatively many school-age children, indicating high birth rates. This is most often found in areas with low education levels and relatively affordable housing. As of the most recent census data (2017), 28% of Longview’s population was 60 years or older, while the corresponding rate for Cowlitz was 26%. In comparison, this segment makes up 21-22% in Clark County, Washington State, and the United States. Conversely, Longview had 22% in the 30-49 age group (24% in Cowlitz), compared to 26-27% in these other geographies.



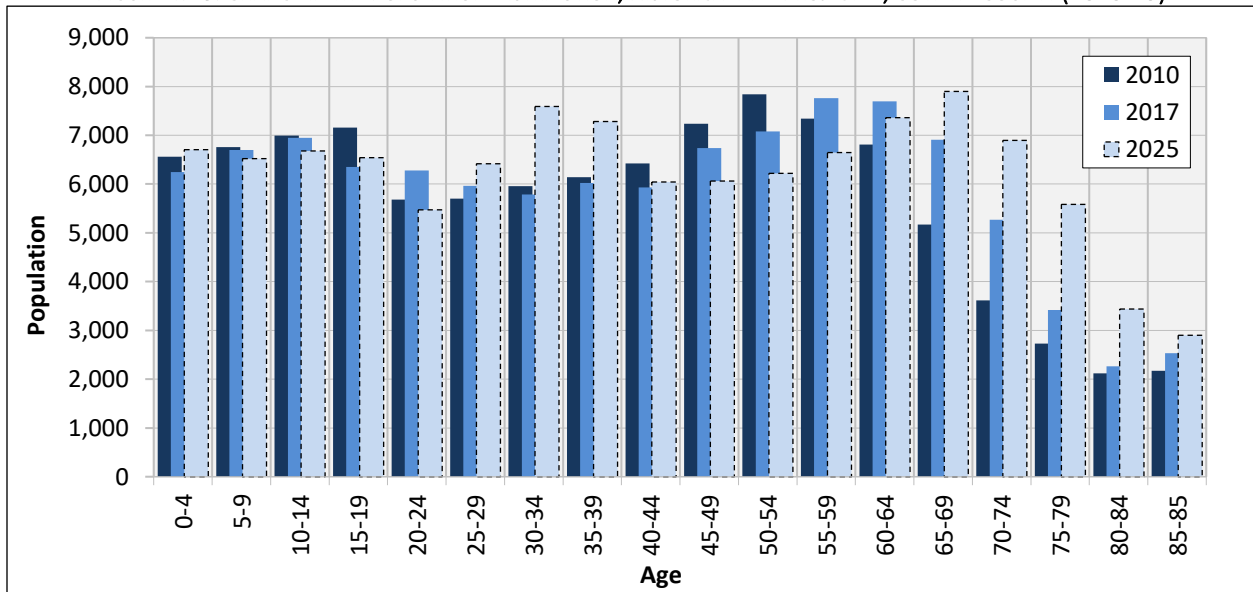
FIGURE 4.15: POPULATION DISTRIBUTION, PORTLAND METRO AREA AND UNITED STATES (2016)



SOURCE: U. S. Census Bureau, JOHNSON ECONOMICS

On the county level, the major shifts since the 2010 decennial census is an increase in young adults (+600 age 20-24), a decrease in the late family-stage (-1,750 age 40-54), and an increase in the 55+ population (+5,900). The latter is in line with national trends, reflecting the aging of the baby boomers. By 2025, the Washington State Office of Financial Management (OFM) projects that the previous growth in the young-adult segment will be eliminated, and that there will be strong growth in the early family-stage (+3,500 age 25-39) and among seniors (+6,300 age 65+). These projections indicate increased demand for affordable single-family homes (attached and detached) appropriate for young families as well as increased demand for senior-friendly housing (single- and multifamily).

FIGURE 4.16: CHANGE IN THE POPULATION DISTRIBUTION, HISTORICAL AND PROJECTED, COWLITZ COUNTY (2010-25)



SOURCE: WA Office of Financial Management, JOHNSON ECONOMICS



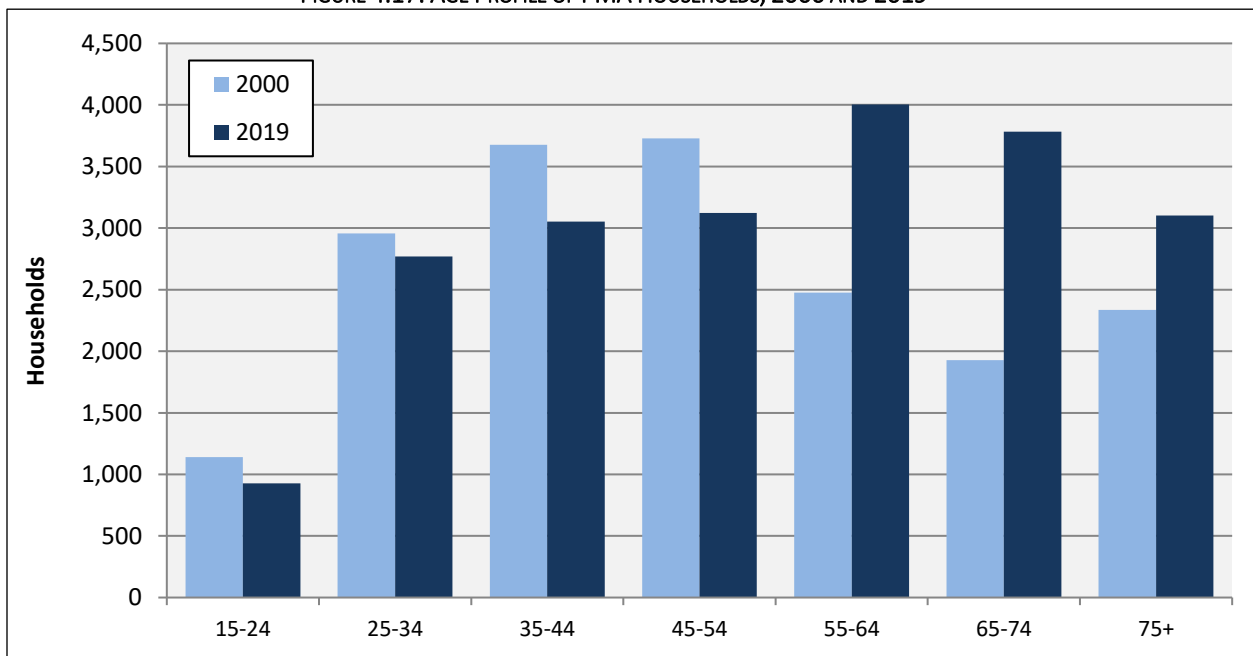
HOUSEHOLDS

Household trends tend to mirror population trends closely. In the following, we present historical household estimates by age and income for the residential market area (Longview PMA) defined for the subject site. The estimates are provided by Environics (form. Nielsen Claritas), which extrapolates trends in census data, providing current-year (2019) estimates as well as decennial census estimates from 2000.

According to Environics, the PMA has grown from 18,200 to 20,800 households since the turn of the millennium. This increase of roughly 2,500 households translates into average annual growth of 0.7%. This compares to an average countywide growth rate of 0.8% and a city-wide rate (Longview) of 0.5% over this period.

The following chart shows how the household growth in the PMA has been distributed across age groups since 2000. The historical growth since 2000 is largely in line with county-wide population growth, reflecting declines among family-age households and growth among empty nesters and seniors.

FIGURE 4.17: AGE PROFILE OF PMA HOUSEHOLDS, 2000 AND 2019

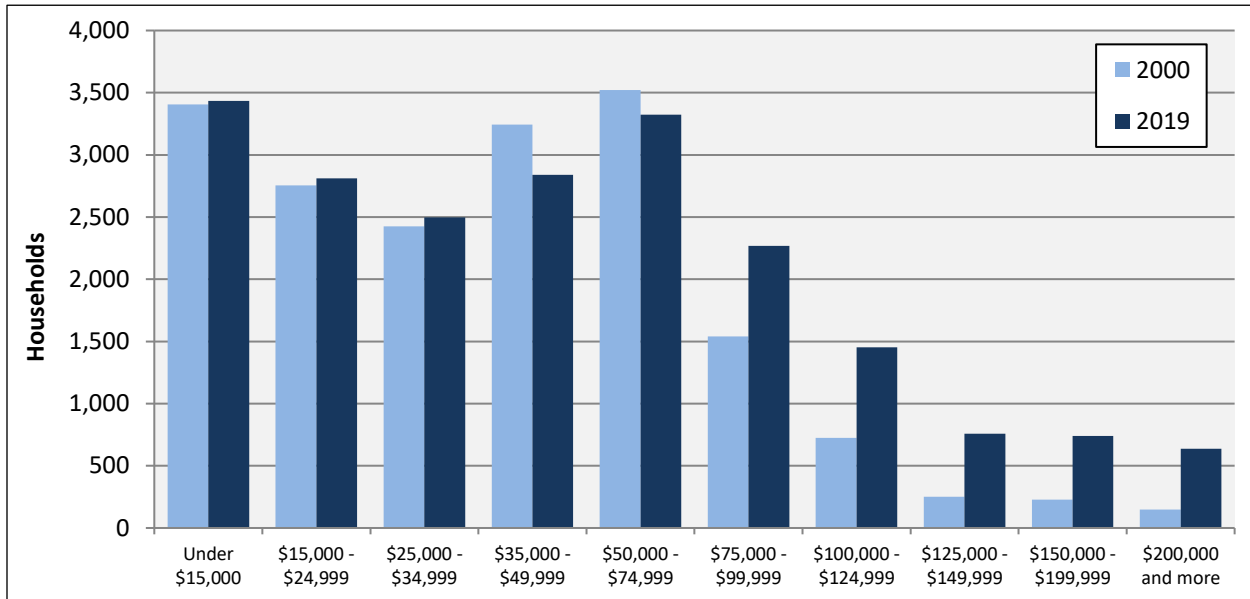


SOURCE: Environics

With respect to income, the strongest growth since 2000 has taken place in mid/upper- and upper-income categories, in line with wider trends in the Pacific Northwest (see next page). Income brackets below \$75,000 have seen declines or very limited growth. Note that part of the shift to higher income levels can be attributed to inflation, which is roughly 50% over the period, shifting the incomes of all residents upward.



FIGURE 4.18: INCOME PROFILE OF PMA HOUSEHOLDS, 2000 AND 2019



SOURCE: Envirionics

The following matrix displays the change in household counts over the 2000-19 period broken down by age and income, as estimated by Envirionics. As the chart indicates, declines among low-income households is disproportionately taking place at the younger age levels, partly masking growth at higher income levels in these age groups. The 25-34 segment is particularly important to apartment demand – across all income levels. This segment has seen an increase of 620 households above \$100,000, offset by a greater decrease at lower income levels. Older segments also contribute to apartment demand, though primarily at low- and middle-income levels, where there has been considerable growth over the past two decades. Among seniors (65+), there was an increase of 1,800 households below \$75,000 over the period. Demand for single-family housing is primarily from households with incomes above \$75,000, especially between 35 and 64 years of age. This segment increased by 1,500 households since 2000, partly offset by declines of 1,200 households at lower income levels.

FIGURE 4.19: HISTORICAL HOUSEHOLD CHANGE BY AGE AND INCOME (2000-19)

2000-2019	Age Cohort							Total
Income Cohort	15-24	25-34	35-44	45-54	55-64	65-74	75+	
< \$15,000	-281	-114	-54	8	428	204	-164	27
\$15,000 - \$24,999	-101	-139	-178	-43	256	195	66	56
\$25,000 - \$34,999	107	-234	-157	-164	42	237	242	73
\$35,000 - \$49,999	-12	-150	-209	-257	-59	132	152	-403
\$50,000 - \$74,999	23	-171	-538	-358	100	464	282	-198
\$75,000 - \$99,999	64	257	145	-200	167	210	86	729
\$100,000 - \$124,999	-13	182	158	54	136	186	27	730
\$125,000 - \$149,999	3	110	82	107	131	53	23	509
\$150,000 - \$199,999	-5	50	100	120	129	92	24	510
\$200,000+	3	23	28	128	196	81	29	488
TOTAL:	-212	-186	-623	-605	1,526	1,854	767	2,521

SOURCE: Envirionics



V. RESIDENTIAL MARKET TRENDS

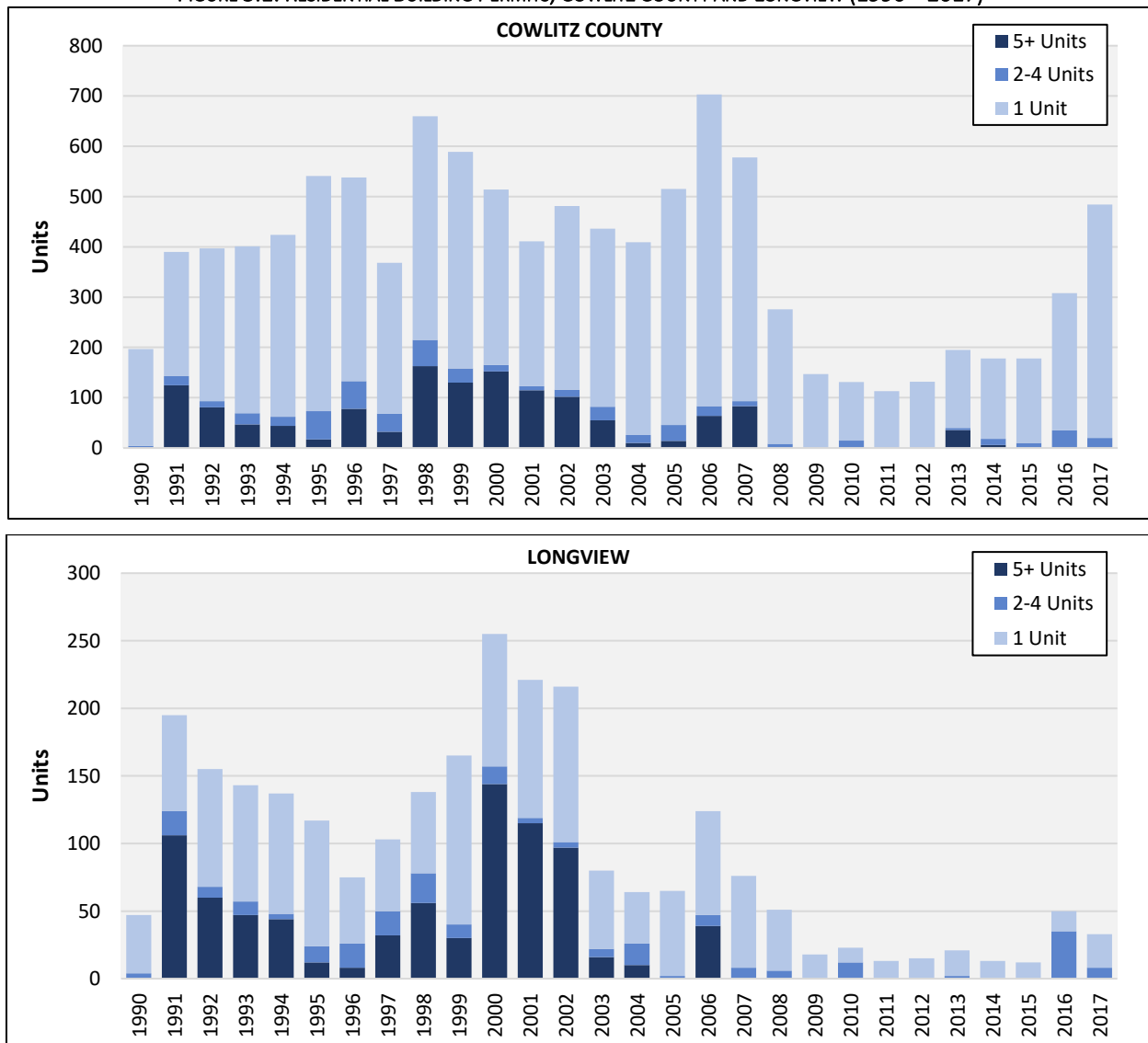
HOUSING CONSTRUCTION

COWLITZ COUNTY

Prior to the last recession, new housing construction totaled 500-700 units per year in Cowlitz County and 200-250 units per year in Longview. During the downturn, the construction activity fell to around 100 units per year countywide and 20 units in Longview. Since then, the level has increased to nearly 500 units in the county and 35-50 in Longview.

Whereas apartments have been a significant contributor to new housing supply in other parts of the Pacific Northwest in recent years, they have only played a marginal role in Cowlitz County. This contrasts with the early 2000s when 100-150 units were built per year, accounting for 25-30% of all new housing units. These were almost exclusively built in Longview, where they represented more than 50% of the new supply. The only apartment project built so far in the current decade is Copperwood Apartments (permitted 2016), with 20 units in five four-unit structures.

FIGURE 5.1: RESIDENTIAL BUILDING PERMITS, COWLITZ COUNTY AND LONGVIEW (1990 – 2017)



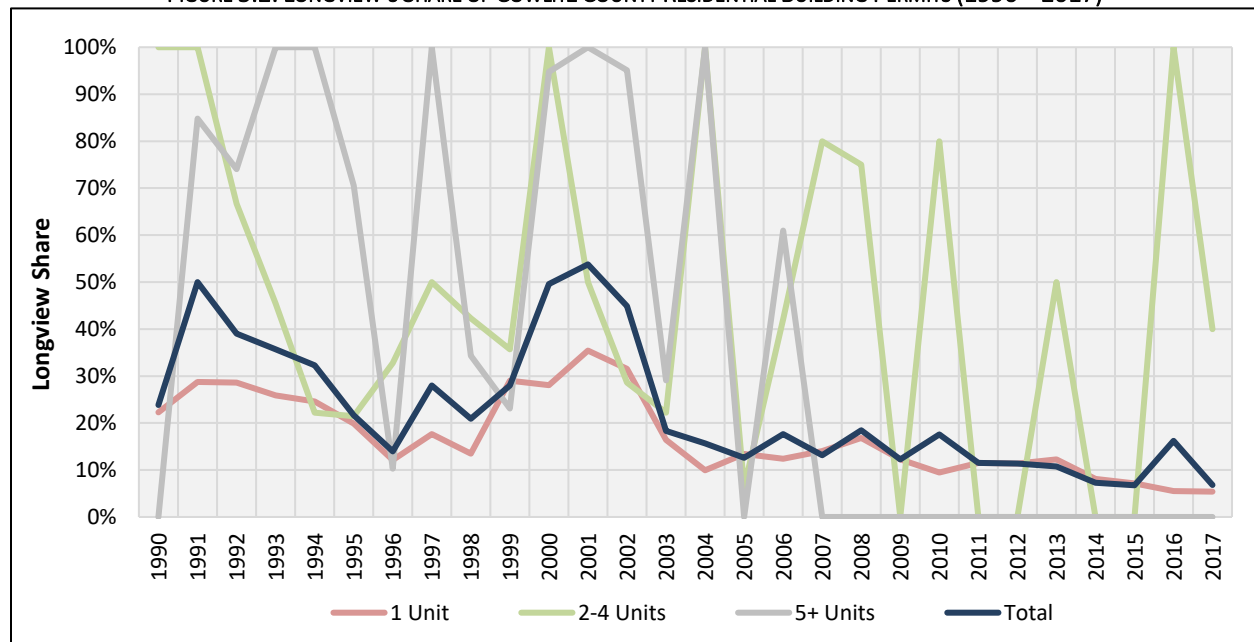
SOURCE: U.S. Census Bureau, HUD, JOHNSON ECONOMICS



Longview's share of new residential supply in Cowlitz County has declined since the turn of the millennium, when it for a short period represented 50% of all new housing units. In the current decade, the share has hovered around 10%. In 2017, which is the most recent year for which full-year permit data is available, Longview's share was as low as 7%. This was also Longview's share in 2014 and 2015.

Longview has traditionally had more multifamily construction than other parts of the county, and its share of countywide multifamily supply has therefore been somewhat higher than for single-family units. During the 2000s, Longview represented 18% of all new single-family units, 59% of new units in 2-4-unit structures, and 71% of new units in structures with more than five units. In the current decade, Longview has supplied 8% of the new single-family supply, 59% of the new 2-4-unit supply, and 0% of the new 5+ unit supply.

FIGURE 5.2: LONGVIEW'S SHARE OF COWLITZ COUNTY RESIDENTIAL BUILDING PERMITS (1990 – 2017)



SOURCE: U.S. Census Bureau, HUD, JOHNSON ECONOMICS

SINGLE-FAMILY MARKET TRENDS

In the following we will discuss market trends in the single- and multifamily markets respectively. In Longview, these two categories roughly correspond to ownership and rental markets. There is a small number of multifamily ownership units (stacked flats condominiums), but this development form is virtually non-existent in new projects in the region currently due to development financing hurdles and risks related to construction defect lawsuits. This housing form is therefore largely irrelevant for the subject site in the current environment. Likewise, single-family rentals, although accounting for a significant share of the single-family inventory, are generally not determinative of new development, as new single-family development is driven by achievable home prices, which are determined in the for-sale (ownership) market. In this subsection we therefore focus on single-family sales trends, while the following subsection will focus on multifamily rental trends. The single-family segment includes townhome and duplex units on condominium land.

SALES VOLUME

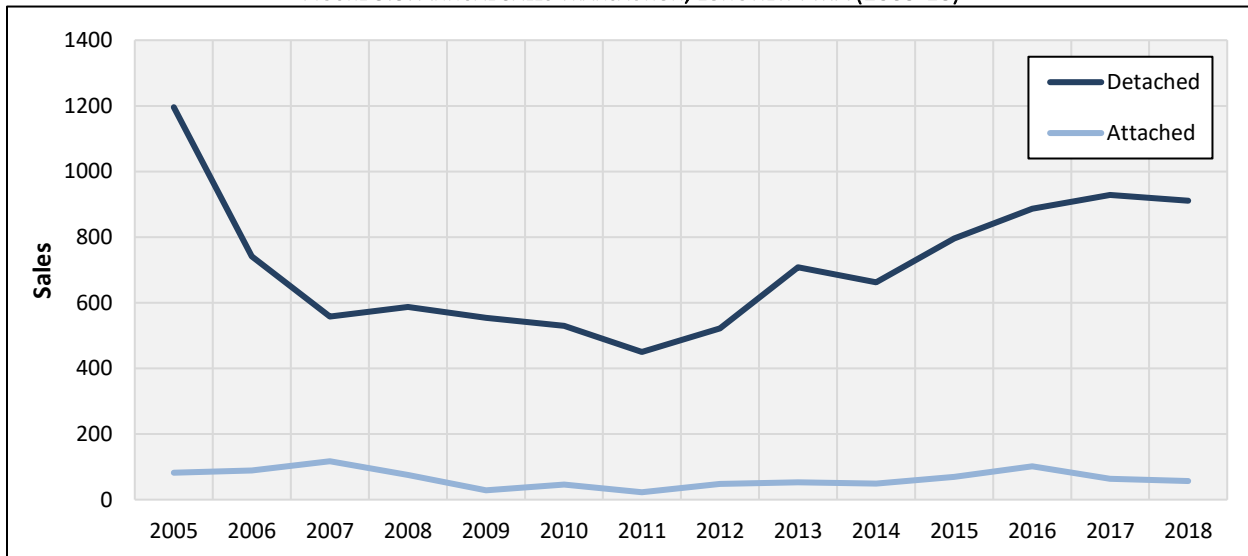
The market for single-family homes in Longview was hard hit by the mid-2000s foreclosure crisis and ensuing recession. Declines in the annual sales volume continued until 2012, as they did in Cowlitz County as a whole. In



contrast, Clark County bottomed in 2009, although prices continued to fall until 2011. In the Longview market (PMA), the number of annual sales transactions fell from around 1,300 transactions at the pre-recession peak to around 470 in 2011. The market recovered gradually over the following years, reaching nearly 1,000 sales in 2017 before declining moderately in 2018. The recent decline is in line with wider trends, largely reflecting the impact of rising interest rates. However, other nearby markets, like Clark County and the Portland Metro Area, peaked already in 2016.

The following chart displays sales trends for detached and attached single-family homes in the Longview PMA market. The market area roughly corresponds to Longview city limits but includes unincorporated areas around Mount Solo and along Ocean Beach Highway, as well as hillside areas to the north (Coal Creek, Longview Heights, and Beacon Hill). Note that the chart combines data from Cowlitz County (2012-18) and RMLS (2005-11), with adjustments to the latter to account for sales not listed in the RMLS system. Attached homes, on fee simple and condo land, have totaled 50-100 sales per year over the past five years, accounting for 6-10% of the single-family market.

FIGURE 5.3: ANNUAL SALES TRANSACTION, LONGVIEW PMA (2005-18)



SOURCE: Cowlitz County, RMLS

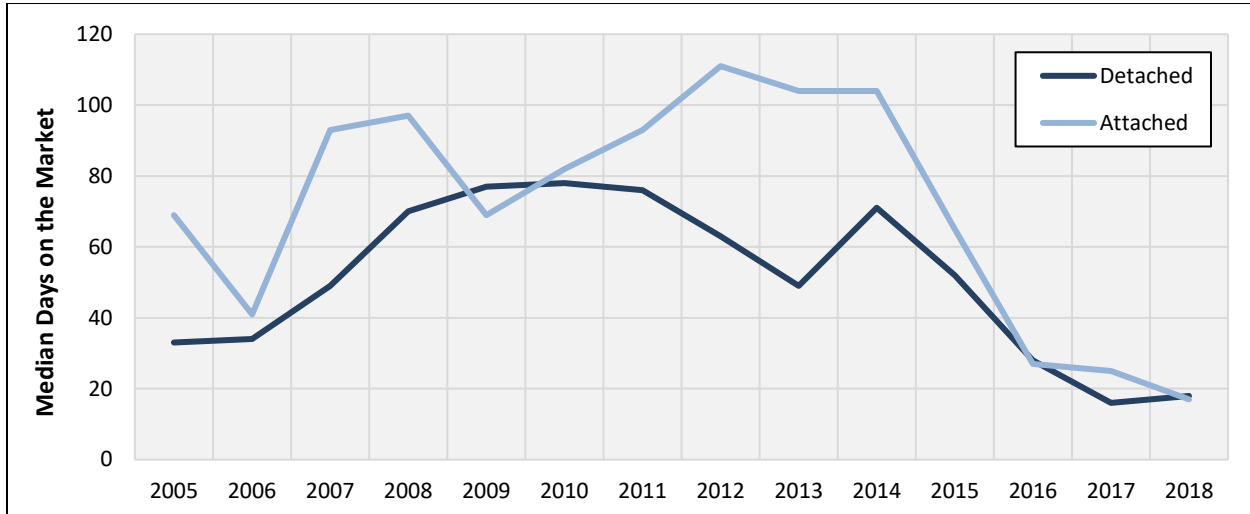
MARKET TIME

The median market time for homes listed for sale is an indicator of the market's supply-demand balance. In times of strong demand and tight supply, homes are purchased quickly, while the opposite is the case in times of oversupply. The last downturn led to a supply glut in residential markets nationwide, particularly in suburban areas with a lot of new homes. Longview did not go through the same building boom as many other areas in the mid-2000s, and therefore did not see the same increase in homes for sale as the housing crisis unfolded. The median market time in Longview went from 35 days in 2005 to a peak of 78 days in 2010, while Clark County went from 44 to 156 over the 2005-09 period. Both markets have seen declines in the market time since, with Longview reaching 17-18 days in 2017 and 2018 and Clark County reaching a low of 48.

The market for attached homes was particularly hard hit during the last downturn. This is due to their buyers generally being younger, and thus more prone to losing their jobs during recessions (less seniority) as well as having less home equity and thus being more likely to be foreclosed on. In Longview, attached homes reached a median market time of 111 days in 2012, while detached homes peaked at 78 days in 2010. However, by 2018, the two home types had roughly the same median market time (17 for attached homes and 18 for detached homes). Note that it is normal that detached homes have lower market times than attached homes, reflecting that detached homes represent a larger market where buyer preferences are more easily matched with available supply. Current market times therefore indicate an undersupply of attached homes.



FIGURE 5.4: MEDIAN DAYS ON THE MARKET, LONGVIEW PMA (2005-18)

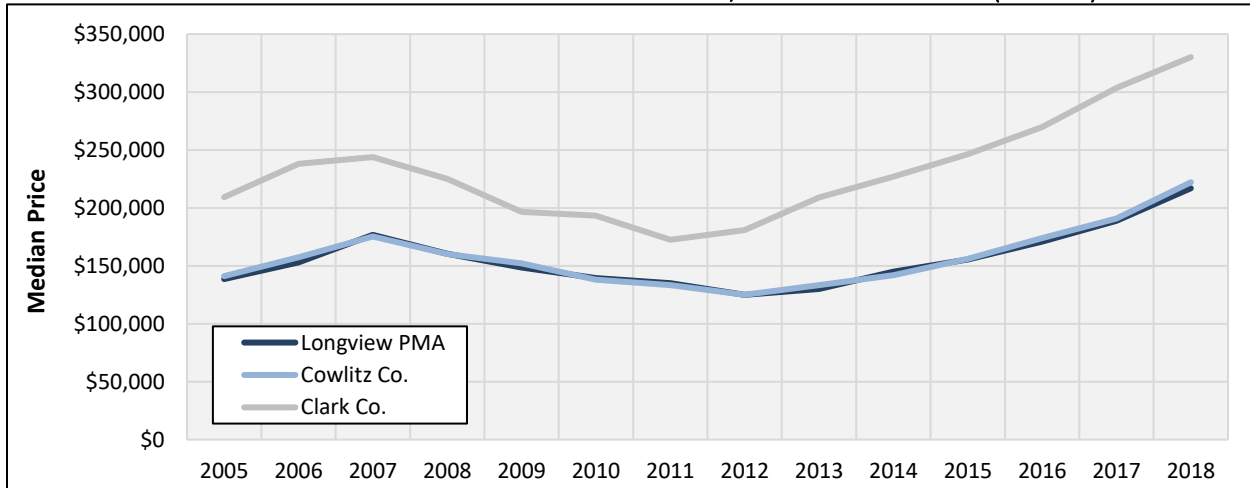


SOURCE: Cowlitz County, RMLS

PRICING

Home prices have risen rapidly over the past years as the supply has declined and demand has picked up. Longview's median home price is nearly identical to that of Cowlitz County, reflecting that it makes up 55% of the countywide market. Prior to the last downturn, Longview reached a peak at \$177,000 in 2007, before falling to \$125,000 by 2012. Longview had recovered the loss by the second half of 2016, and by 2018 the median price had risen to \$217,000. This represents an increase of 74%, or 9.6% per year on average – in line with the Clark County trend. However, the increase since the 2007 peak is only 23%, or 1.9% per year on average, compared to 2.8% in Clark County. Longview's price appreciation accelerated in 2018, increasing 15%, compared to 9% in Clark County. Longview's median price currently represents a 2% discount to the countywide median and a 24% discount to Clark County.

FIGURE 5.5: MEDIAN SALES PRICE FOR SINGLE-FAMILY HOMES, GEOGRAPHIC COMPARISON (2005-18)



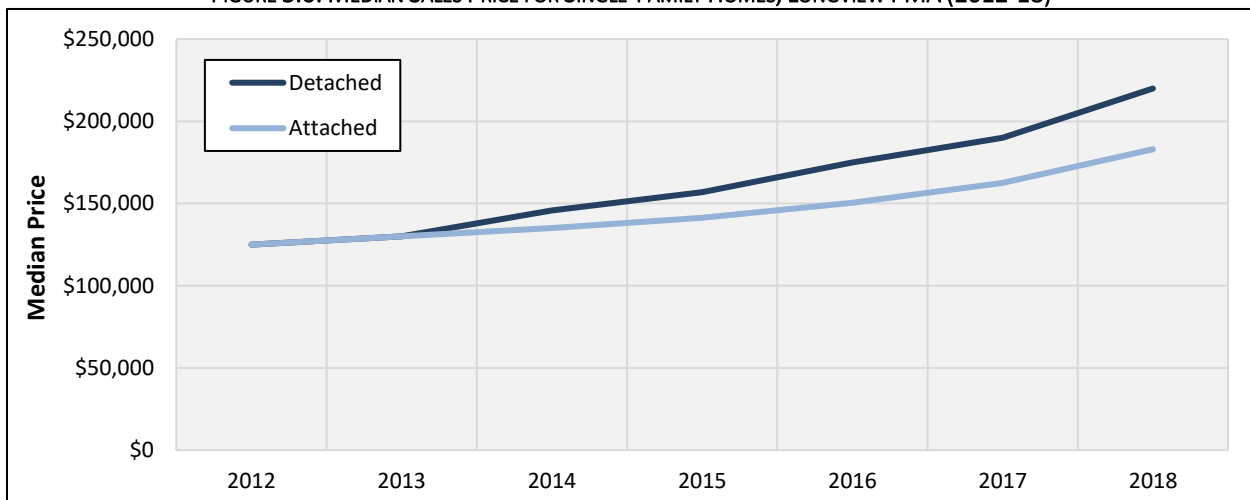
SOURCE: Cowlitz County, RMLS

Detached homes have seen stronger price gains than attached homes in Longview in the current recovery. In 2012 both home types had a median price level of \$25,000. In 2018, the median price for detached homes was \$220,000, while the median for attached homes was \$183,000. The average annual price increase over this six-year period was 9.9% for detached homes and 6.6% for attached homes.



The stronger price gains for detached homes seems contrary to the observation that attached homes have exhibited stronger improvement in market times over this period. One explanation is the change in the mix of homes sold within the two categories over this period. The most affluent homeowners, who tend to own single-family homes, generally avoided selling during the downturn, but are accounting for an increasing share of the market as prices have risen. Thus, the single-family homes sold in 2018 were generally larger and of higher quality than those sold in 2012. In the market for attached homes, investors buying properties for rentals made up a large share of the transactions during the downturn. Many of these have sold their investments in recent years, in order to cash in the appreciation. Thus, a relatively large share of the recent attached sales are former rental homes of relatively basic standard, putting downward pressure on median prices. We have observed this dynamic in other markets in the region in recent years. With a repeat-sales index, which compares prices for the same homes over time, the price trends for the two home types may have been more similar.

FIGURE 5.6: MEDIAN SALES PRICE FOR SINGLE-FAMILY HOMES, LONGVIEW PMA (2012-18)



SOURCE: Cowlitz County, RMLS

MULTIFAMILY MARKET TRENDS

As indicated in the introduction to single-family market trends, this subsection will focus on trends in the rental market, as multifamily ownership housing (stacked flats condominiums) is an unlikely development form for the subject site in the current environment.

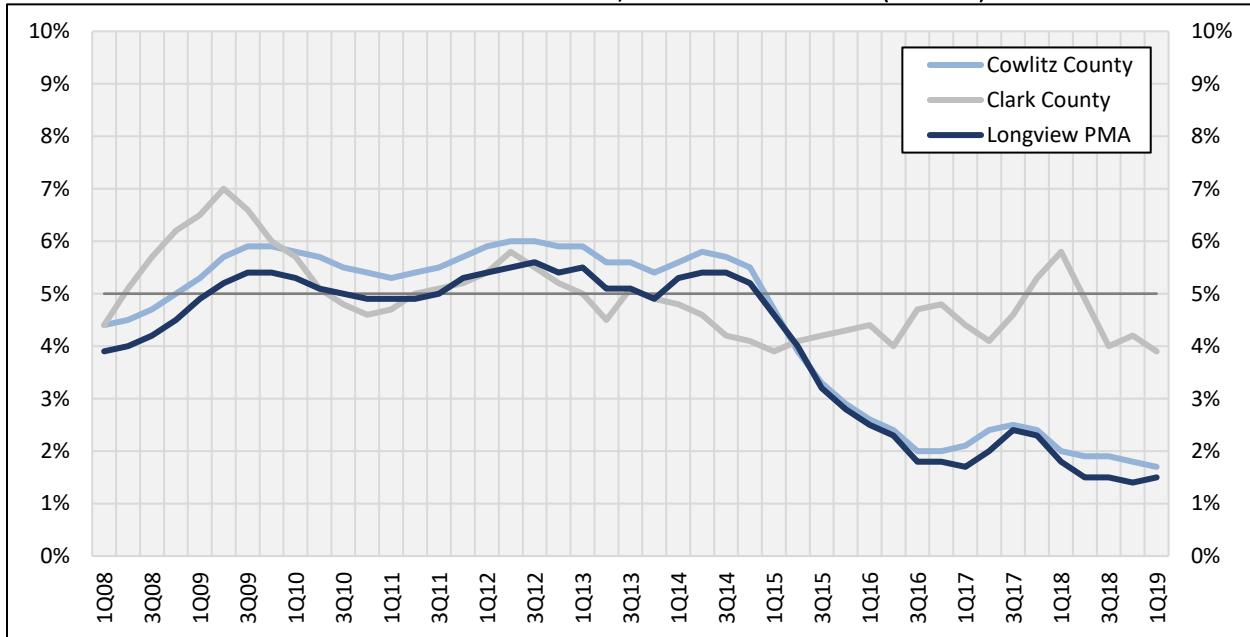
VACANCY

Vacancy rates are unusually low in Longview and Cowlitz County currently, both in a historical and regional context (see chart next page). As of 1Q19, CoStar estimates the vacancy rate in Longview to be 1.5%, and 1.7% in Cowlitz County (Longview represents 76% of the Cowlitz County apartment market). A 5% rate is typically considered a healthy balance of supply and demand, where rent growth stays in line with income growth. Longview's vacancy rate hovered around the 5% mark between 2009 and 2014, but thereafter declined rapidly toward the current level.

The vacancy trend in Longview and Cowlitz County can be compared to that of Clark County, which like Longview hovered around 5% in the early part of this business cycle. However, Clark County had somewhat lower vacancy in 2014, when the county experienced a surge in job growth. But from mid-2015, the Clark County rate began to climb as a boom in apartment construction added new units to the market. Between 2015 and 2018, Clark County increased its apartment supply by 4,600 units, or 15%. In Longview, on the other hand, there was virtually no new supply over this period. Apart from Copperwood Apartments, which added 20 units to the market in 2017 (representing 1.2% inventory increase), there has been no major project built in Longview over the past 20 years. The undersupply ensures high occupancy rates at existing properties, causing listed vacancies to be leased quickly.



FIGURE 5.7: RENTAL VACANCY TREND, GEOGRAPHIC COMPARISON (2008-19)

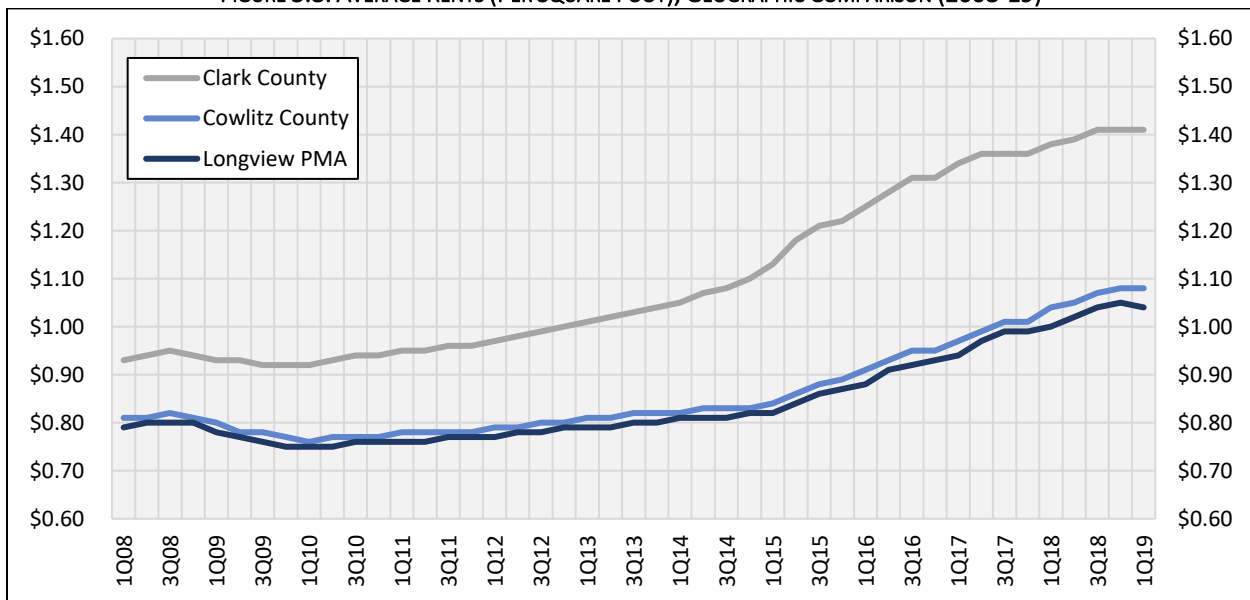


SOURCE: CoStar

RENTS

As of 1Q19, the average rent level in Longview is \$1.04 per square foot (PSF), compared to \$1.08 in Cowlitz County and \$1.41 in Clark County. The spread represents a discount of 3.7% to the county average and 26.2% to the Clark County average. The spread to the Clark County rate has widened in recent years, from 16.1% ten years ago, likely reflecting that Clark County has had stronger job growth (demand side) and has added several well-amenitized new projects (supply side). However, the spread has narrowed somewhat over the past three-four years, as Longview's lower vacancy has put more upward pressure on rents.

FIGURE 5.8: AVERAGE RENTS (PER SQUARE FOOT), GEOGRAPHIC COMPARISON (2008-19)



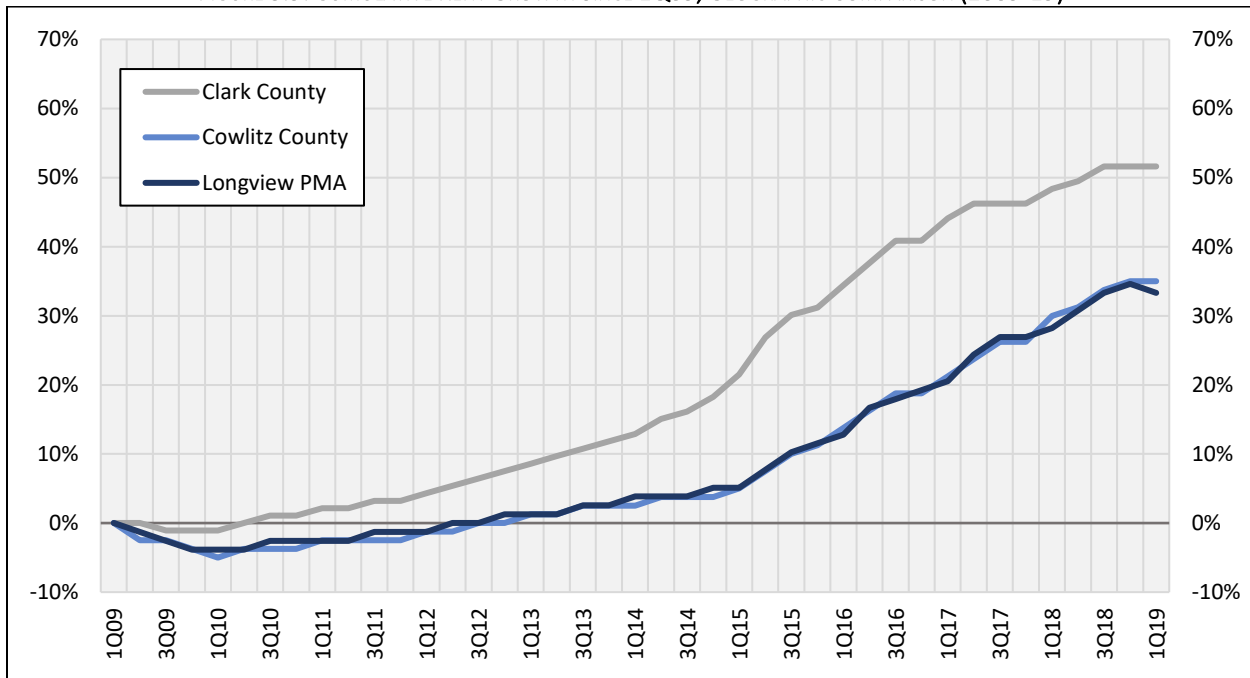
SOURCE: CoStar



Total rent growth in Longview over the past ten years is 33%. This compares to 35% in Cowlitz County and 52% in Clark County. On a year-over-year basis, the rent growth in Longview peaked at 8.2% per year in 2Q16, thereafter decelerating to 4.0% in 1Q19. In comparison, Clark County reached 12.0% annual rent growth in mid-2015, which sparked development activity and thus contributed to the current construction boom. However, the new supply has cooled the market in Clark County, and slowed the rent growth to 2.2% as of 1Q19.

The current 4.0% rent growth in Longview is relatively low considering the current low vacancy rate. This indicates that the current occupancy pressure is on the most affordable units, and that the appetite for high-rent supply is limited. Note that with wage growth at 4.2% per year as of the most recent reading, the affordability of rental units remains constant for the average employed worker. However, judging from recent median income estimates from the Census Bureau, the typical household is currently experiencing decreased affordability.

FIGURE 5.9: CUMULATIVE RENT GROWTH SINCE 1Q09, GEOGRAPHIC COMPARISON (2009-19)



SOURCE: CoStar

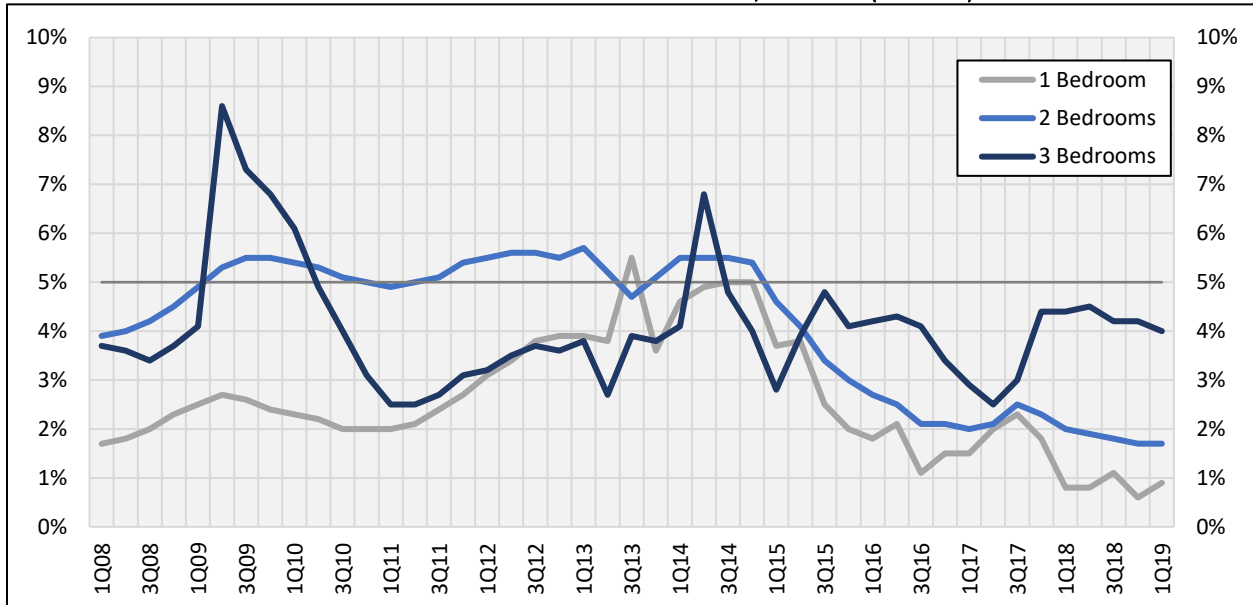
TRENDS BY UNIT TYPE

In the following, we display vacancy and rent trends by number of bedrooms in Longview, covering one-, two-, and three-bedroom units. According to CoStar, the apartment stock in the Longview PMA is 32% one-bedrooms, 50% two-bedrooms, 9% three-bedrooms, and 8% other units.

One-bedroom units have exhibited the lowest vacancy rates in Longview over the past four years, and currently sit at a 0.9% vacancy rate. Three-bedroom units have had the highest rates over this period, part of which can likely be attributed to the smaller inventory of three-bedroom units, which makes it more difficult to match available units with renter preferences. The current vacancy rate for three-bedroom units is 4.0%. Two-bedroom units, which make up 50% of the market, have had vacancy rates between one- and three-bedroom units, and currently sit at 1.7%. Judging from these rates, both one- and two-bedroom units are grossly undersupplied in this market, while three-bedroom units are close to matching demand.



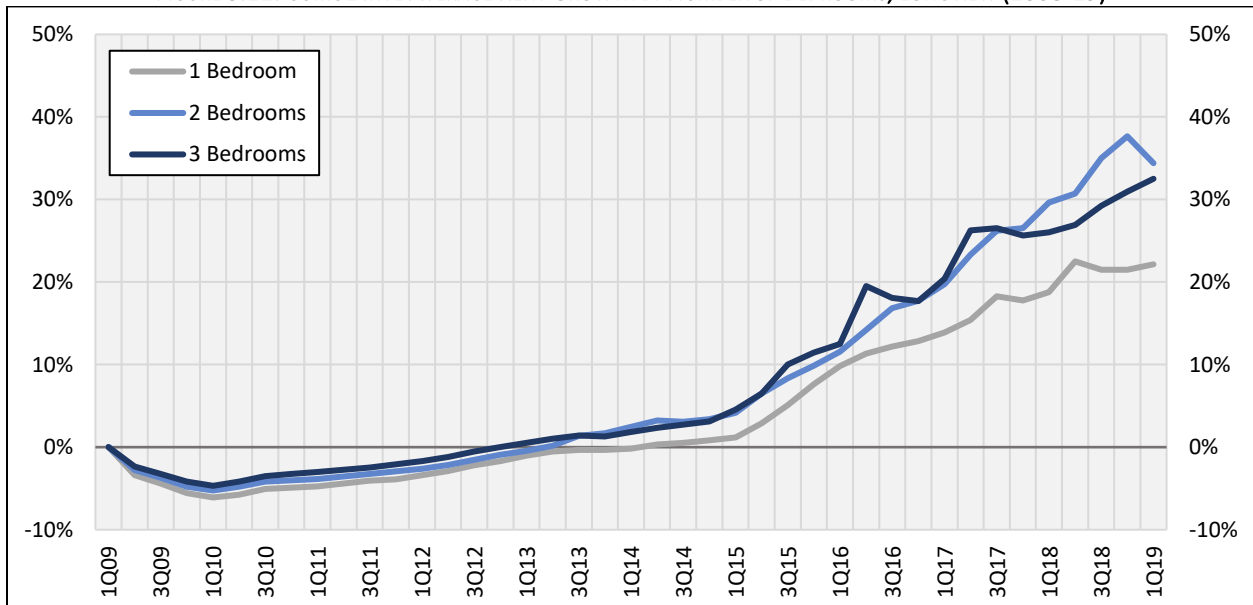
FIGURE 5.10: VACANCY BY NUMBER OF BEDROOMS, LONGVIEW (2008-19)



SOURCE: CoStar

In terms of rent growth, one-bedroom units have underperformed two- and three-bedroom units in recent years. Over the past ten years, the cumulative rent growth for one-bedroom units is 22%, compared to 33% for two-bedrooms and 34% for three-bedrooms. Over the past five years, the rent growth is 22% for one-bedrooms, 31% for two-bedrooms, and 30% for three-bedrooms. The relative weakness of the one-bedroom units appears to contradict the lower vacancy rate seen for this unit type and can only be explained by property managers not fully raising one-bedroom rents to the market-clearing level. The same can be said about two-bedroom units, which also exhibit very low vacancy in the current market.

FIGURE 5.11: CUMULATIVE AVERAGE RENT GROWTH BY NUMBER OF BEDROOMS, LONGVIEW (2008-19)

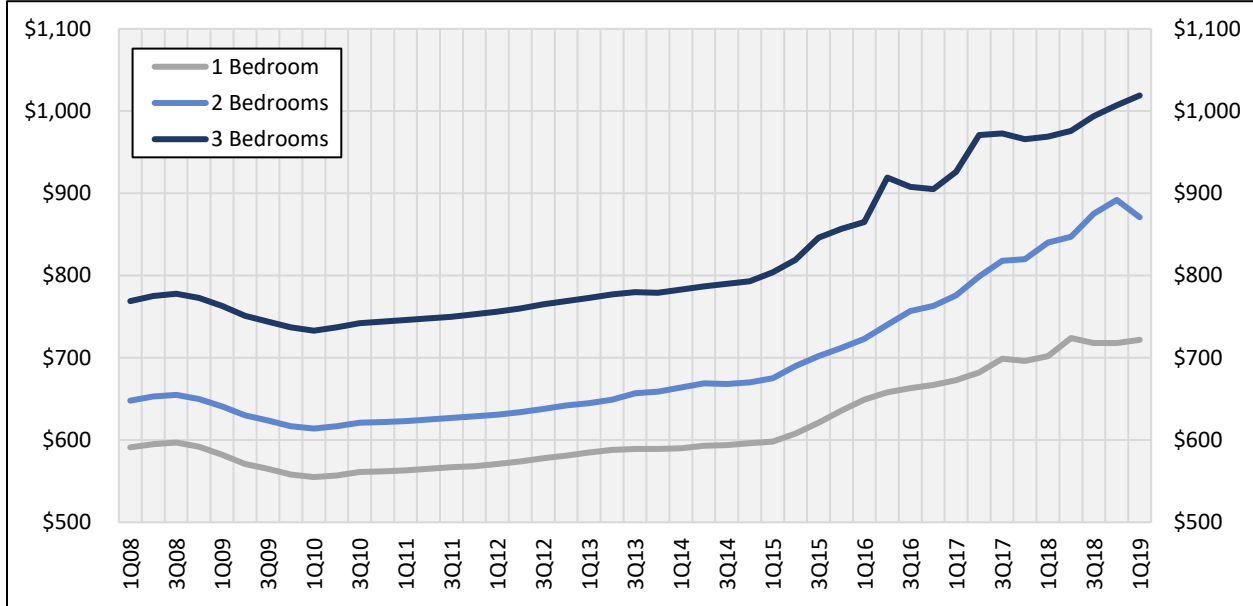


SOURCE: CoStar



According to CoStar, the average apartment in Longview currently rents for \$823 per month. The average one-bedroom unit rents for \$722, the average two-bedroom for \$871, and the average three-bedroom \$1,019. The spread between one-bedrooms and larger units has widened over the past four years as rents have been raised more rapidly for the larger units. Note that with only 20 new units added to the market over the past 20 years, the apartment inventory in Longview is relatively dated. These rent levels are therefore poor indicators of achievable rents at new projects.

FIGURE 5.12: AVERAGE RENT BY NUMBER OF BEDROOMS, LONGVIEW (2008-19)



SOURCE: CoStar



VI. OWNERSHIP MARKET SURVEY

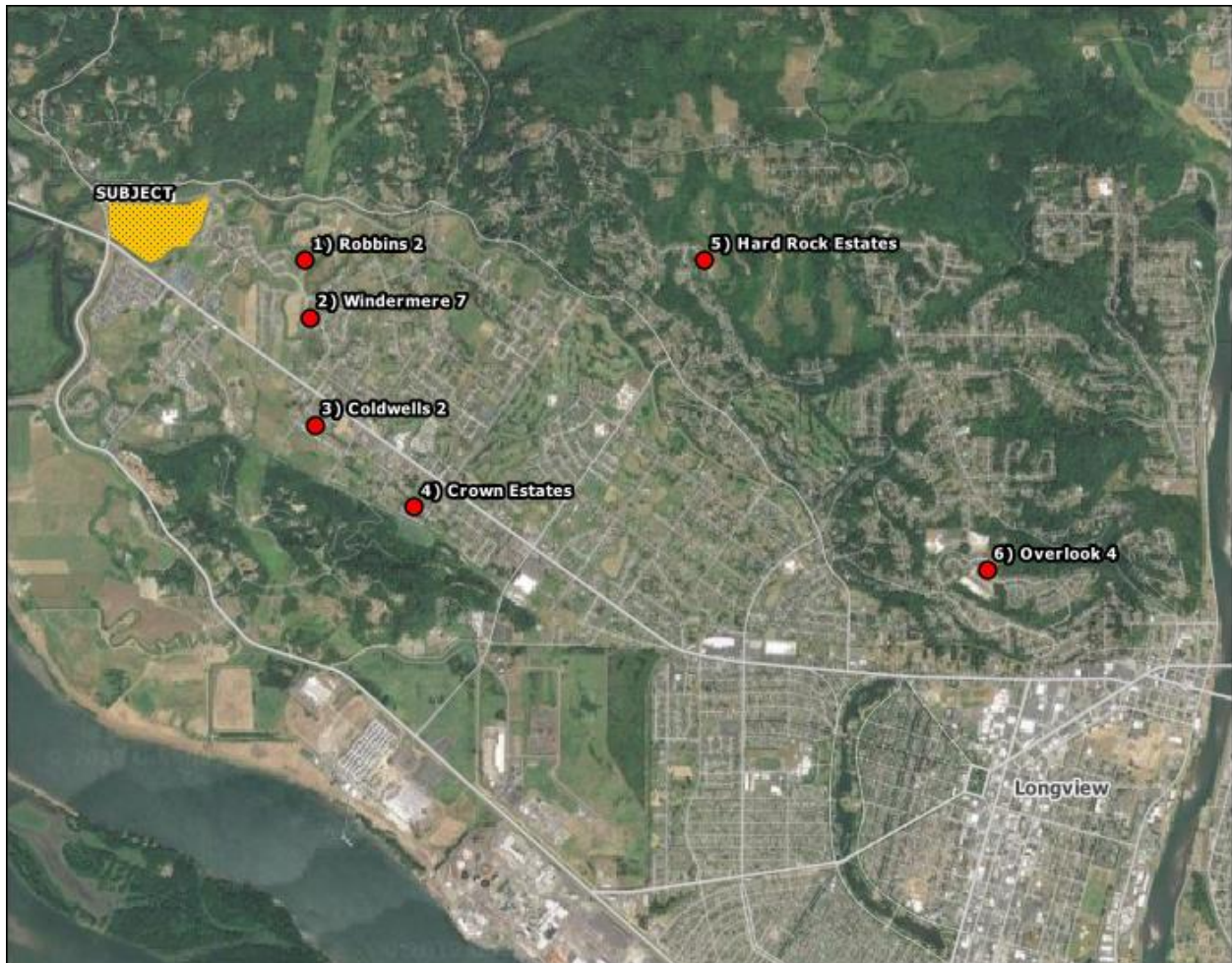
COMPETITIVE SURVEY

JOHNSON ECONOMICS conducted a survey of six single-family for-sale developments in Longview for this analysis. These include the most recent subdivisions in the city within the market for small- and mid-size lots. Very few developments have been initiated in the current development cycle, and most of the surveyed projects were started prior to 2008. However, our analysis focuses on lots and homes built and sold in the current cycle. None of the surveyed projects include attached homes, as the only recent project of this format is West Pointe, a rental project surveyed earlier.

The following map shows the locations of the surveyed developments. Four of the six projects are in the Ocean Beach Highway corridor in West Longview, within two miles of the subject site. These all have a basic profile. The remaining two projects are more upscale, offering view lots and larger homes.

Profiles of the projects are included over the next pages. Note that price estimates reflect sales transactions since 2012, adjusted to current levels through a repeat-sales index developed for the Longview market.

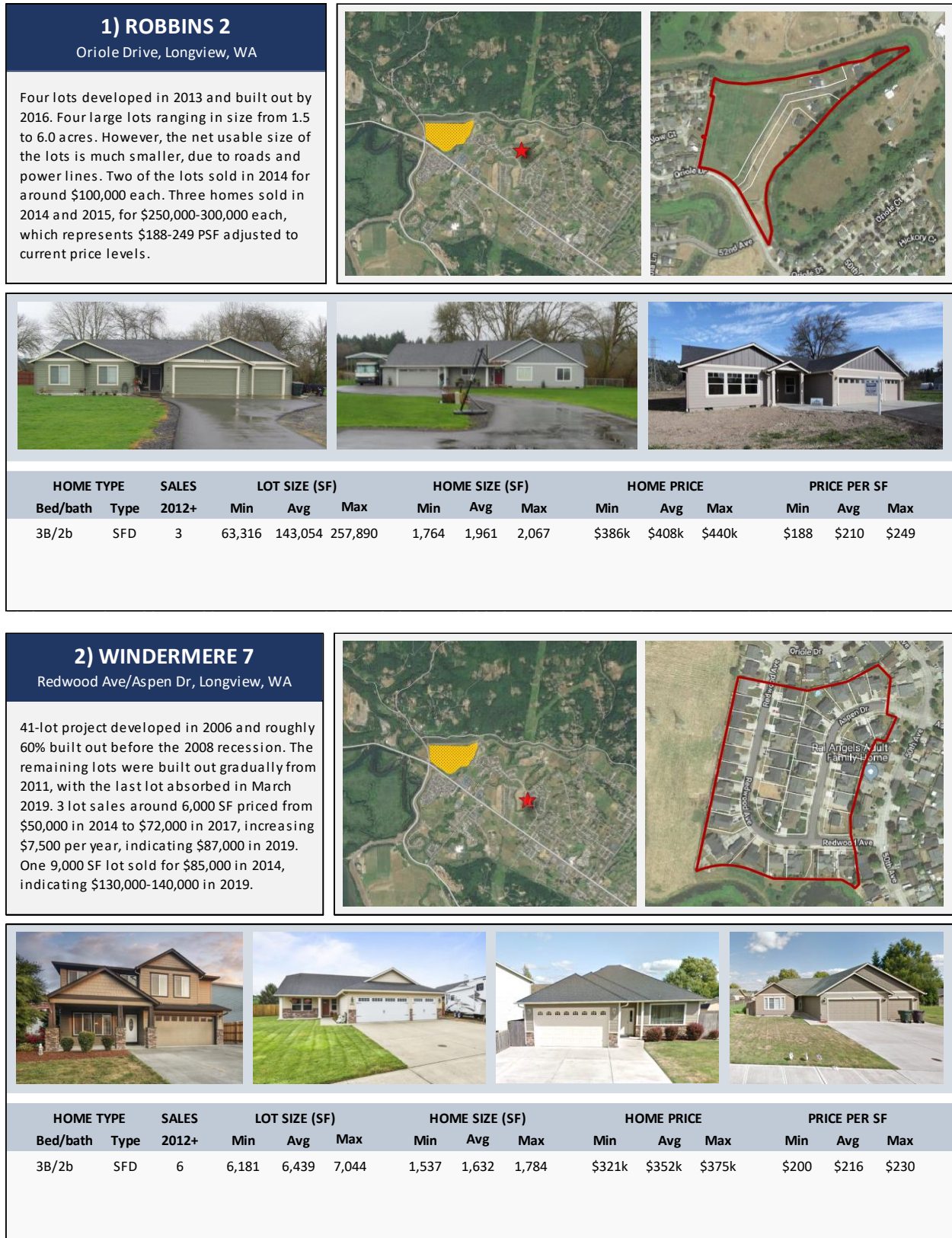
FIGURE 6.1: MAP OF SURVEYED OWNERSHIP PROJECTS



SOURCE: Google Earth, QGIS, JOHNSON ECONOMICS



FIGURE 6.2: PROFILES OF SURVEYED OWNERSHIP PROJECTS

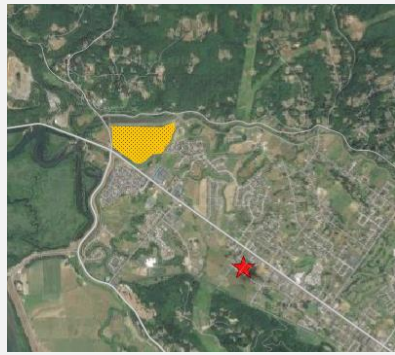




3) COLDWELLS 2

48th Avenue, Longview, WA

Subdivision from the late 1980s, mostly built out in the 1990s. Four homes were built in the early 2000s, while six 6,000 SF lots remained unbuilt until purchased by a builder for \$45,000 each in 2018. Four of the lots have been built and sold (one pending), at prices in the \$250k-300k range. The dated homes in the subdivision put downward pressure on lot and home prices.

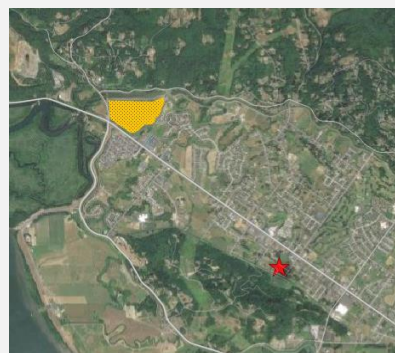


HOME TYPE		SALES	LOT SIZE (SF)			HOME SIZE (SF)			HOME PRICE			PRICE PER SF		
Bed/bath	Type	2012+	Min	Avg	Max	Min	Avg	Max	Min	Avg	Max	Min	Avg	Max
3B/2b	SFD	3	6,000	6,111	6,296	1,260	1,356	1,549	\$267k	\$277k	\$294k	\$190	\$205	\$214

4) CROWN ESTATES

42nd Avenue, Longview, WA

26-lot subdivision located along Evergreen Street at the foot of Mount Solo. Partially developed in 2005, but sat unfinished until purchased for \$220,000 (\$8,500/lot) in 2012 and completed in 2013. Homes sold between 2014 and 2018 for \$175,000-270,000. Seven finished lots sold for \$35,000-38,500 in 2016 and 2017.



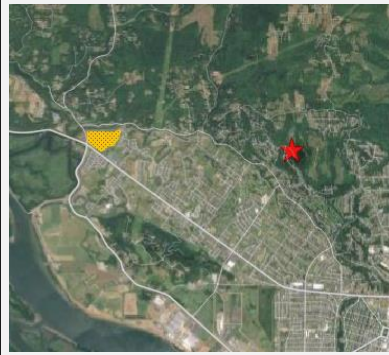
HOME TYPE		SALES	LOT SIZE (SF)			HOME SIZE (SF)			HOME PRICE			PRICE PER SF		
Bed/bath	Type	2012+	Min	Avg	Max	Min	Avg	Max	Min	Avg	Max	Min	Avg	Max
3B/2b	SFD	12	5,944	6,623	10,149	1,214	1,472	1,640	\$266k	\$286k	\$304k	\$174	\$196	\$233
3B/2.1b	SFD	1	6,646	6,646	6,646	1,748	1,748	1,748	\$335k	\$335k	\$335k	\$192	\$192	\$192
4B/2.1b	SFD	3	6,439	8,165	10,554	1,762	2,034	2,568	\$305k	\$337k	\$385k	\$150	\$168	\$182



5) HARD ROCK ESTATES

Curtis Drive, Longview, WA

View lots. Site and lot development started in 2000, and five homes were built during the 2000s. The remaining lots changed hands in 2015, and two larger spec homes were built in 2018. One sold in February 2019 (\$151 PSF), while the other was pending as of mid-April (asking \$164 PSF) after being on the market for nearly a year. A smaller home from 2007 sold in late 2018 (\$169 PSF).

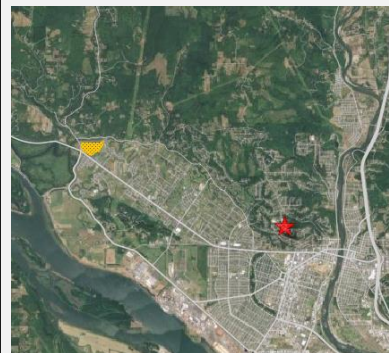


HOME TYPE		SALES	LOT SIZE (SF)			HOME SIZE (SF)			HOME PRICE			PRICE PER SF		
Bed/bath	Type	2012+	Min	Avg	Max	Min	Avg	Max	Min	Avg	Max	Min	Avg	Max
4B/4b	SFD	1	12,251	12,251	12,251	3,415	3,415	3,415	\$516k	\$516k	\$516k	\$151	\$151	\$151

6) OVERLOOK PUD 4

City View Blvd, Longview, WA

Subdivision on City View Boulevard with 53 lots, some with views. Development started in 2006, with a large custom home built in 2009. One home built per year between 2012 and 2014, and four per year between 2014 and 2018. The homes represent a wide span in terms of standard and size (2,200-4,800 SF). Non-view lots sold for \$45,000-70,000 in 2018 (9,000-14,000 SF).



HOME TYPE		SALES	LOT SIZE (SF)			HOME SIZE (SF)			HOME PRICE			PRICE PER SF		
Bed/bath	Type	2012+	Min	Avg	Max	Min	Avg	Max	Min	Avg	Max	Min	Avg	Max
3B/2b	SFD	7	7,785	9,394	11,830	2,213	2,312	2,550	\$463k	\$503k	\$560k	\$188	\$218	\$242
3B/3b	SFD	1	12,378	12,378	12,378	3,468	3,468	3,468	\$825k	\$825k	\$825k	\$238	\$238	\$238
4B/3b	SFD	1	8,142	8,142	8,142	2,846	2,846	2,846	\$499k	\$499k	\$499k	\$175	\$175	\$175

SOURCE: Cowlitz County, City of Longview, NWMLS, Zillow, JOHNSON ECONOMICS



KEY OBSERVATIONS

The survey indicates a somewhat weak market for new single-family homes in Longview, with relatively slow lot and home sales. The four projects located in the Ocean Beach Highway corridor achieved absorption rates of two to three homes per year, calculated as an annual average from the first sale since 2012. Crown Estates represents the highest rate, absorbing 16 homes over a five-year period, possibly helped by being slightly underpriced compared to homes at the other projects.

Among the two North Longview projects, which represent a more upscale market, Overlook 4 has so far achieved the highest absorption rate, averaging 2.7 homes per year, though with four homes sold in each of the past four years. At Hard Rock Estates, two homes have been sold (including one pending) over a one-year period.

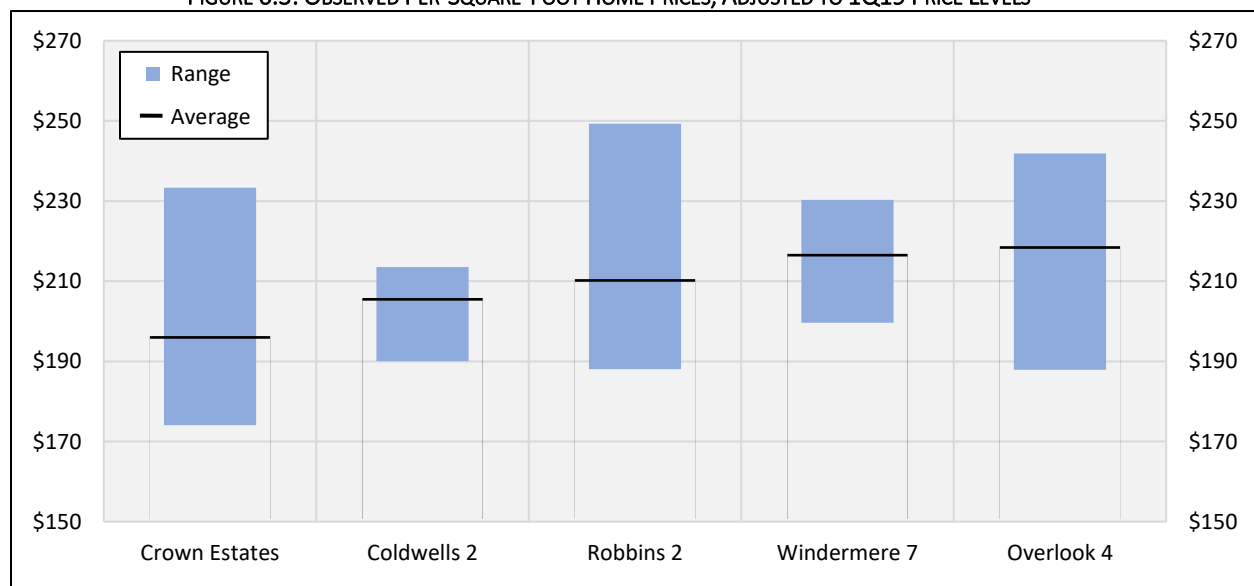
Adjusted to current levels, home prices at the four West Longview projects range from \$266,000 for a 1,200-square-foot house at Crown Estates to \$440,000 for a 2,100-square-foot house on a large lot at Robbins 2. On a per-square-foot (PSF) basis, the adjusted home prices range from \$150 to \$249. Home prices at the two North Longview projects range from \$449,000 to \$825,000, with PSF rates from \$151 to \$238.

The following chart compares price observations for three-bedroom/two-bath homes at five of the six surveyed projects (Hard Rock Estates does not have any three-bedroom homes). Crown Estates represents the lowest pricing, partly reflecting its basic homes; partly reflecting its location at the end of 42nd Avenue, which is characterized by dated industrial and residential properties. Coldwells 2 represents a more attractive setting, though most of the homes in this subdivision are from the 1990s, and therefore do not reflect the potential of a new subdivision.

We regard the best reference point for the subject site to be Windermere 7, which is located close to the subject and represents an up-to-date residential setting, with homes that hold a mid-market standard. However, this project has averaged only two home sales per year in this cycle, which might indicate that it is somewhat overpriced.

Robbins 2 is also located close to the site, but offers lots with unusual configurations, and it is thus difficult to assess how representative it is for a typical subdivision. The highest three-bedroom pricing is achieved at Overlook 4, which captures a premium for its relatively central location as well as for the views offered from some of its lots.

FIGURE 6.3: OBSERVED PER-SQUARE-FOOT HOME PRICES, ADJUSTED TO 1Q19 PRICE LEVELS *



* Adjusted via a repeat-sales index developed for Longview.

SOURCE: Cowlitz County, City of Longview, NWMLS, Zillow, JOHNSON ECONOMICS



Finished lots at the six comparables have sold for \$35,000 to \$100,000 over the 2014-18 period, with lots around 6,000 square feet selling for \$35,000 to 72,000. The lowest lot prices are observed at Crown Estates – in line with its home prices – ranging from \$35,000 to 38,500 in 2016 and 2017. The six lots that until recently remained unbuilt in the older Coldwells 2 subdivision sold to a builder for \$45,000 each in 2018.

At Windermere 7, which we regard to be the best indicator of achievable pricing at the subject site, lot prices were raised roughly \$7,500 per year between 2014 and 2017, from \$50,000 to \$72,000. Continuing this price increase would indicate \$87,000 in 2019. However, as noted, the somewhat slow absorption at this project may indicate overpricing. In comparison, Overlook 4 – which we consider to represent a superior location – sold larger non-view lots for \$45,000 to \$70,000 in 2018.

ACHIEVABLE PRICING

Below we provide estimates of achievable home and lot pricing at the subject site for six prototype homes. Because of the lack of recent sales transactions involving new attached homes in Longview, we have assumed typical price ratios to detached homes, based on our observations in other markets in recent years. Typically, a side-by-side duplex achieves pricing around 5% below a similarly sized detached home, while a townhome typically incurs a 10% discount. Long and narrow “skinny homes,” which are also without examples in Longview, tend to incur discounts around 3% to homes with a traditional configuration. These ratios are assumed below. The price estimates further assume a typical subdivision design and homes that hold a mid-market standard, like those at Windermere 7.

We estimate that single-family homes at the subject site can achieve prices ranging from around \$285,000 for 1,400-square-foot townhomes to around \$415,000 for 2,150-square-foot detached homes. Lot prices are estimated to range from \$40,000 for 2,400 square feet to \$76,000 for 7,000 square feet, representing lot-to-home ratios ranging from 13% to 18%. These lot-to-home ratios are slightly lower than what we currently observe in other parts of Cowlitz County and in Clark County, where higher home prices contribute to higher residual land values.

FIGURE 6.4: ACHIEVABLE PRICING, 1Q19

	ATTACHED		DETACHED			
	Townhome	Duplex	Cottage	Skinny	Mid-Family	Move-Up
Home Size (SF)	1,400	1,600	1,500	1,700	1,850	2,150
Home Price (\$)	\$284,000	\$324,000	\$328,000	\$347,000	\$374,000	\$413,000
Home Price (\$/SF)	\$203	\$203	\$219	\$204	\$202	\$192
Lot Size (SF)	2,400	2,700	4,000	2,500	5,500	7,000
Lot Price (\$)	\$40,000	\$43,000	\$50,000	\$41,000	\$65,000	\$76,000
Lot Price (\$/SF)	\$17	\$16	\$13	\$16	\$12	\$11
Lot/Home Ratio	14%	13%	15%	12%	17%	18%

SOURCE: JOHNSON ECONOMICS

NEW SUPPLY

JOHNSON ECONOMICS is aware of one larger for-sale housing project in the development pipeline in Longview. This is a two-phase single-family development with 168 planned lots west of Mt Solo Road in West Longview. According to current plans, the first phase will include 92 lots and the second 76. The project is included in our survey of recent land sales, under the name Solo LLC Land.



VII. RENTAL MARKET SURVEY

In this section, we survey relevant and comparable rental properties around the subject site in order to assess the demand for newer product in the market and estimate achievable pricing at the subject site. The selection of comparables gives weight to projects of recent vintage located close to the subject site. However, given the limited residential development in this area in recent years, the survey includes some projects of older vintage as well as some projects located outside the West Longview market. Estimates of achievable rental rates at the subject site are converted to estimates of achievable land prices based on typical construction costs in the current market.

COMPETITIVE SURVEY

JOHNSON ECONOMICS conducted a survey of nine rental properties for this market study. Five of these are in West Longview, while two are in Kelso and another two are in the Barberton/Orchards area, north of Vancouver. The latter two are included to provide additional reference points for well-amenitized projects of new vintage, as most of the comparables in the Longview-Kelso market are smaller properties with limited amenities and older vintage. The most recent of the Longview properties are Copperwood Apartments (20 units, 2017) and West Pointe Townhomes (34 units, 2018-19), both located close to the subject site but neither offering much by way of community amenities. Apart from these, the only other project in Kelso-Longview completed since 2000 is Summerwind (83 units, 2008).

The following map shows the locations of the surveyed properties. Profiles of the projects are included over the next pages, followed by a summary of relevant observations and an analysis of achievable pricing at the site.

FIGURE 7.1: MAP OF SURVEYED RENTAL PROJECTS

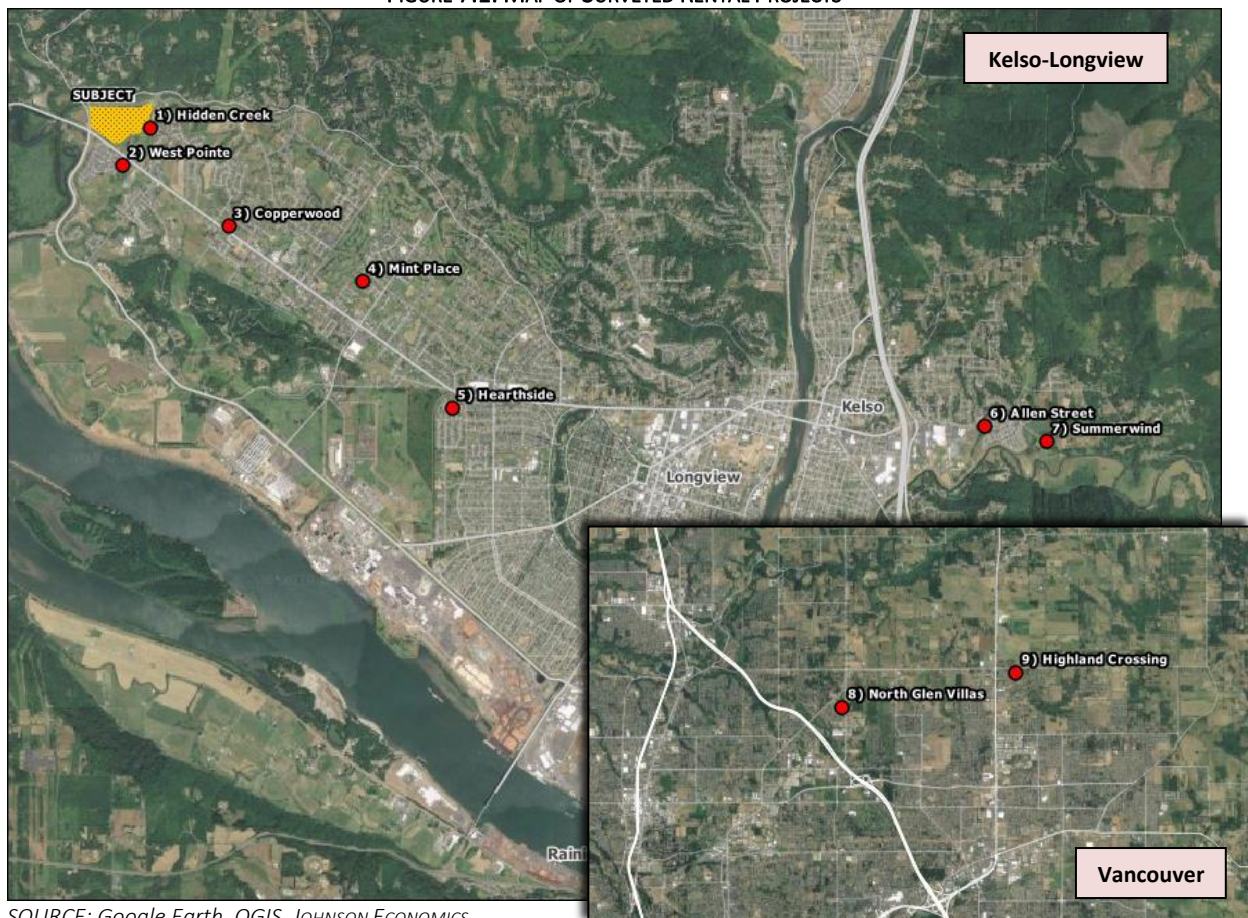




FIGURE 7.2: PROFILES OF SURVEYED RENTAL PROPERTIES

1) HIDDEN CREEK APARTMENTS

5607 Finch Drive, Longview, Washington



YEAR BUILT: 1992
TYPE: 3-STORY WALK-UP
TOTAL UNITS: 100
OCCUPANCY: 99%
AVERAGE RENT/SF: \$1.10



Project Amenities

Playground
 Basketball court
 Barbecue area
 Pets allowed
 Laundry room



Unit Amenities

Vinyl and carpet flooring
 Laminate countertops
 White, basic appliances
 8-foot ceilings, balcony
 Washer/dryer hookups (select units)

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)	Units (%)	Avg. Size	Vac. (#)	Occ. (%)	Low	High	Average	Avg. PSF
1B/1b	12	12%	645	0	100%	\$750	\$850	\$800	\$1.24
2B/1b	72	72%	925	1	99%	\$850	\$1,150	\$1,000	\$1.08
3B/2b	16	16%	1,051	0	100%	\$1,025	\$1,295	\$1,160	\$1.10
Tot./Avg:	100	100%	912	1	99%	\$750	\$1,295	\$1,002	\$1.10

2) WEST POINTE

Westpointe Drive, Longviewm Washington



YEAR BUILT: 2018-19
TYPE: 2-STORY DUPLEX
TOTAL UNITS: 34
OCCUPANCY: 91%
AVERAGE RENT/SF: \$1.17



Project Amenities

Pets allowed
 Driveway parking



Unit Amenities

Laminate plank flooring
 Granite countertops
 Stainless st. appliances, washer/dryer
 9-foot, vaulted ceilings, A/C
 Patio w/storage

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)	Units (%)	Avg. Size	Vac. (#)	Occ. (%)	Low	High	Average	Avg. PSF
3B/2b	34	100%	1,300	3	91%	\$1,400	\$1,650	\$1,525	\$1.17
Tot./Avg:	34	100%	1,300	3	91%	\$1,400	\$1,650	\$1,525	\$1.17



3) COPPERWOOD APARTMENTS

4732 Ocean Beach Highway, Longview, Washington



YEAR BUILT: 2017
TYPE: 2-STORY WALK-UP
TOTAL UNITS: 20
OCCUPANCY: 100.0%
AVERAGE RENT/SF: \$1.23



Project Amenities

Covered Parking
 Gated Community

Unit Amenities

Hardwood Floors
 French Door Fridge, Washer/Dryer
 Walk-In Closet, Storage Units
 Complementary Cable and Internet
 (No Balconies)

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)	Units (%)	Avg. Size	Vac. (#)	Occ. (%)	Low	High	Average	Avg. PSF
2B/1b	20	100%	960	0	100%	\$1,185	\$1,185	\$1,185	\$1.23
Tot./Avg:	20	100%	960	0	100%	\$1,185	\$1,185	\$1,185	\$1.23

4) MINT PLACE APARTMENTS

3835 Mint Place, Longview, Washington



YEAR BUILT: 1986
TYPE: 3-STORY WALK-UP
TOTAL UNITS: 106
OCCUPANCY: 100%
AVERAGE RENT/SF: \$1.14



Project Amenities

Gazebo with lounge chairs
 Outdoor pool
 Surface parking
 Playground
 Storage units, garages

Unit Amenities

Vinyl and carpet flooring
 Laminate countertops
 White appliances, washer/dryer
 Walk-in closets
 8' ceilings and balcony

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)	Units (%)	Avg. Size	Vac. (#)	Occ. (%)	Low	High	Average	Avg. PSF
1B/1b	17	16%	645	0	100%	\$775	\$775	\$775	\$1.20
2B/1b	70	66%	891	0	100%	\$970	\$970	\$970	\$1.09
3B/2b	19	18%	984	0	100%	\$1,250	\$1,250	\$1,250	\$1.27
Tot./Avg:	106	100%	868	0	100%	\$775	\$1,250	\$989	\$1.14



5) HEARTHSTONE LUXURY APARTMENTS

2125 Tibbetts Drive, Longview, Washington



YEAR BUILT: 1999
TYPE: 3-STORY ELEVATOR, 55+
TOTAL UNITS: 30
OCCUPIED: 93%
AVERAGE RENT/SF: \$1.24



Project Amenities

Three-story atrium w/elevator
 Fishpond, lounge, library
 Laundry facility (free use)
 Complimentary internet and cable
 Restricted to seniors 55+



Unit Amenities

Vinyl and carpet flooring
 Laminate countertops
 White, basic appliances
 8-foot ceilings
 Balcony

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)	Units (%)	Avg. Size	Vac. (#)	Occ. (%)	Low	High	Average	Avg. PSF
1B/1b	3	10%	570	1	67%	\$895	\$895	\$895	\$1.57
2B/1.5b	20	67%	900	0	100%	\$1,109	\$1,109	\$1,109	\$1.23
2B/2b	7	23%	990	1	86%	\$1,185	\$1,185	\$1,185	\$1.20
Tot./Avg:	30	100%	888	2	93%	\$895	\$1,185	\$1,105	\$1.24

6) ALLEN STREET APARTMENTS

2404 Allen Street, Kelso, WA



YEAR BUILT: 1998
TYPE: 3-STORY WALK-UP
TOTAL UNITS: 107
OCCUPANCY: 100.0%
AVERAGE RENT/SF: \$1.34



Project Amenities

Clubhouse w/fitness center
 Outdoor pool, sauna, spa
 Play park
 Storage units



Unit Amenities

Vinyl and carpet flooring
 Laminate countertops
 White appliances, washer/dryer
 8-foot ceilings
 Balcony

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)	Units (%)	Avg. Size	Vac. (#)	Occ. (%)	Low	High	Average	Avg. PSF
1B/1b	30	28%	652	0	100%	\$1,050	\$1,125	\$1,088	\$1.67
2B/1b	23	21%	961	0	100%	\$1,225	\$1,275	\$1,250	\$1.30
2B/2b	42	39%	1,061	0	100%	\$1,350	\$1,350	\$1,350	\$1.27
3B/2b	12	11%	1,194	0	100%	\$1,375	\$1,425	\$1,400	\$1.17
Tot./Avg:	107	100%	940	0	100%	\$1,050	\$1,425	\$1,261	\$1.34



7) SUMMERWIND APARTMENTS

2700 Allen Street, Kelso, Washington



YEAR BUILT: 2008
TYPE: 3-STORY WALK-UP
TOTAL UNITS: 83
OCCUPANCY: 100.0%
AVERAGE RENT/SF: \$1.04



Project Amenities

Clubhouse w/fitness center
 Outdoor pool and spa
 Gated Community
 Sun deck with gazebo and gas barbeque
 Game room with attached kitchen



Unit Amenities

Vinyl and carpet flooring
 Laminate countertops
 White appliances, washer/dryer
 9-foot ceilings
 Balcony, windows in both ends

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)	Units (%)	Avg. Size	Vac. (#)	Occ. (%)	Low	High	Average	Avg. PSF
1B/1b	22	27%	854	0	100%	\$890	\$1,015	\$953	\$1.12
2B/1b	15	18%	1,022	0	100%	\$990	\$1,160	\$1,075	\$1.05
2B/2b	34	41%	1,068	0	100%	\$1,040	\$1,185	\$1,113	\$1.04
3B/2b	12	14%	1,285	0	100%	\$1,110	\$1,250	\$1,180	\$0.92
Tot./Avg:	83	100%	1,034	0	100%	\$890	\$1,250	\$1,073	\$1.04

8) NORTH GLEN VILLAS

7101 NE 109th Street, Vancouver, WA



YEAR BUILT: 2012
TYPE: 3-STORY WALK-UP
TOTAL UNITS: 202
OCCUPANCY: 99.0%
AVERAGE RENT/SF: \$1.50



Project Amenities

Clubhouse w/fitness center
 Outdoor pool and spa
 Gated Community
 Sun deck with gazebo and barbeque
 Game room with attached kitchen



Unit Amenities

Vinyl and carpet flooring
 Laminate countertops
 White appliances, washer/dryer
 9-foot ceilings
 Balcony, windows in both ends

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)	Units (%)	Avg. Size	Vac. (#)	Occ. (%)	Low	High	Average	Avg. PSF
1B/1b	14	7%	584	0	100%	\$1,165	\$1,165	\$1,165	\$1.99
1B/1b	48	24%	729	1	98%	\$1,310	\$1,310	\$1,310	\$1.80
2B/1b	54	27%	1,000	0	100%	\$1,380	\$1,380	\$1,380	\$1.38
2B/2b	70	35%	1,018	1	99%	\$1,465	\$1,465	\$1,465	\$1.44
3B/2b	16	8%	1,314	0	100%	\$1,750	\$1,750	\$1,750	\$1.33
Tot./Avg:	202	100%	938	2	99%	\$1,165	\$1,750	\$1,407	\$1.50



9) HIGHLAND CROSSING

11806 NE 122nd Avenue, Vancouver, Washington



YEAR BUILT: 217
TYPE: 3-STORY WALK-UP
TOTAL UNITS: 332
OCCUPANCY: 96.7%
AVERAGE RENT/SF: \$1.45



Project Amenities

Clubhouse
 Outdoor pool, spa, tanning beds
 Fitness room
 Delivery lockers
 Garages available



Unit Amenities

Vinyl plank and carpet flooring
 Quartz counters, top-mount sinks
 Stainless steel appliances, 8' ceilings
 Balcony/deck w/storage
 Fireplace and A/C (select units)

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)	Units (%)	Avg. Size	Vac. (#)	Occ. (%)	Low	High	Average	Avg. PSF
1B/1b	26	8%	569	1	96%	\$1,215	\$1,235	\$1,225	\$2.15
1B/1b	69	21%	721	0	100%	\$1,250	\$1,275	\$1,263	\$1.75
2B/1b	90	27%	1,018	2	98%	\$1,300	\$1,340	\$1,320	\$1.30
2B/2b	126	38%	1,029	7	94%	\$1,365	\$1,505	\$1,435	\$1.39
3B/2b	21	6%	1,306	1	95%	\$1,695	\$1,725	\$1,710	\$1.31
Tot./Avg:	332	100%	944	11	97%	\$1,215	\$1,725	\$1,369	\$1.45

SOURCE: Property managers, leasing agents, and websites; CoStar; Craigslist; Metro; JOHNSON ECONOMICS

KEY OBSERVATIONS

Occupancy rates are high at the Kelso-Longview comparables, with an overall stabilized rate of 99.6%. Five of the properties are 100.0% occupied, while Hearthside Luxury Apartments – which is the only age-restricted property in the sample – has two vacant units (93.0% occupied). West Pointe Townhomes has three unleased units but is not fully completed and thus not regarded as a stabilized property. Absorption of these duplex units appears to have been strong, as all the completed units have been leased prior to or shortly after completion. The only other recent project in this market, Copperwood Apartments, struggled with absorption at the initial rent level in 2017 (\$1,295/month), but was able to achieve timely absorption after discounting the units \$200 per month, or 15%. The property has since raised its rents by \$90 per month, to \$1,185. The initial resistance, despite the overall market being grossly undersupplied (see previous section) indicates limited demand for high-end apartments in this market.

Rents at the Kelso-Longview properties range from \$775 per month for one-bedroom units at Mint Place (built 1986) to \$1,650 for the most expensive three-bedroom duplexes at West Pointe (built 2018-19). Among the traditional apartment projects, the highest rents in this market is at Allen Street (built 1998), where the most expensive three-bedroom units rent for \$1,425. Project-average per-square-foot (PSF) rents range from \$1.04 at Summerwind (built 2008) – depressed by relatively large units – to \$1.34 at Allen Street. Note that at 100% occupancy, the properties are likely somewhat underpriced, as 95% occupancy typically represents the optimal rent level from a revenue standpoint.

The two properties from the Vancouver market are priced higher than the Kelso-Longview projects, although they incur discounts to properties with more central locations in Vancouver. Rents at these two properties range from \$1,165 for the least expensive one-bedroom units to \$1,775 for the most expensive three-bedroom units. The two properties have blended PSF rent of \$1.45 and \$1.50.



ACHIEVABLE PRICING

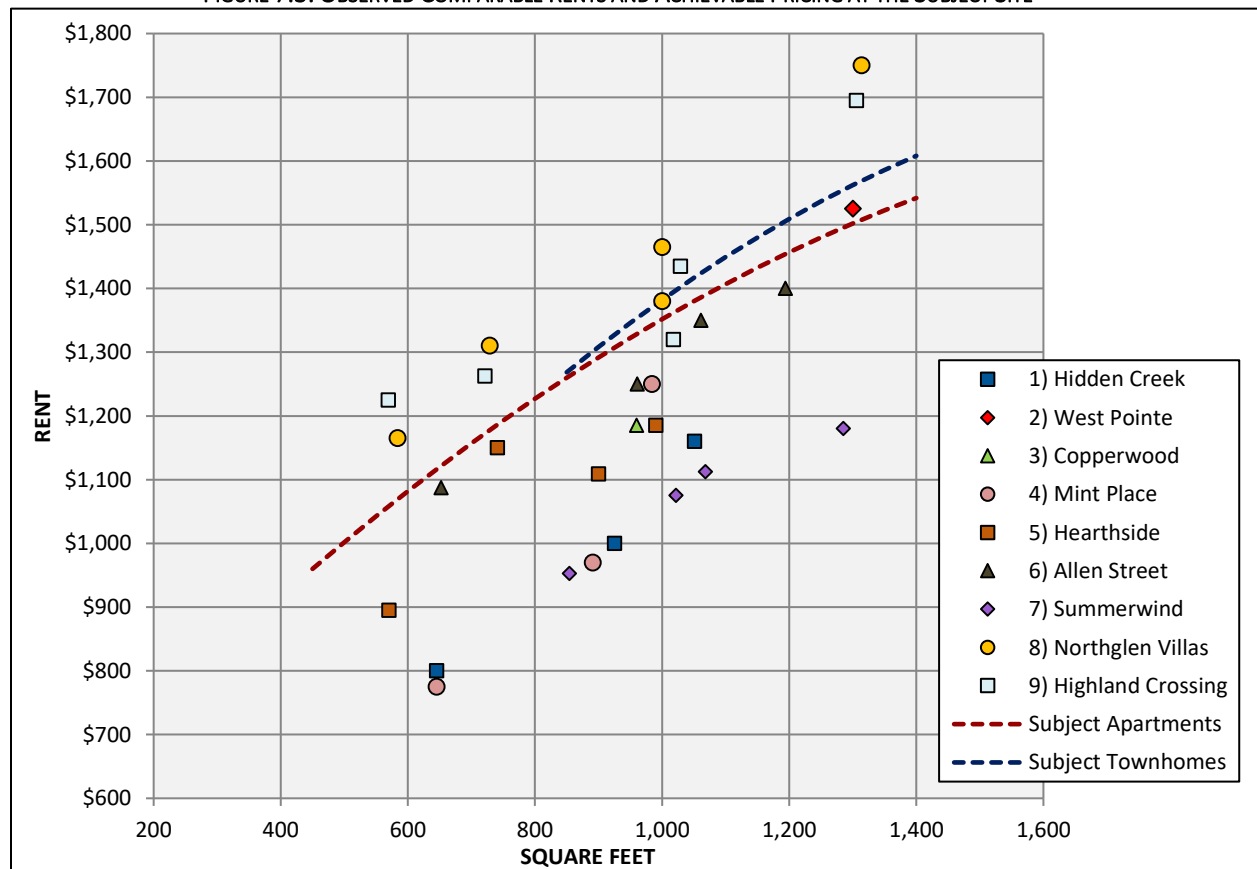
Achievable pricing at the subject site will to some extent depend on the standard and profile of the community, including specific unit features and community amenities. In the following, we assume that the subject development will have an up-to-date but relatively basic profile, with balconies in every unit but no air-conditioning. We further assume community amenities typical of large-scale suburban projects, including clubhouse, fitness center, outdoor pool, and some covered parking.

With these assumptions, we would expect the subject site to be positioned above the existing Kelso-Longview properties, but below the two Vancouver properties – which represent superior access to employment and amenities. We expect moderate rent premiums to Allen Street Apartments, which in the context of Kelso-Longview benefits from a central location and good access to I-5.

We expect regular stacked apartments of a size similar to duplex units at West Pointe to rent at a slight discount to these, reflecting that the duplex units capture premiums for their lower density setting and private entrances. However, we expect townhome units at the subject site to rent at premiums to West Pointe, assuming the townhome units will have private ground-floor entrances and access to the project's community amenities. Relative to Copperwood Apartments, we expect premiums of around \$150 per month, reflecting the lack of balconies and limited amenity package at Copperwood.

The following chart plots our rent estimates for the subject site alongside observed rents at the comparables. A rent matrix is included on the next page.

FIGURE 7.3: OBSERVED COMPARABLE RENTS AND ACHIEVABLE PRICING AT THE SUBJECT SITE



SOURCE: Property managers, leasing agents, and websites; CoStar; Craigslist; JOHNSON ECONOMICS



The following matrix shows our estimates of achievable monthly rents at the subject site, as displayed in the preceding chart, applied to a typical suburban unit mix. The rent estimates range from around \$1,100 to 1,500 per month, depending on unit size. PSF rates range from \$1.26 for townhome units to \$1.72 for one-bedroom units. With the suggested unit mix, this produces a blended average of \$1.46 PSF (\$1.49 excluding townhome units). The rent estimates are based on current market pricing, and reflect 12-month contracts, with utilities billed separately.

FIGURE 7.4: ACHIEVABLE PRICING, 1Q19

Unit Type	Units	Unit Mix	Avg. Unit Size	Avg. Rent	Avg. Rent/SF
1B/1b	50	25%	650	\$1,120	\$1.72
2B/1b	65	33%	800	\$1,227	\$1.53
2B/2b	35	18%	950	\$1,323	\$1.39
3B/2b	30	15%	1,100	\$1,407	\$1.28
3B/2b TH	20	10%	1,200	\$1,509	\$1.26
Total/Avg.	200	100%	874	\$1,272	\$1.46

SOURCE: JOHNSON ECONOMICS

NEW SUPPLY

JOHNSON ECONOMICS is aware of three apartment projects in the pipeline within the City of Longview. The smallest of these, which includes 30 units, has filed a building permit application, while the other two are still in the planning stages. Of these latter, one is a regulated affordable project with 120 apartments, while the other is a 410-unit project with a mix of market-rate apartments and townhomes. The timing of the delivery of the projects is unknown, though the largest project is likely to be delivered in phases. The two largest projects are profiled in our survey of land sales later in this report.

FIGURE 7.5: RENTAL PROJECTS IN THE DEVELOPMENT PIPELINE

Project Name	Location	Status	Est. Delivery	Entitlement	Comments	Units
Bond 9th Ave	1016 9th Ave	Proposed	2020	Permit Review	30 one-bedroom units	30
Housing Opportunities	5300 Ocean Beach Hwy	Proposed	2021	Pre-app.	17 bldgs. Regulated affordable units.	120
Village Pointe	5426 Ocean Beach Hwy	Proposed	2021+	Rezoned, pre-app.	Proposed 360 apts; 50 townhomes	410
TOTAL UNITS						560

SOURCE: City of Longview, local media



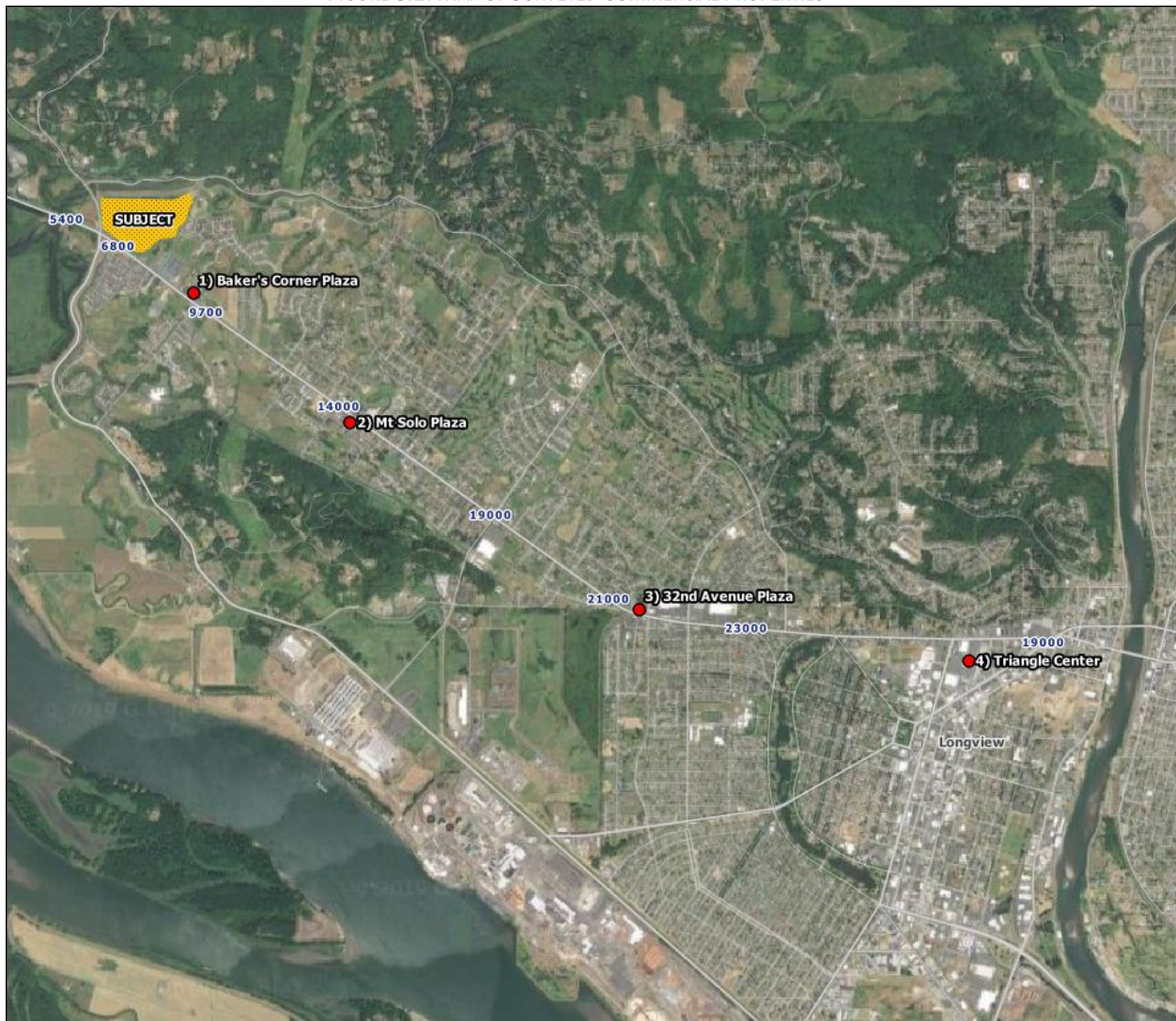
VIII. COMMERCIAL MARKET SURVEY

COMPETITIVE SURVEY

For this analysis, JOHNSON ECONOMICS conducted a survey of four commercial properties with space available for lease along Ocean Beach Highway in Longview. Two of these are single-building strip malls, while one is a multi-building strip mall, and one is a larger retail center. The property closest to the subject site is less than half a mile away, while the property furthest away is five miles from the site.

The surveyed properties are mapped below. The map also includes estimates of average daily traffic volume at various points along Ocean Beach Highway (2017), as traffic exposure is a strong indicator of potential for auto-oriented commercial space. The traffic volume decreases as one moves west, from around 23,000 per day near Fred Meyer and Safeway to 5,400 west of Coal Creek Road.

FIGURE 8.1: MAP OF SURVEYED COMMERCIAL PROPERTIES



SOURCE: Google Earth, QGIS, Washington Department of Transportation, JOHNSON ECONOMICS



FIGURE 8.2: PROFILES OF SURVEYED COMMERCIAL PROPERTIES



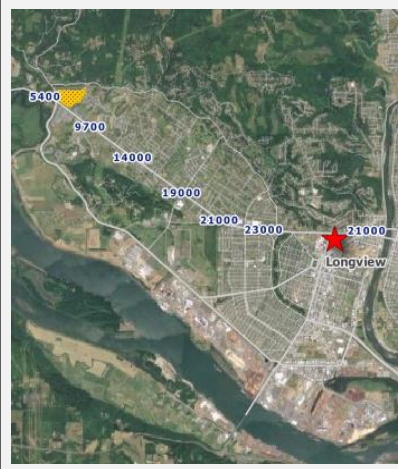


4) TRIANGLE CENTER

100-1015 Triangle Shopping Center

Type: Power Center
Year built: 1961 (2005)
Total square feet: 373,000
Major road exposure: Ocean Beach Hwy
Major road AADT: 21,000
Available square feet: 20,341
Available %: 5%
Lease type: NNN
Asking lease rate: \$14.00-22.00

Notes: Large center anchored by WinCo, Ross, Office Depot, Big 5, Michael's and Petco. Five spaces available for lease. The largest (13,500 SF) for \$14.00/SF.



SOURCE: CoStar, Loopnet, brokers, Cowlitz County, WA DOT, JOHNSON ECONOMICS

KEY OBSERVATIONS

The three smaller properties all have relatively high vacancy rates, ranging from 21% to 39%, which indicates a soft market. However, the high vacancy rates can partly be attributed to selection bias, as this survey was primarily focused on achievable pricing, and we thus sought properties with available space and advertised lease rates. Triangle Center currently has a vacancy rate of 5%, which is relatively good for a mall with a large share of big box space.

Annual asking lease rates range from \$6 to \$22 PSF on a triple-net (NNN) basis (operating costs passed through to tenant in addition to base rate). The advertised lease rates are highest in the east, where the residential density and traffic volumes are highest. Smaller, well-positioned spaces in the Triangle Center lease for \$22 per square foot (NNN), while the largest space has an asking rate of \$14. In a historical context, the \$14-22 range is low for a well-located power center, and the rates at this mall have dropped in recent years, reflecting that the shift to online shopping is reducing demand for brick-and-mortar retail space.

The second highest lease rate is at 32nd Avenue Plaza, just east of Fred Meyer and Safeway. The average traffic volume here is 21,000 vehicles per day. Not only is the traffic volume high, but it is also of a good quality from a retailer's perspective, as the adjacent grocery stores attract many residents with time set aside for shopping. A location like this often captures lease rates around \$25 PSF. The \$18 asking rate at 32nd Avenue Plaza indicates an oversupply of commercial space in this area, likely due to the proximity to Triangle Center.

Asking rates at Mt Solo Plaza are in the \$13.50-18.50 range, with the highest rate for end-cap space facing Ocean Beach Highway. This site does not benefit from the shadow anchors that 32nd Avenue Plaza has and is therefore more dependent on pass-through traffic and nearby residents. The site has exposure to a daily traffic volume of 14,000, which for newer commercial spaces often translate into asking rates around \$20 PSF.

The lowest rates in the sample are at Baker's Corner, less than half a mile from the site. Office space from the mid-2000s were recently offered at \$6 PSF at this site. This is unusually low, indicating very limited demand. Retail space has been offered at \$9-12 in recent years, which is also low – even considering a daily traffic volume below 10,000.

ACHIEVABLE PRICING

Baker's Corner is the best indicator of achievable pricing at the subject site, given its proximity. The subject site has lower traffic volume (6,800 per day in 2017) than Baker's Corner (9,700), indicating lower lease rates at the subject site. However, this discount might be offset by more attractive and up-to-date design. We would therefore expect annual retail rates in the \$10-12 range (NNN) at the subject site in the current market.



In today's market, auto-oriented retail centers typically need a traffic volume of around 15,000 in order to capture lease rates that can make new development feasible (lease rates in the \$20+ range). Based on typical per-household multipliers, more than 1,000 new housing units at or west of the site would have to be built in order to generate traffic at this magnitude – possibly somewhat less if there is an increase in tourist traffic to the coast. With lower land costs, a lease rate around \$16.00 might be adequate. We estimate that this would require a daily traffic volume around 12,500, requiring around 700 additional housing units in this area.

NEW SUPPLY

JOHNSON ECONOMICS is aware of one commercial project of some scale in the development pipeline in Longview. This is a 6,000-square-foot retail project planned within Village Pointe at 5426 Ocean Beach Highway in West Longview. The project is profiled in our survey of recent land sales later in this report.



IX. LAND SALES

JOHNSON ECONOMICS evaluated recent land sales transactions in Longview based on data from Cowlitz County. We identified six sites sold since mid-2015 that we regard to be relevant for the subject site based on their locations in the Ocean Beach Highway corridor and their development plans at the time of sale. Five of these are residential sites, representing single-family attached, detached, and multifamily projects. One of the sites is commercial and was sold as part of a larger mixed-use site (Village Point). The transactions are assumed to be arms-length transactions but have not been verified.

The six sites are mapped below. All are within a mile of the subject site. West Pointe (#1) and Copperwood (#6) are already built and were profiled as part of the rental survey. The remaining four sites are undeveloped, though there is an existing home on the Housing Authority site (#5). The sites range in size from around 1 to 50 acres, with Copperwood being the smallest and Solo LLC the largest.

FIGURE 9.1: MAP OF SURVEYED LAND SALES

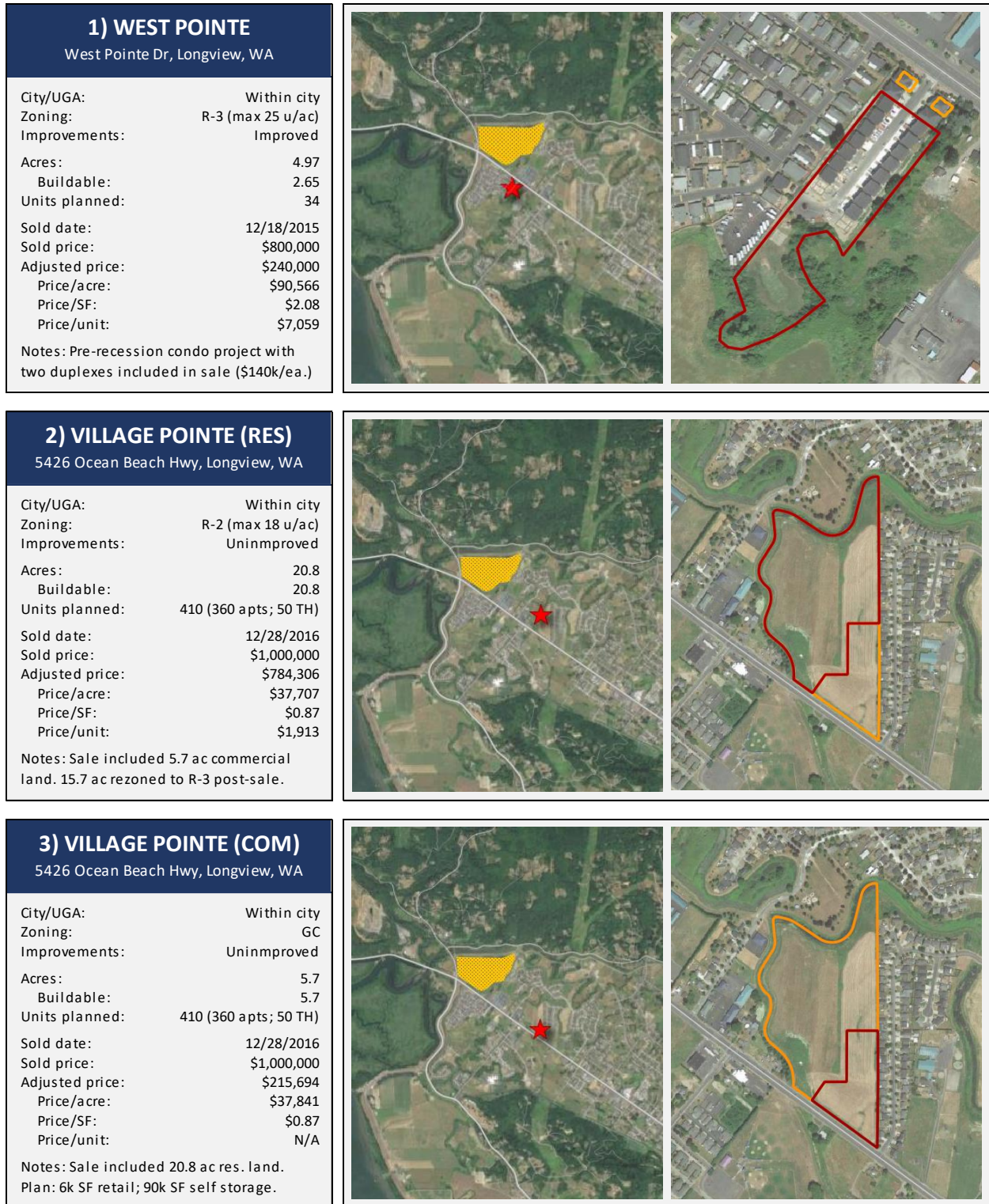


SOURCE: Google Earth, QGIS, JOHNSON ECONOMICS

Details on the sales transactions are included over the next two pages. Note that sites #1 and #5 included existing structures. In these cases, we have adjusted the prices to reflect the unbuilt land only. In the case of site #1, we subtracted \$280,000 for each existing duplex, as a nearly identical adjacent duplex sold for \$280,000 seven months prior. In the case of #5, we subtracted \$80,000 for the existing home (1,200 SF, built 1957). We also adjusted sites #2 and #3, which were sold in one transaction, by allocating the total sales price to each section based on land area.



FIGURE 9.2: PROFILES OF SURVEYED OWNERSHIP PROJECTS



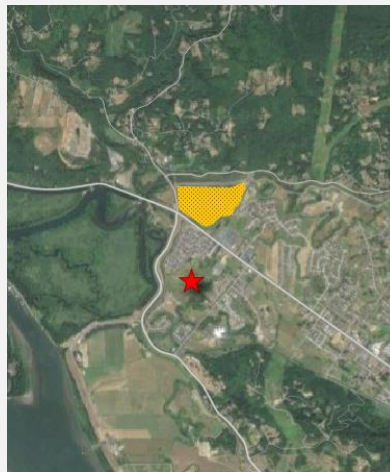


4) SOLO LLC LAND

Schneider/Branch Creek Dr, Longview, WA

City/UGA:	Within city
Zoning:	R-1 (max 6 u/ac)
Improvements:	Unimproved
Acres:	49.65
Buildable:	44.68
Units planned:	168
Sold date:	7/28/2015
Sold price:	\$375,000
Adjusted price:	\$375,000
Price/acre:	\$8,393
Price/SF:	\$0.19
Price/unit:	\$2,232

Notes: Two-phase SFR project planned.

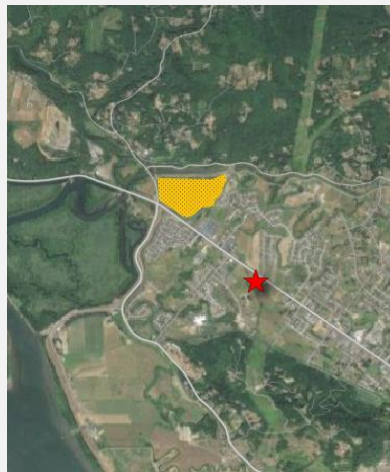


5) HOUSING AUTHORITY LAND

5300 Ocean Beach Hwy, Longview, WA

City/UGA:	Within city
Zoning:	R-3 (max 25 u/ac)
Improvements:	Unimproved/SF home
Acres:	6.26
Buildable:	6.26
Units planned:	120
Sold date:	9/22/17, 4/25/18
Sold price:	\$854,734
Adjusted price:	\$774,734
Price/acre:	\$123,759
Price/SF:	\$2.84
Price/unit:	\$6,456

Notes: Two transactions. One with existing SF home assumed to remain (\$110k).

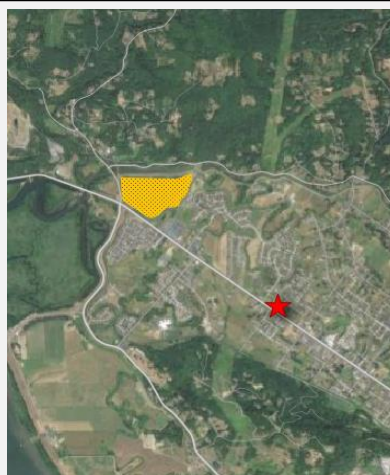


6) COPPERWOOD APTS

4732 Ocean Beach Hwy, Longview, WA

City/UGA:	Within city
Zoning:	R-3 (max 25 u/ac)
Improvements:	Unimproved
Acres:	0.86
Buildable:	0.86
Units planned:	20
Sold date:	2/28/2016
Sold price:	\$100,000
Adjusted price:	\$100,000
Price/acre:	\$116,279
Price/SF:	\$2.67
Price/unit:	\$5,000

Notes: Plan: 20-unit two-bedroom apartment project.



SOURCE: Cowlitz County, City of Longview, NWMLS, Zillow, JOHNSON ECONOMICS



KEY OBSERVATIONS

The six sites represent land prices ranging from \$8,400 to \$124,000 per acre. The lowest price is for the Solo LLC land, which is both the largest site and the only site with low-density residential zoning. Both are factors that typically reduce the per-acre price relative to smaller sites with higher-density zoning. On a per-unit basis, this site sold for \$2,200. The only site with medium density zoning (Village Point) sold for \$38,000 per acre or \$1,900 per unit, though with plans for high-density rezoning. Sites with high-density zoning sold for \$91,000-124,000 per acre, or \$5,000-7,100 per unit.

The observed land prices are lower than we have observed recently elsewhere in Cowlitz and Clark counties, especially for low-density residential land. The following are three recent examples:

- A sloped 17-acre low-density residential site with plans for 65 single-family units in Kalama sold for \$6,600 per unit and \$25,000 per acre in early 2018.
- A 44-acre site with mixed residential zoning in La Center and plans for 390 units sold for \$10,200 per unit and \$90,000 per acre in early 2019.
- A 27-acre site with high-density zoning and 300 planned units in Ridgefield sold for \$10,000 per unit and \$109,000 per acre in early 2018.

ACHIEVABLE PRICING

Below we provide estimates of achievable home and lot pricing at the subject site for six prototype homes. Because of the lack of recent sales transactions involving new attached homes in Longview, we have assumed typical price ratios to detached homes, based on our observations in other markets in recent years. Typically, a side-by-side duplex achieves pricing around 5% below a similarly sized detached home, while a townhome typically incurs a 10% discount. Long and narrow “skinny homes,” which are also without examples in Longview, tend to incur discounts around 3% to homes with a traditional configuration. These ratios are assumed below. The price estimates further assume a typical subdivision design and homes that hold a mid-market standard, similar to those at Windermere 7.

We estimate that single-family homes at the subject site can achieve prices ranging from just below \$300,000 for 1,400-square-foot townhomes to around \$420,000 for 2,150-square-foot detached homes. Lot prices are estimated to range from \$40,000 for 2,400 square feet to \$76,000 for 7,000 square feet, representing lot-to-home ratios ranging from 13% to 18%. These lot-to-home ratios are slightly lower than what we currently observe in other parts of Cowlitz County and in Clark County, where higher home prices contribute to higher residual land values.

FIGURE 9.3: ACHIEVABLE PRICING, FOR-SALE HOMES AND LOTS, 1Q19

	ATTACHED		DETACHED			
	Townhome	Duplex	Cottage	Skinny	Standard	Move-Up
Home Size (SF)	1,400	1,600	1,500	1,700	1,850	2,150
Home Price (\$)	\$293,000	\$333,000	\$338,000	\$352,000	\$381,000	\$419,000
Home Price (\$/SF)	\$209	\$208	\$225	\$207	\$206	\$195
Lot Size (SF)	2,400	2,600	4,000	4,500	5,500	7,000
Lot Price (\$)	\$40,000	\$42,000	\$51,000	\$55,000	\$65,000	\$76,000
Lot Price (\$/SF)	\$17	\$16	\$13	\$12	\$12	\$11
Lot/Home Ratio	14%	13%	15%	16%	17%	18%

SOURCE: JOHNSON ECONOMICS



X. RESIDENTIAL DEMAND ANALYSIS

In this section we estimate housing demand in the defined Longview PMA over the next five years. We evaluate demand for both rental and ownership housing, categorized by multifamily, single-family attached, and single-family detached formats. We develop projections for net demand growth as well as for total demand including existing households. Though net demand growth is the primary focus when evaluating the future supply-demand balance, demand from existing households is also of interest when assessing the absorption potential for new homes. Especially in markets with a dated housing stock, upward shifts in incomes can generate strong absorption of new units even if the net demand growth is limited. Longview currently exhibits signs of pent-up housing demand, which will also be discussed in this section.

METHODOLOGY

JOHNSON ECONOMICS projects future housing demand by segmenting the existing household base by age and income – the two most important determinants of housing preferences – and modeling growth in each segment (70 segments total) based on economic and demographic trends. As a starting point, we draw on household growth projections by Environics (form. Nielsen Claritas), a third-party data provider that models demographic trends within specific geographies down to a census block group level. Claritas considers aging of the existing population as well as trends with respect to births, deaths, and migration. We adjust these estimates based on our survey of economic conditions and housing trends, paying attention to the age/wage distribution of new employment in the area. The goal is for the estimates to reflect underlying demand (at current price levels) rather than realized household growth, which can be constrained by supply.

After developing a segmented projection of overall housing demand by age and income, we use data from the Census Bureau (including ACS Microdata samples) in order to establish local, segment-specific rates of housing tenure (owners/renters) and housing type (detached/attached/multifamily). These assumptions are used to estimate demand across different housing types. The assumed future propensity rates take into account ongoing shifts related to credit requirements and affordability – factors that in recent years have increased the share of renters, especially in multifamily structures.

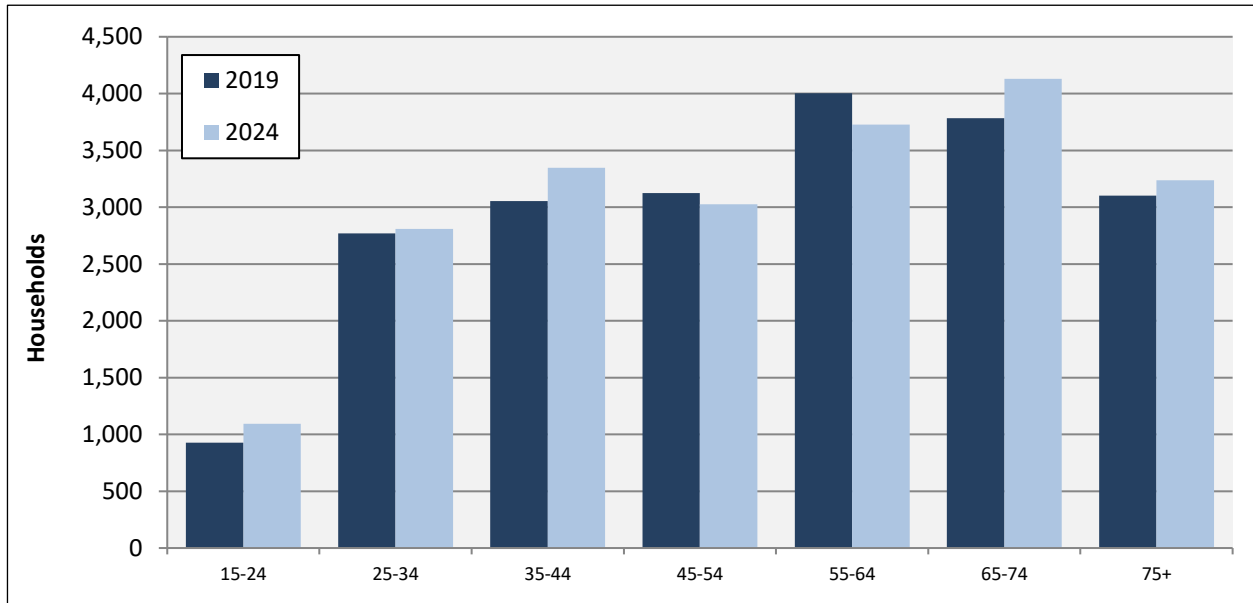
TOTAL HOUSING DEMAND

Based on the outlined approach, our baseline demand projection indicates net growth of around 600 housing units in the Longview PMA over the next five years. This represents average annual household growth of 0.6%. In comparison, population growth in Longview has averaged 0.4% per year over the past five years (2013-18), though the recent low vacancy rates for rental housing and short market times for ownership housing indicate that the underlying growth potential has been stronger than realized growth.

The following chart displays the anticipated distribution of housing demand across age segments over the forecast period. The projections indicate growth concentrations among young adults (age 15-24), mid-stage families (35-44), and seniors (65+). Strong growth in the senior segment is in line with regional and national trends, reflecting the aging baby boomer cohort. However, the declines projected in Longview's pre-senior household base (55-64) is contrary to what we anticipate in the remainder of Southwest Washington. Likewise, Longview is projected to see flat growth among 25-34-year-olds, whereas the remainder of the region is expected to see relatively strong growth in this segment. (See our later discussion about pent-up demand in the 25-34 segment.)



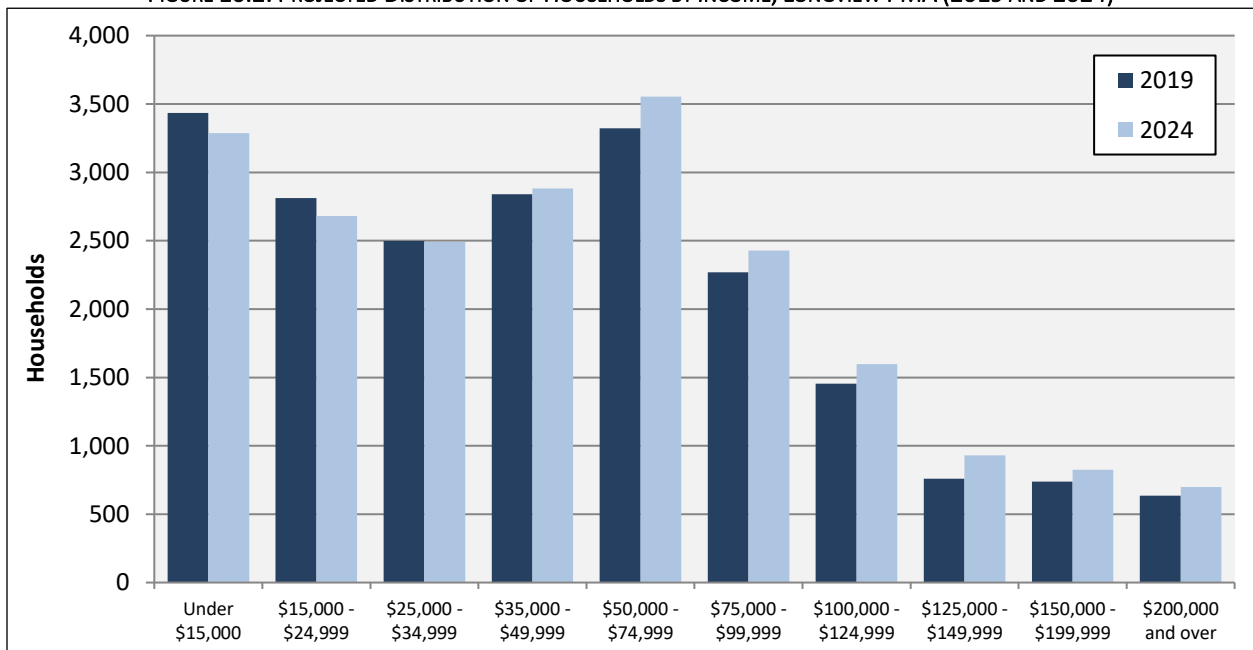
FIGURE 10.1: PROJECTED DISTRIBUTION OF HOUSEHOLDS BY AGE, LONGVIEW PMA (2019 AND 2024)



SOURCE: Envirionics, JOHNSON ECONOMICS

With respect to income, the demand growth is anticipated to be concentrated among middle- and upper-income segments, with declines at the lowest income levels. In part, this shift to higher income levels reflects recent housing trends, where supply constraints have led to increased rent and price levels, which in turn has forced low-income households to double up with families or friends rather than occupy their own unit. However, inflation also contributes to the shift to higher incomes. The projections indicate a concentration of growth between \$50,000 and \$75,000.

FIGURE 10.2: PROJECTED DISTRIBUTION OF HOUSEHOLDS BY INCOME, LONGVIEW PMA (2019 AND 2024)



SOURCE: Envirionics, JOHNSON ECONOMICS



The following table summarizes our demand projections by housing type and ownership form. The demand growth projections represent 5-year estimates, while the total demand (turnover and net growth) represent annual figures, providing an indication of annual transaction volume. Turnover estimates are calculated from local, segment-specific, historical turnover rates (census microdata samples), applied to the existing household base. The projections are baseline estimates, representing what we regard as the most likely scenario. The projections should be thought of as ranges, with high and low estimates 15-20% above and below the baseline figures. Additional detail is provided over the following pages.

FIGURE 10.3: SUMMARY OF HOUSING DEMAND PROJECTIONS, LONGVIEW PMA (2019 AND 2024)

	NET NEW DEMAND (2019-24)			TOTAL ANNUAL DEMAND		
	Owners	Renters	Total	Owners	Renters	Total
Single-family detached	209	18	226	829	757	1,586
Single-family attached	21	46	66	72	279	350
Multi-family	7	309	316	32	2,128	2,160
Total	237	372	609	932	3,164	4,096

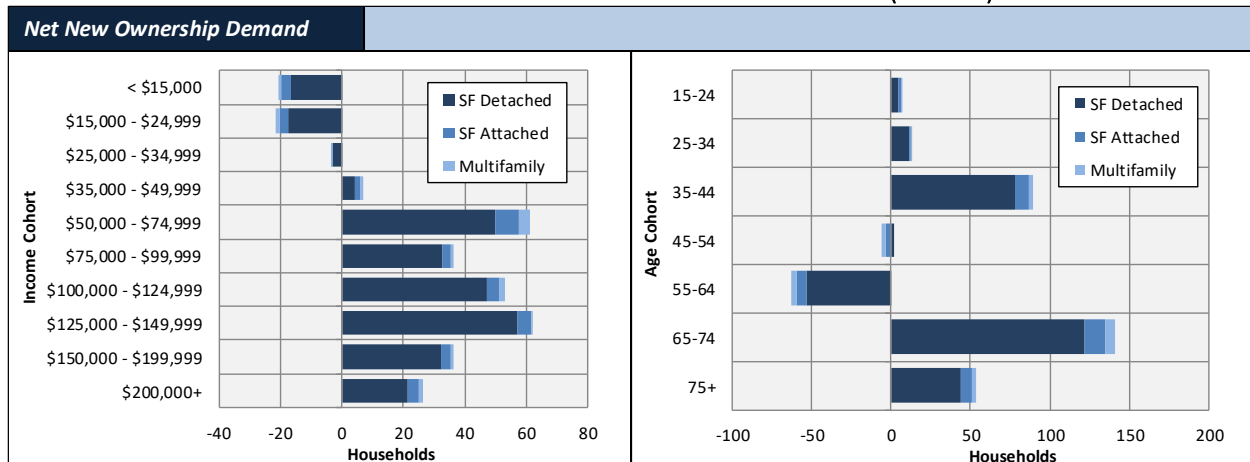
SOURCE: Environics and JOHNSON ECONOMICS

OWNERSHIP DEMAND

JOHNSON ECONOMICS projects net growth in demand for ownership homes around 240 units over the next five years. This reflects a homeownership rate of 39% among the net new households. The current homeownership rate, in comparison, is 53%. The difference reflects the declines projected in the 45-64 age group, where the homeownership rate is highest, and the growth anticipated among young households and seniors, which have lower ownership rates.

Most of the new ownership demand will be for single-family detached homes. In the baseline scenario, our model indicates that roughly 210 homeowner households (88% of net new owners) will have a propensity for this product type, while around 20 (9%) will have a propensity for attached single-family units (duplexes, townhomes), and 7 (3%) for condominium flats. The projected demand for the two single-family categories, 230 units, is considerably higher than the number of new single-family homes permitted in Longview over the past five years (84 units). However, the latter reflects the City of Longview only, whereas the projections reflect the defined PMA, which includes unincorporated areas north of city limits. Moreover, the short market times for listed homes in recent years, and the rapid price increases (e.g., 15% in 2018), indicate that recent construction is short of underlying demand.

FIGURE 10.4: PROJECTED OWNERSHIP HOUSING DEMAND GROWTH (2019-24)

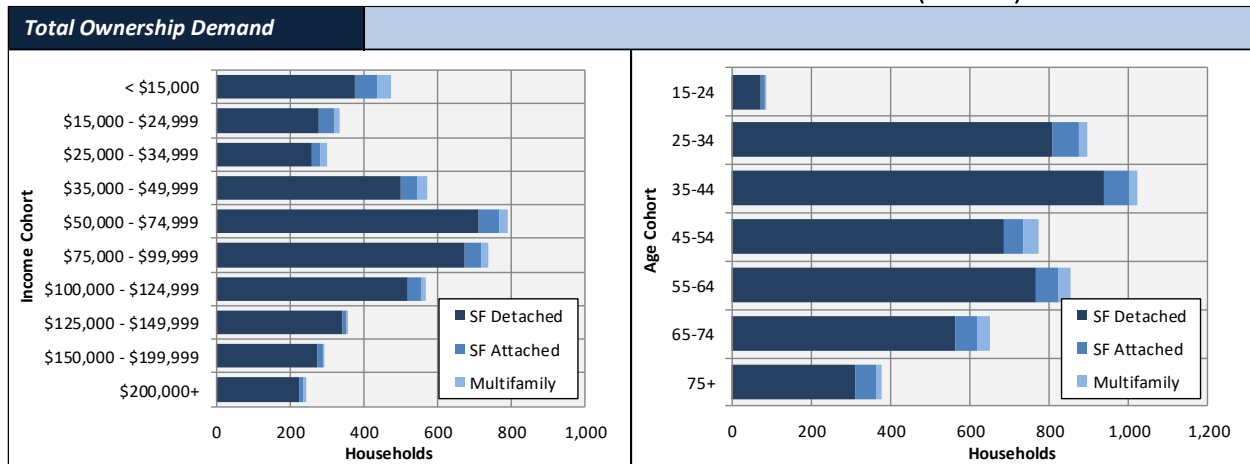


SOURCE: Environics and JOHNSON ECONOMICS



Based on segment-specific turnover rates for the three different product types, we estimate around 700 turnover transactions annually over the coming ten years in the ownership market (the following charts show 5-year totals). Combined with new demand, we thus anticipate annual transaction volume of around 930 units, of which 830 are anticipated to be detached homes. The demographic profile of the total demand is anticipated to be weighted toward family-stage, middle-income households.

FIGURE 10.5: PROJECTED TOTAL ANNUAL OWNERSHIP HOUSING DEMAND (2019-24)

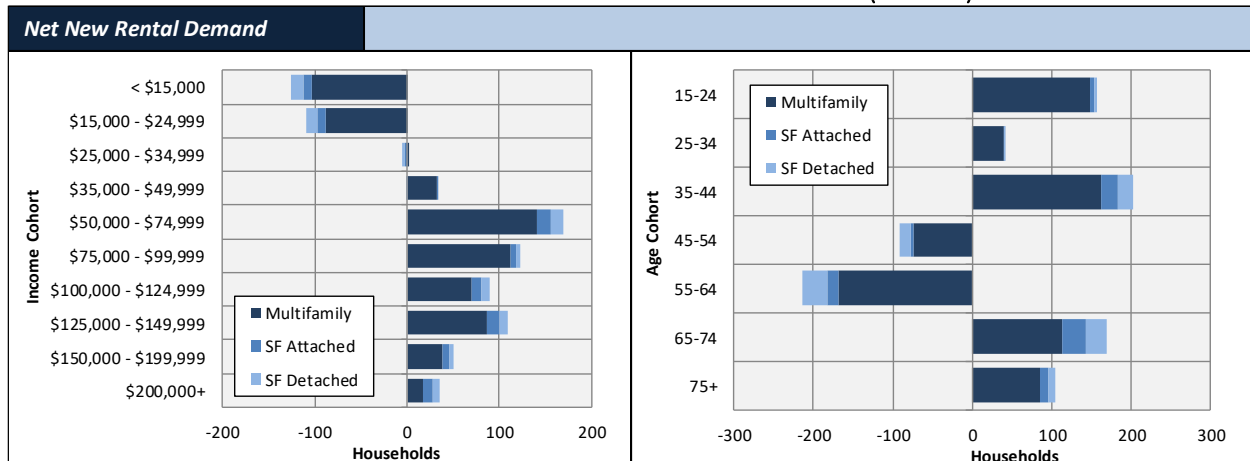


SOURCE: Environics and JOHNSON ECONOMICS

RENTAL DEMAND

For rental housing, we have a baseline demand projection for around 370 units over the five-year forecast horizon. Of this, 310 units (83%) are expected to be apartment units, while nearly 50 units (12%) are expected to be single-family attached, and around 20 units (5%) single-family detached. The demand growth is anticipated to be concentrated among young, middle-income households and seniors.

FIGURE 10.6: PROJECTED RENTAL HOUSING DEMAND GROWTH (2019-24)

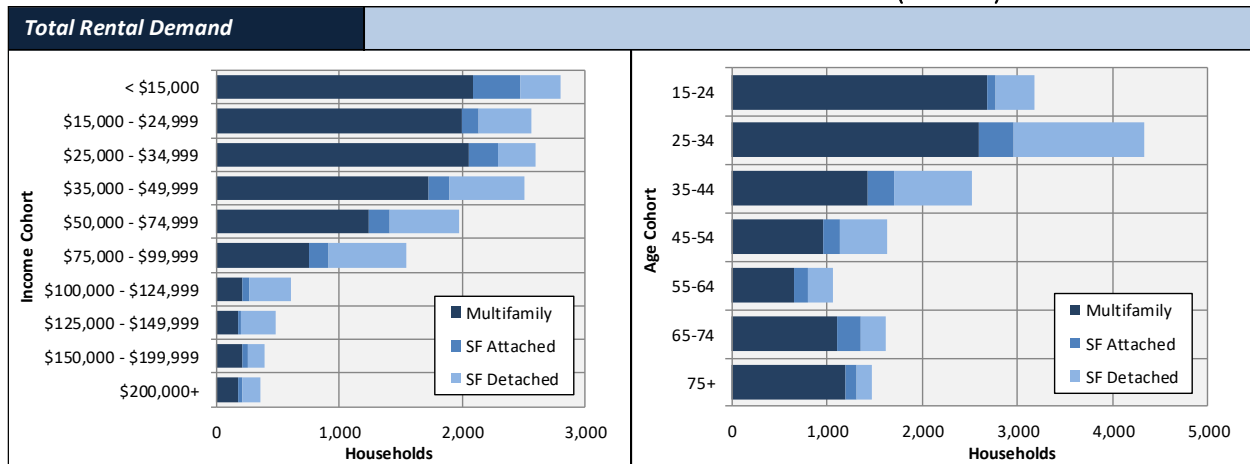


SOURCE: Environics and JOHNSON ECONOMICS

Combining our estimates of turnover demand and demand growth, we arrive at the following profile of total annual rental demand in the Longview PMA. The estimates indicate 2,100 lease transactions per year, dominated by young, low- and middle-income apartment renters, which tend to have higher turnover rates than older segments and single-family renters.



FIGURE 10.7: PROJECTED TOTAL ANNUAL RENTAL HOUSING DEMAND (2019-24)



SOURCE: Environics and JOHNSON ECONOMICS

PENT-UP DEMAND

Pent-up demand is difficult to estimate quantitatively. However, the low rental vacancy rates observed in Longview over the past four years and the short median market times for listed ownership homes over the past three years indicate a housing shortage in this market. The lack of available supply has likely left many potential households doubled up with family and friends rather than in their own households.

There is no good data on these individuals. Pent-up demand is to some extent reflected in changes in the average household size reported by the Census Bureau, but only five-year averages are available for Longview. Moreover, the most recent dataset is 2017, which roughly represents 2015 conditions and therefore does not capture the most recent developments.

The best indicator of pent-up housing demand in Longview is the vacancy rate for rental units. At the current level of 1.5%, the market is 250 units short of the 5% vacancy level typically regarded to represent a healthy supply-demand balance. In other words, 250 additional units can be absorbed by the market without any additional households. In a market that has had a vacancy rate below 2% for several years, we usually assume that there is at least an equal number (250 units) of prospective households currently unable to find appropriate housing at prevailing rent levels, but that would enter the market assuming available supply and market-wide discounts of 10%. In other words, we would expect there to be pent-up demand for at least 500 rental units in Longview currently.

In times of housing shortages, rents and home prices rise rapidly due to bidding wars and rapid leasing of listed units, forcing the least affluent households out of the market. Most of these households are unable to re-enter the housing market until low-rent housing is added or freed up. Unless additional regulated affordable housing is provided, the only dynamic that can free up low-rent housing is that new supply is added at a magnitude that exceeds net new growth, putting downward pressure on rental rates. In other words, pent-up demand should not be considered a source of direct absorption of new units offered at market-rate price levels. However, these potential renters will contribute to net market absorption during strong supply expansions with softening rents, backfilling lower-priced units vacated by more affluent renters moving into new units. Because of the rent declines (relative to incomes) required for these households to enter the market, discounts should be applied to achievable rent levels if pent-up demand is counted as potential absorption of new supply. This will be discussed further in the final section of this report.



RESIDENTIAL SUPPLY-DEMAND BALANCE

In this subsection we compare the projected residential demand growth to identified supply currently in the development pipeline in the Longview PMA, as presented in the previous sections of this report. The reconciliation provides indications of the potential for additional residential supply.

The following table compares anticipated supply and demand over the next five years, combining rental and ownership units. The reconciliation distinguishes between market-rate and affordable supply/demand. On the supply side, only regulated affordable projects are considered affordable supply (currently only the 120-unit apartment project developed by the Housing Authority). On the demand side, we have assumed 250 units of pent-up demand at below-market rent levels in the multifamily segment, representing the 250 potential households assumed to be priced out of the market currently. The remaining 250 units of estimated pent-up demand, which are renter households that already participate in the market (occupying units required for turnover transactions in a healthy market), are assumed to represent demand for market-rate units.

The reconciliation indicates a market that will remain undersupplied over the coming five years unless additional supply enters the pipeline. We estimate potential for another 200 market-rate units offered at current price levels, of which roughly 125 units are multifamily units (apartments), around 60 units are detached single-family homes, and around 15 units are attached homes. We also estimate that an additional 130 affordable apartment units can be absorbed at a discount of 10% to current market rates. Combining the market opportunity for market-rate and affordable multifamily units, we expect that around 250 additional units can be absorbed at an average discount of 5% to current rent levels.

FIGURE 10.8: SUPPLY-DEMAND RECONCILIATION (2019-24)

Housing Type	NET NEW DEMAND (2019-24) *			SUPPLY PIPELINE (2019+)			MARKET OPPORTUNITY		
	Market-Rate	Afford-able	Total	Market-Rate	Afford-able	Total	Market-Rate	Afford-able	Total
Single-family detached	226	0	226	168	0	168	58	0	58
Single-family attached	66	0	66	50	0	50	16	0	16
Multi-family	566	250	816	440	120	560	126	130	256
Total	859	250	1,109	658	120	778	201	130	331

* Includes pent-up demand.

SOURCE: JOHNSON ECONOMICS



XI. MARKET-ORIENTED DEVELOPMENT PROGRAM

This section translates the findings from the preceding sections into a market-oriented development program for the subject site. The two main considerations when evaluating potential land uses and building concepts from a market standpoint are residual land value and absorption. Residual land value is the price a prospective developer would be willing to pay for the land given achievable pricing, cost of construction, and target profits. The land use with the highest residual value is generally considered the highest and best use for a site.

Absorption refers to the pace of sales or lease-up of a certain product. A product type that represents high demand and strong potential absorption at the subject site will generate more timely returns on investments than products with slower absorption. A certain product type may yield high residual values in the current market because it has not been offered in recent years. However, if this product represents limited market depth, the demand will be quickly depleted, resulting in slow absorption and delayed (lower) returns for the developer. Residual land values must therefore be evaluated in light of absorption.

For this exercise, we evaluated the feasibility of nine building prototypes, including one commercial (single-story retail), two rental housing (apartments and townhomes), and six single-family ownership formats (two attached and four detached). Condominiums of the stacked flat format was not evaluated, as both the site and the market reflect inadequate support for this format over the foreseeable future.

RESIDUAL LAND VALUES

Residual land values are calculated via prototype proforma financial statements that reflect typical building characteristics for suburban developments, as shown on the next two pages. Assumptions regarding construction costs, operating costs, and capitalization rates are based on ongoing surveys in the Pacific Northwest conducted by JOHNSON ECONOMICS. Construction costs include all on-site infrastructure costs and assume a flat site with adequate infrastructure to the site (no off-site costs). Assumptions regarding achievable pricing are based on the analyses summarized earlier in this report.

The results of the proforma analysis are displayed below. Five of the nine tested product types represent positive residual land values in the current market. Rental apartments and rental townhomes represent the highest values, at \$99,000 and \$87,000 per acre, respectively. This appears reasonable considering the surveyed land sales, which reflect pricing in the \$91,000-124,000 range for these uses (excl. Village Point). Cottage homes are estimated to represent \$58,500 per acre, which is high in comparison to the only single-family land transaction in our land survey (Solo LLC Land, \$8,400/ac), though the latter reflects much lower density than assumed for prototype cottage homes. Larger single-family homes are estimated to represent very moderate land values (\$2,000-7,000/ac), while retail and high-density ownership housing of more urban formats are estimated to represent negative values.

FIGURE 11.1: SUMMARY OF ESTIMATED RESIDUAL LAND VALUES, SUBJECT SITE

Land Use	Category	Product	Per Acre	Per SqFt	Per Unit
Commercial	Retail	Single story w/surface parking	-\$557,478	-\$12.80	N/A
	Rental	Apartments, 3-story wood w/surface parking	\$98,557	\$2.26	\$3,791
Residential	Ownership	Townhomes, 2-story wood w/garage	\$88,756	\$2.04	\$4,931
		Townhomes, 3-story wood w/garage	-\$49,948	-\$1.15	-\$3,122
		Duplex (side-by-side) w/garage	-\$43,826	-\$1.01	-\$3,130
		Skinny home	-\$43,565	-\$1.00	-\$3,630
		Cottage	\$58,470	\$1.34	\$7,309
		Standard	\$7,102	\$0.16	\$1,184
		First move-up	\$1,913	\$0.04	\$383

SOURCE: JOHNSON ECONOMICS



FIGURE 11.2: PROTOTYPE PROFORMA ANALYSIS, RETAIL AND RENTAL HOUSING

	RETAIL		RENTAL HOUSING		
		Single story, surface p.		Apartments 3-story wood, w/surface p.	Townhomes 2-story wood w/garage
PROGRAM	Property Assumptions		Property Assumptions		
	Site Size (SF)	43,560	Site Size (SF)	43,560	43,560
	Stories	1	Density	26	18
	FAR	0.28	Unit Count	26	18
	Building Square Feet	12,000	Avg Unit Size	838	1,200
	Efficiency	100%	Efficiency Ratio	94%	100%
	Leasable Area	12,000	Building Square Feet	23,179	21,600
	Parking Ratio/000 SF	3.5	FAR	0.53	0.50
	Parking Spaces	42	Parking Ratio/Unit	1.70	2.00
	Parking Spaces - Surface	42	Total Parking Spaces	45	36
	Parking Spaces - Structure	-	Parking Spaces - Surface	45	18
	Structured Parking %	0%	Parking Spaces - Structure	-	18
	Cost Assumptions		Cost Assumptions		
	Base Construction Cost/SF	\$110	Base Construction Cost/SF	\$153	\$145
	Tenant Improvement Allowance	\$35	Adjustment Factor	0%	0%
	Adjustment Factor	0.00%	Construction Cost/SF	\$153	\$145
	Construction Cost/SF	\$145	Base Parking Costs/Space	\$3,000	\$15,000
	Base Parking Costs/Space	\$3,000	Adjustment Factor	0%	0%
	Adjustment Factor	0.00%	Parking Cost/Space	\$3,000	\$15,000
	Parking Cost/Space	\$3,000			
OPERATING ASSUMPTIONS	Income Assumptions		Income Assumptions		
	Base Income/Sf/Yr.	\$11.00	Base Income/Sf/Mo.	\$1.49	\$1.26
	Adjustment Factor	0.00%	Adjustment Factor	-5.00%	0.00%
	Achievable Pricing	\$11.00	Achievable Pricing	\$1.42	\$1.26
	Parking Charges/Space/Mo	\$0	Parking Charges/Space/Mo	\$0	\$0
	Expenses		Expenses		
	Vacancy/Collection Loss	10.00%	Vacancy/Collection Loss	5.0%	5.0%
	Base Operating Expenses	5.00%	Operating Expenses	32.0%	20.0%
	Adjustment Factor	0.00%	Adjustment Factor	0%	0%
	Operating Expenses	5.00%	Operating Expenses	32%	20%
	Valuation		Valuation		
	Base Capitalization Rate	7.50%	Base Capitalization Rate	5.75%	6.00%
	Adjustment Factor	0%	Adjustment Factor	0%	0%
	Capitalization Rate	7.50%	Capitalization Rate	5.75%	6.00%
SUPPORTABLE PROPERTY VALUE	Cost		Cost		
	Cost/Construct w/o prkg.	\$1,740,000	Cost/Construct w/o prkg.	\$3,546,345	\$3,132,000
	Total Parking Costs	\$126,000	Total Parking Costs	\$135,000	\$540,000
	Estimated Project Cost	\$1,866,000	Estimated Project Cost	\$3,681,345	\$3,672,000
	Income		Income		
	Annual Base Income	\$132,000	Annual Base Income	\$370,091	\$326,592
	Annual Parking	\$0	Annual Parking	\$0	\$0
	Gross Annual Income	\$132,000	Gross Annual Income	\$370,091	\$326,592
	Less: Vacancy & CL	\$13,200	Less: Vacancy & CL	\$18,505	\$16,330
	Effective Gross Income	\$118,800	Effective Gross Income	\$351,586	\$310,262
	Less Expenses:		Less Expenses:		
	Operating Expenses	\$5,940	Operating Expenses	\$112,508	\$62,052
	Annual NOI	\$112,860	Annual NOI	\$239,079	\$248,210
	Property Valuation		Property Valuation		
	Return on Cost	6.05%	Return on Cost	6.49%	6.76%
	Threshold Return on Cost	8.63%	Threshold Return on Cost	6.33%	6.60%
	Residual Property Value	(\$557,478)	Residual Property Value	\$98,557	\$88,756
	RPV/Ac	(\$557,478)	RPV/Ac	\$98,557	\$88,756
	RPV/SF	(\$12.80)	RPV/SF	\$2.26	\$2.04
	RPV/Unit (Res)	N/A	RPV/Unit (Res)	\$3,791	\$4,931

SOURCE: JOHNSON ECONOMICS



FIGURE 11.3: PROTOTYPE PROFORMA ANALYSIS, OWNERSHIP HOUSING

OWNERSHIP HOUSING						
	Townhome 3-story wood	Duplex (side-by-side)	Skinny home	Cottage	Middle Family	First move-up
PROGRAM	Property Assumptions					
	Site Size (SF)	43,560	43,560	43,560	43,560	43,560
	Density	16	14	12	8	6
	Unit Count	16	14	12	8	6
	Avg Unit Size	1,400	1,600	1,700	1,500	1,850
	Efficiency Ratio	100%	100%	100%	100%	100%
	Building Square Feet	22,400	22,400	20,400	12,000	11,100
	FAR	0.51	0.51	0.47	0.28	0.25
	Parking Ratio/Unit	2.0	2.0	2.0	2.0	2.0
	Total Parking Spaces	32	28	24	16	12
	Parking Spaces - Surface	16	14	12	8	6
	Parking Spaces - Structure	16	14	12	8	6
	Structured Parking %	50%	50%	50%	50%	50%
	Cost Assumptions					
	Base Construction Cost/SF	\$143	\$146	\$149	\$151	\$147
	Adjustment Factor	0%	0%	0%	0%	0%
	Construction Cost/SF	\$143	\$146	\$149	\$151	\$147
	Base Parking Costs/Space	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
	Adjustment Factor	0%	0%	0%	0%	0%
	Parking Cost/Space	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
OPERATING	Income Assumptions					
	Sales Price/SF	\$203	\$203	\$204	\$219	\$202
	Adjustment Factor	0%	0%	0%	0%	0%
	Achievable Pricing	\$203	\$203	\$204	\$219	\$202
	Parking Charges/Space	\$0	\$0	\$0	\$0	\$0
	Expenses					
	Sales Commission	4.0%	4.0%	4.0%	4.0%	4.0%
SUPPORTABLE PROPERTY VALUE	Cost					
	Cost/Construct w/o prkg.	\$3,203,200	\$3,270,400	\$3,039,600	\$1,812,000	\$1,626,150
	Total Parking Costs	\$640,000	\$560,000	\$480,000	\$320,000	\$240,000
	Estimated Project Cost	\$3,843,200	\$3,830,400	\$3,519,600	\$2,132,000	\$1,866,150
	Income					
	Gross Income - Units	\$4,544,000	\$4,536,000	\$4,164,000	\$2,624,000	\$2,244,000
	Gross Income - Parking	\$0	\$0	\$0	\$0	\$0
	Gross Sales Income	\$4,544,000	\$4,536,000	\$4,164,000	\$2,624,000	\$2,244,000
	Less: Commission	\$181,760	\$181,440	\$166,560	\$104,960	\$89,760
	Effective Gross Income	\$4,362,240	\$4,354,560	\$3,997,440	\$2,519,040	\$2,154,240
	Property Valuation					
	Return on Sales	13.51%	13.68%	13.58%	18.15%	15.44%
	Threshold Return	15.00%	15.00%	15.00%	15.00%	15.00%
	Residual Property Value	(\$49,948)	(\$43,826)	(\$43,565)	\$58,470	\$7,102
	RPV/Ac	(\$49,948)	(\$43,826)	(\$43,565)	\$58,470	\$7,102
	RPV/SF	(\$1.15)	(\$1.01)	(\$1.00)	\$1.34	\$0.16
	RPV/Unit (Res)	(\$3,122)	(\$3,130)	(\$3,630)	\$7,309	\$1,184

SOURCE: JOHNSON ECONOMICS



As noted, retail space does not appear feasible with the \$10-12 PSF lease rate estimated to be achievable at the subject site in the current market. First at a \$16.00 lease rate does this development type yield a residual land value that might be worth considering (\$37,000/ac.). We estimate that this will require a traffic volume of around 12,500 vehicles per day, which in turn will require an additional 700 occupied housing units at or to the west of the site.

It should also be noted that residual land values are highly sensitive to changes in achievable pricing and construction costs. Substantial changes to these values are therefore possible over time.

ABSORPTION

In this subsection, we will assess the absorption potential for the four product types that according to the preceding analysis have highest residual land values: rental apartments, rental townhomes, cottage homes, and middle family homes.

RENTAL APARTMENTS

Our demand projections for the Longview PMA indicate that this market can absorb roughly 570 market-rate apartments over the coming five years, plus an additional 250 units offered 5% below market, for a total of 820 units. In comparison, we identified 560 units in the pipeline, including 120 affordable units. This suggests potential for an additional 130 market-rate units plus another 130 below-market units at the subject site. The market-rate units are estimated to represent residual land values of \$99,000 per acre and are thus feasible from a market standpoint. The below-market units (5% discount to achievable pricing) represent negative residual values and are thus not feasible in the current market. However, a regulated affordable project with low-income tax credit financing (LITCH) or other subsidies will likely be feasible if such financing can be secured.

Assuming 26 units per acre, a 130-unit market-rate project would absorb five acres at the subject site, and another five acres might be absorbed by affordable apartments. Additional multifamily land might be absorbed over a longer time horizon. With the estimated net demand growth of 113 units per year in the Longview market, the site might be able to absorb an additional 4-5 acres of multifamily land per year beyond the forecast horizon, assuming limited competition from other new projects.

RENTAL TOWNHOMES

Our demand projections indicate demand for around 50 additional rental townhomes in the Longview PMA over the next five years. There are already 50 townhomes in the development pipeline (Village Pointe). It is unknown whether these are rental units, but as the developer is just about to finish a successful rental townhome project nearby (West Pointe), we will assume that these are rental units (total townhome demand is estimated to 66 units including for-sale units). In other words, rental townhomes do not represent a strong market opportunity at the subject site over the forecast horizon. With estimated market growth of around 10 units per year, and density around 18 units per acre, the site might absorb around 2 acres per year once the competing supply is absorbed. This suggests that only a small portion of the site should be set aside for rental townhomes.

COTTAGE HOMES

If we define cottage homes as single-family detached homes between 1,000 and 1,750 square feet, then cottage homes have accounted for around 60% of all single-family sales (including attached) above 1,000 square feet since 2015. Assuming this share is representative of future single-family demand, cottages are estimated to represent demand growth of around 150 homes over the coming five years, or roughly 30 homes per year. It is unknown at this point how many of the homes in the Solo LLC development will be cottage homes (this is the only larger single-family project in the pipeline), but assuming the same 60%, Solo LLC will represent 100 cottage homes – or three years of absorption. This suggests moderate absorption potential for the subject site over the forecast horizon. At eight units per acre (assumed in the proforma analysis) the site might absorb three to four acres per year once the competing supply is absorbed. With density more in line with typical West Longview subdivisions (6 u/ac), the site might absorb around five acres per year.



MIDDLE-FAMILY HOMES

Defining middle-family homes between 1,750 and 2,000 square feet, this product has accounted for 12% of all single-family sales above 1,000 square feet since 2015. Assuming the same share for future demand, middle-family homes are estimated to represent demand growth of 30 homes over the coming five years, or 6 homes per year. If 30% of the homes within the Solo LLC development will represent middle-family homes, this development will represent around eight years of absorption. This suggests very limited market potential for the subject site over the near- to mid-term.

RECOMMENDED DEVELOPMENT PROGRAM

Considering both residual land value and absorption, the strongest market potential at the subject site is for rental apartments (highest residual land value) and cottage homes (strongest absorption potential). Given the size of the site and the interest of timely absorption, we would also include rental townhomes in a development program. For-sale middle-family homes do not exhibit adequate potential in the current market to be included in a development program for the site. However, as noted, residual land values are highly sensitive to changing market conditions and this product type might become viable over the life of the development.

The following table shows the land allocation that will yield the shortest absorption period based on our demand projections, and assuming a program consisting of the three product types with highest residual land values. This allocation includes 20 acres (56%) of land for single-family detached (cottage) homes; 13 acres (36%) multifamily (apartment) land; and 3 acres (8%) of single-family attached (townhome) land. This mix is based on a total land assumption of 35 acres at the site and represents a total of 535 housing units at the assumed densities.

Assuming the site captures 100% of market-wide growth, complete absorption is estimated to take 5 years following absorption of the current pipeline of residential projects. Assuming 50% market capture, the site is estimated to be fully absorbed in 11 years. For proforma purposes, we would assume an absorption period of 8 years (65% capture). The suggested mix represents a residual land value of \$75,000 per acre in the current market, without discounting for the time value of money.

The suggested development program does not include commercial space. However, the analysis indicates that a small commercial component may be viable toward the end of the residential buildout. As indicated, we estimate that around 700 additional households will be needed in this area before retail development becomes feasible. At full residential buildout of the site (535 units), a small retail center may be viable – not large enough to impact the overall economics of the development.

FIGURE 11.4: RECOMMENDED DEVELOPMENT PROGRAM, SUBJECT SITE

Product Type	LONGVIEW PMA							SUBJECT SITE (35 AC)			
	2019-24 Demand Growth*	Annual Demand, 2019-24*	Units in Pipeline	Years to Absorb Pipeline	Assumed Density	Annual Land Absorption	Share of Absorbed Land	Allocation Land	Units	Absorption Period 100% Capture	50% Capture
Rental Apartments	566	113	440	4 yrs	26 u/ac	2.4 ac	36%	13 ac	330 u	5 yrs	11 yrs
Rental Townhomes	46	9	50	5 yrs	18 u/ac	0.5 ac	8%	3 ac	49 u	5 yrs	11 yrs
Cottage Homes	148	30	92	3 yrs	8 u/ac	3.7 ac	56%	20 ac	157 u	5 yrs	11 yrs

* Includes current pent-up demand.

SOURCE: JOHNSON ECONOMICS

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NORTH

0 50 100 200

Scale: (in Feet)

LEGEND:

- CITY PROPERTY LINE (60.7 AC)
- SINGLE FAMILY LOTS - 121 (MIN 6,000 SF - 60' x 100')
- APARTMENT - 336 TOTAL (12 UNITS PER BLDG)
- TOWNHOUSE - 52 TOTAL (7 UNITS PER BLDG)
- OPEN SPACE (15.91 AC)
- PLAYGROUND AREA (17,524 SF)
- 20 FT WIDE SHARED USE PATH (11,226 SF)
- FINGER SLOUGH WATER SURFACE AREA (1.34 AC)
- CDID #1 DITCH 10
- 60 FT PUBLIC ROAD RIGHT OF WAY (1.37 MI OF 32 FT ROADWAY)
- PRIVATE ROAD W/ PARKING (0.79 MI)
- COUNTY ROAD RIGHT OF WAY (21,603 SF)
- CDID #1 40 FT MAINTENANCE EASEMENT

RIGHT-OF-WAY DISCLAIMER

THE RIGHT-OF-WAY AND/OR PROPERTY LINES SHOWN HEREON ARE BASED ON AVAILABLE INFORMATION, NOT ON A SURVEYED LOCATION AND ARE ONLY APPROXIMATE

Civil	Conceptual Residential Development	Site Plan
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City of Longview

Lagoon Feasibility Study

Longview, Washington

Datum: NAD83(2011)/NAVD 88

Survey Book: ---

Project Milestone: **CONCEPT**

Date: **01/10/2020**

01/10/2020

GIBBS & OLSON
www.gibbs-olson.com

Project Manager: RAG

Designed by: RAG

CAD by: KAR

Checked by: SBB

Approved by: RAG

Project Number: **0461.3745**

Drawing Number: ---

Sheet Number: --- of ---

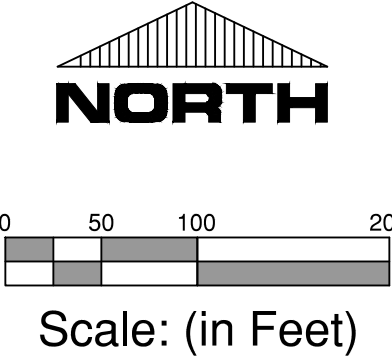
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- LEGEND:**
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 - PRIVATE ROAD W/ PARKING (0.79 MI)
 - COUNTY ROAD RIGHT OF WAY (21,603 SF)
 - CDID #1 40 FT MAINTENANCE EASEMENT
 - WATER MAIN
 - STORM DRAIN LINE
 - SANITARY SEWER MAIN
 - STORM CATCH BASIN
 - STORMWATER PUMP STATION
 - SEWER MANHOLE
 - SEWER PUMP STATION

RIGHT-OF-WAY DISCLAIMER

THE RIGHT-OF-WAY AND/OR PROPERTY LINES SHOWN HEREON ARE BASED ON AVAILABLE INFORMATION, NOT ON A SURVEYED LOCATION AND ARE ONLY APPROXIMATE



City of Longview	Civil
Lagoon Feasibility Study	Conceptual Residential Development
Longview, Washington	Utility Plan

Datum: NAD83(2011)/NAVD 88

Survey Book: ---

Project Milestone:
CONCEPT

Date:
01/10/2020

01/10/2020
GIBBS & OLSON
www.gibbs-olson.com
Project Manager: RAG
Designed by: RAG
CAD by: KAR
Checked by: SBB
Approved by: RAG

Project Number:
0461.3745
Drawing Number:

Sheet Number:
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MEMORANDUM

DATE: March 26, 2020

TO: Rich Gushman
GIBBS & OLSON

FROM: Jerry Johnson
JOHNSON ECONOMICS, LLC

SUBJECT: Longview Sewer Lagoon Cost/Value Analysis

JOHNSON ECONOMICS was asked to conduct a financial evaluation of the Longview Sewer Lagoon under three disposition scenarios. The evaluation is based on cost estimates developed by GIBBS & OLSON and a market analysis conducted by JOHNSON ECONOMICS. The latter identified a combination of rental apartments, rental townhomes, and for-sale single-family homes as the highest and best use of the site in the current market.

The three disposition scenarios are as follows:

1. Sell the site as is.
2. Sell the site after filling it to subgrade (elevation 7').
3. Sell the site after filling it to subgrade (elevation 7'), constructing an infrastructure backbone (public roadways, water, sewer, stormwater), and creating individual parcels and public right-of-way.

All three scenarios assume the same final development program, consisting of 336 apartments, 52 townhomes, and 121 single-family homes (based on market analysis and GIBBS & OLSON design work). As such, they require the same development and construction work to be performed but shift responsibilities and costs between the City and private developers. The cost to a private developer can be assumed to be similar to the cost incurred by the City, though factors like cost of capital and contractor relationships will have some impact. However, with the City taking on the preparatory site work and selling off smaller parcels, smaller developers without the ability to take on the entire site can participate.





COST/VALUE ANALYSIS

The following is a financial reconciliation of cost and value under the three scenarios. The main components of the analysis are defined below. A discussion of the results is included on the next page.

NET VALUE ANALYSIS

	OPTION 1 - As Is				OPTION 2 - Fill to Subgrade				OPTION 3 - Fill + Infrastructure			
	Rental Apart- ments	Rental Town- homes	Single- Family Homes	Total	Rental Apart- ments	Rental Town- homes	Single- Family Homes	Total	Rental Apart- ments	Rental Town- homes	Single- Family Homes	Total
COST												
Site prep					\$2,920,369	\$1,604,598	\$ 8,177,033	\$12,702,000	\$2,920,369	\$1,604,598	\$ 8,177,033	\$12,702,000
Sewer									2,269,822	605,759	2,293,419	5,169,000
Storm Water									2,260,161	603,181	2,283,658	5,147,000
Water									1,566,348	418,019	1,582,632	3,567,000
Roads/Sidewalks									4,352,578	1,161,594	4,397,828	9,912,000
TOTAL COST	-	-	-	-	2,920,369	1,604,598	8,177,033	12,702,000	13,369,279	4,393,151	18,734,570	36,497,000
VALUE												
Sales Proceeds												
An.NOI / Gross Income	\$3,089,633	\$ 717,051	\$38,100,480		3,089,633	717,051	38,100,480		3,089,633	717,051	38,100,480	
Developer's Project Cost	55,349,224	12,162,269	44,285,443	111,796,936	52,098,781	10,376,311	35,184,201	97,659,293	39,653,654	7,378,642	23,564,910	70,597,206
Threshold Return	6.3%	6.6%	15.0%		6.3%	6.6%	15.0%		6.3%	6.6%	15.0%	
Completed Project Value	48,847,957	10,864,407	33,130,852	92,843,216	48,847,957	10,864,407	33,130,852	92,843,216	48,847,957	10,864,407	33,130,852	92,843,216
Land Value/Sales Price	(6,501,267)	(1,297,862)	(11,154,590)	(18,953,720)	(3,250,824)	488,096	(2,053,348)	(4,816,076)	9,194,303	3,485,765	9,565,943	22,246,010
Proceeds, Pres.Val. (4.5%)	(5,953,405)	(1,188,491)	(10,214,593)	(17,356,489)	(2,976,877)	446,964	(1,880,313)	(4,410,225)	8,419,498	3,192,019	8,759,820	20,371,338
Tax Revenues												
Sales Tax - Constr. (0.1%)	55,349	12,162	44,285		55,019	11,981	43,361		53,023	11,772	42,299	
Time Discounted (4.5%)	42,502	9,339	34,007	85,848	42,249	9,200	33,297	84,746	40,716	9,040	32,482	82,237
Prop.Excise tax (0.25%)	159,129	34,967	127,321		159,129	34,967	127,321		159,129	34,967	127,321	
Time Discounted (4.5%)	122,194	26,851	97,769	246,814	122,194	26,851	97,769	246,814	122,194	26,851	97,769	246,814
Property tax (0.26%)												
Taxable Value	55,349,224	12,162,269	44,285,443		55,349,224	12,162,269	44,285,443		55,349,224	12,162,269	44,285,443	
Pres.Value (4.5%-2.0%)	5,842,457	1,283,804	4,674,605	11,800,865	5,842,457	1,283,804	4,674,605	11,800,865	5,842,457	1,283,804	4,674,605	11,800,865
Revenues, Pres.Value	6,007,153	1,319,994	4,806,381	12,133,528	6,006,900	1,319,854	4,805,671	12,132,425	6,005,367	1,319,694	4,804,856	12,129,917
TOTAL VALUE	53,748	131,502	(5,408,212)	(5,222,961)	3,030,023	1,766,818	2,925,358	7,722,200	14,424,865	4,511,713	13,564,676	32,501,254
NET VALUE	53,748	131,502	(5,408,212)	(5,222,961)	109,655	162,220	(5,251,674)	(4,979,800)	1,055,587	118,562	(5,169,894)	(3,995,746)

Definitions and Assumptions

- Costs: development costs incurred by the City. Allocated to each use based on area and units. Fill costs based on Elevation 7' estimates from Gibbs & Olson.
- Value: value to the City from sales proceeds and tax revenues.
- Sales proceeds: estimated through proforma analyses of the net value to the developer (included at the end of the memo). The value varies across the three scenarios as the developer's costs vary. Proceeds to the City from land sales are discounted at a 4.5% discount rate over two years, assuming a two-year period between up-front site development and sales.
- Tax revenues: construction sales tax on City and developer costs, discounted to reflect eight-year absorption period; real estate excise tax assuming completed projects sell 15% above cost upon absorption; property tax receipts estimated via present value calculation, assuming year-one taxable value equal to total project cost, and subsequent taxable value increasing 2% per year in perpetuity. Identical across the three scenarios.



Results

The final project value is estimated to \$93 million, regardless of option. Under Option 1, the developer's cost is estimated to \$112 million, which implies that the developer would need to be given the land at no cost, plus an additional \$19 million (\$17 million if given up-front), to achieve reasonable returns. Though the City would recover some of this through future tax revenues (present value: \$12 million), the City would lose an estimated \$5.2 million on the net with this approach.

Under Option 2, the developer's cost is lower, estimated to \$98 million, which means that the developer would need to be given the land at no cost plus around \$5 million to achieve reasonable returns. Though the \$5 million would be more than offset by future tax revenues, Option 2 requires the City to pay for fill costs, resulting in a net loss to the City of \$5.0 million.

Under Option 3, the City takes on additional development costs. This reduces the developer's project cost to \$71 million, which indicates that the developer would be willing to pay \$22 million for the site. When we include future tax receipts, this option represents a value of \$33 million to the City. However, the City's up-front development costs are estimated to \$36 million, indicating a net loss of \$4.0 million under this option.

In sum, all three scenarios represent negative net values, ranging from \$4.0 to \$5.2 million. The negative values can be attributed to the cost of filling the site, which eradicates the limited profits estimated to be generated in this market by a flat site. As private developers are assumed to have higher costs of capital than the City (5.5% vs. 4.5%), the options that put the responsibility of filling and developing the site on private developers (#1 and #2) are estimated to represent lower net value than the option that assumes this is done by the City (#3).

PROTOTYPE PROFORMAS

Sales proceeds shown in the cost/value analysis are estimated in the following proforma analyses, which calculate residual land values for the various building prototypes.



OPTION 1	RENTAL HOUSING			OWNERSHIP HOUSING		TOTAL	
		Apartments 3-story wood, w/surface p.	Townhomes 2-story wood w/garage		Cottages (Single-Family)		
PROGRAM	Property Assumptions			Property Assumptions		Property Assumptions	
	Site Size (SF)	562,929	125,840	Site Size (SF)	658,845	Site Size (SF)	1,347,614
	Density (U./Ac.)	26.0	18.0	Density (U./Ac.)	8.0	Density (U./Ac.)	16.5
	Unit Count	336	52	Unit Count	121	Unit Count	509
	Avg Unit Size	838	1,200	Avg Unit Size	1,500	Avg Unit Size	1,032
	Efficiency Ratio	94%	100%	Efficiency Ratio	100%	Efficiency Ratio	97%
	Building Square Feet	299,540	62,400	Building Square Feet	181,500	Building Square Feet	543,440
	FAR	0.53	0.50	FAR	0.28	FAR	0.40
	Parking Ratio/Unit	1.90	2.00	Parking Ratio/Unit	2.0	Parking Ratio/Unit	1.9
	Total Parking Spaces	640	104	Total Parking Spaces	242	Total Parking Spaces	986
	Parking Spaces - Surface	640	52	Parking Spaces - Surface	121	Parking Spaces - Surface	813
	Parking Spaces - Structure	-	-	Parking Spaces - Structure	121	Parking Spaces - Structure	121
	Structured Parking %	0%	0%	Structured Parking %	50%	Structured Parking %	13%
	Cost Assumptions			Cost Assumptions		Cost Assumptions	
	Base Construction Cost/SF	\$153	\$145	Base Construction Cost/SF	\$151	Base Construction Cost/SF	\$151
OPERATING ASSUMPTIONS	Adjustment Factor	0%	0%	Adjustment Factor	0%	Adjustment Factor	0%
	Construction Cost/SF	\$153	\$145	Construction Cost/SF	\$151	Construction Cost/SF	\$151
	Base Parking Costs/Space	\$5,261	\$5,261	Base Parking Costs/Space	\$20,000	Base Parking Costs/Space	\$8,878
	Adjustment Factor	0%	0%	Adjustment Factor	0%	Adjustment Factor	0%
	Parking Cost/Space	\$5,261	\$5,261	Parking Cost/Space	\$20,000	Parking Cost/Space	\$8,878
	Income Assumptions			Income Assumptions		Income Assumptions	
	Base Income/Sf/Mo.	\$1.49	\$1.26	Sales Price/SF	\$219		
	Adjustment Factor	-5.00%	0.00%	Adjustment Factor	0%		
	Achievable Pricing	\$1.42	\$1.26	Achievable Pricing	\$219		
	Parking Charges/Space/Mo	\$0	\$0	Parking Charges/Space	\$0		
	Expenses			Expenses		Expenses	
	Vacancy/Collection Loss	5.0%	5.0%	Sales Commission	4.0%		
	Operating Expenses	32.0%	20.0%				
	Adjustment Factor	0%	0%				
	Operating Expenses	32%	20%				
	Valuation			Valuation		Valuation	
	Base Capitalization Rate	5.75%	6.00%				
SUPPORTABLE PROPERTY VALUE	Adjustment Factor	0%	0%				
	Capitalization Rate	5.75%	6.00%				
	Cost			Cost		Cost	
	Building (incl. basic infrast.)	\$45,829,685	\$9,048,000	Building (incl. basic infrast.)	\$27,406,500	Building (incl. basic infrast.)	\$82,284,185
	Parking	\$3,361,621	\$552,379	Parking	\$4,840,000	Parking	\$8,754,000
	Infrast. (excl. base + 2yr int.)	\$2,907,474	\$775,932	Infrast. (excl. base + 2yr int.)	\$2,937,701	Infrast. (excl. base + 2yr int.)	\$6,621,107
	Site fill (+ 2yr interest)	\$3,250,444	\$1,785,958	Site fill (+ 2yr interest)	\$9,101,242	Site fill (+ 2yr interest)	\$14,137,644
	Estimated Project Cost	\$55,349,224	\$12,162,269	Estimated Project Cost	\$44,285,443	Estimated Project Cost	\$111,796,936
	Income			Income		Income	
	Annual Base Income	\$4,782,714	\$943,488	Gross Income - Units	\$39,688,000		
	Annual Parking	\$0	\$0	Gross Income - Parking	\$0		
	Gross Annual Income	\$4,782,714	\$943,488	Gross Sales Income	\$39,688,000		
	Less: Vacancy & CL	\$239,136	\$47,174				
	Effective Gross Income	\$4,543,578	\$896,314				
	Less Expenses:			Less: Commission	\$1,587,520		
	Operating Expenses	\$1,453,945	\$179,263	Effective Gross Income	\$38,100,480		
	Annual NOI	\$3,089,633	\$717,051				
	Property Valuation			Property Valuation		Property Valuation	
	Return on Cost	5.58%	5.90%	Return on Sales	-13.97%	Return on Sales	
	Threshold Return on Cost	6.33%	6.60%	Threshold Return	15.00%	Threshold Return	
	Completed Project Value	\$48,847,957	\$10,864,407	Completed Project Value	\$33,130,852	Completed Project Value	\$92,843,216
	Residual Property Value	(\$6,501,267)	(\$1,297,862)	Residual Property Value	(\$11,154,590)	Residual Property Value	(\$18,953,720)
	RPV/Ac	(\$503,074)	(\$449,260)	RPV/Ac	(\$737,494)	RPV/Ac	(\$612,656)
	RPV/SF	(\$11.55)	(\$10.31)	RPV/SF	(\$16.93)	RPV/SF	(\$14.06)
	RPV/Unit (Res)	(\$19,349)	(\$24,959)	RPV/Unit (Res)	(\$92,187)	RPV/Unit (Res)	(\$37,237)



OPTION 2	RENTAL HOUSING			OWNERSHIP HOUSING		TOTAL	
		Apartments 3-story wood, w/surface p.	Townhomes 2-story wood w/garage		Cottages (Single-Family)		
PROGRAM	Property Assumptions			Property Assumptions		Property Assumptions	
	Site Size (SF)	562,929	125,840	Site Size (SF)	658,845	Site Size (SF)	1,347,614
	Density (U./Ac.)	26.0	18.0	Density (U./Ac.)	8.0	Density (U./Ac.)	16.5
	Unit Count	336	52	Unit Count	121	Unit Count	509
	Avg Unit Size	838	1,200	Avg Unit Size	1,500	Avg Unit Size	1,032
	Efficiency Ratio	94%	100%	Efficiency Ratio	100%	Efficiency Ratio	97%
	Building Square Feet	299,540	62,400	Building Square Feet	181,500	Building Square Feet	543,440
	FAR	0.53	0.50	FAR	0.28	FAR	0.40
	Parking Ratio/Unit	1.90	2.00	Parking Ratio/Unit	2.0	Parking Ratio/Unit	1.9
	Total Parking Spaces	640	104	Total Parking Spaces	242	Total Parking Spaces	986
	Parking Spaces - Surface	640	52	Parking Spaces - Surface	121	Parking Spaces - Surface	813
	Parking Spaces - Structure	-	-	Parking Spaces - Structure	121	Parking Spaces - Structure	121
	Structured Parking %	0%	0%	Structured Parking %	50%	Structured Parking %	13%
	Cost Assumptions			Cost Assumptions		Cost Assumptions	
	Base Construction Cost/SF	\$153	\$145	Base Construction Cost/SF	\$151	Base Construction Cost/SF	\$151
OPERATING ASSUMPTIONS	Adjustment Factor	0%	0%	Adjustment Factor	0%	Adjustment Factor	0%
	Construction Cost/SF	\$153	\$145	Construction Cost/SF	\$151	Construction Cost/SF	\$151
	Base Parking Costs/Space	\$5,261	\$5,261	Base Parking Costs/Space	\$20,000	Base Parking Costs/Space	\$8,878
	Adjustment Factor	0%	0%	Adjustment Factor	0%	Adjustment Factor	0%
	Parking Cost/Space	\$5,261	\$5,261	Parking Cost/Space	\$20,000	Parking Cost/Space	\$8,878
	Income Assumptions			Income Assumptions		Income Assumptions	
	Base Income/Sf/Mo.	\$1.49	\$1.26	Sales Price/SF	\$219		
	Adjustment Factor	-5.00%	0.00%	Adjustment Factor	0%		
	Achievable Pricing	\$1.42	\$1.26	Achievable Pricing	\$219		
	Parking Charges/Space/Mo	\$0	\$0	Parking Charges/Space	\$0		
	Expenses			Expenses		Expenses	
	Vacancy/Collection Loss	5.0%	5.0%	Sales Commission	4.0%		
	Operating Expenses	32.0%	20.0%				
	Adjustment Factor	0%	0%				
	Operating Expenses	32%	20%				
	Valuation			Valuation		Valuation	
	Base Capitalization Rate	5.75%	6.00%				
	Adjustment Factor	0%	0%				
	Capitalization Rate	5.75%	6.00%				
SUPPORTABLE PROPERTY VALUE	Cost			Cost		Cost	
	Building (incl. basic infrast.)	\$45,829,685	\$9,048,000	Building (incl. basic infrast.)	\$27,406,500	Building (incl. basic infrast.)	\$82,284,185
	Parking	\$3,361,621	\$552,379	Parking	\$4,840,000	Parking	\$8,754,000
	Infrast. (excl. base + 2yr int.)	\$2,907,474	\$775,932	Infrast. (excl. base + 2yr int.)	\$2,937,701	Infrast. (excl. base + 2yr int.)	\$6,621,107
	Site fill (+ 2yr interest)			Site fill (+ 2yr interest)		Site fill (+ 2yr interest)	
	Estimated Project Cost	\$52,098,781	\$10,376,311	Estimated Project Cost	\$35,184,201	Estimated Project Cost	\$97,659,293
	Income			Income		Income	
	Annual Base Income	\$4,782,714	\$943,488	Gross Income - Units	\$39,688,000		
	Annual Parking	\$0	\$0	Gross Income - Parking	\$0		
	Gross Annual Income	\$4,782,714	\$943,488	Gross Sales Income	\$39,688,000		
	Less: Vacancy & CL	\$239,136	\$47,174				
	Effective Gross Income	\$4,543,578	\$896,314				
	Less Expenses:						
	Operating Expenses	\$1,453,945	\$179,263	Less: Commission	\$1,587,520		
	Annual NOI	\$3,089,633	\$717,051	Effective Gross Income	\$38,100,480		
	Property Valuation			Property Valuation		Property Valuation	
	Return on Cost	5.93%	6.91%	Return on Sales	8.29%	Return on Sales	
	Threshold Return on Cost	6.33%	6.60%	Threshold Return	15.00%	Threshold Return	
	Completed Project Value	\$48,847,957	\$10,864,407	Completed Project Value	\$33,130,852	Completed Project Value	\$92,843,216
	Residual Property Value	(\$3,250,824)	\$488,096	Residual Property Value	(\$2,053,348)	Residual Property Value	(\$4,816,076)
	RPV/Ac	(\$251,552)	\$168,956	RPV/Ac	(\$135,759)	RPV/Ac	(\$155,674)
	RPV/SF	(\$5.77)	\$3.88	RPV/SF	(\$3.12)	RPV/SF	(\$3.57)
	RPV/Unit (Res)	(\$9,675)	\$9,386	RPV/Unit (Res)	(\$16,970)	RPV/Unit (Res)	(\$9,462)



OPTION 3	RENTAL HOUSING			OWNERSHIP HOUSING		TOTAL	
		Apartments 3-story wood, w/surface p.	Townhomes 2-story wood w/garage		Cottages (Single-Family)		Total
PROGRAM	Property Assumptions			Property Assumptions		Property Assumptions	
	Site Size (SF)	562,929	125,840	Site Size (SF)	658,845	Site Size (SF)	1,347,614
	Density (U./Ac.)	26.0	18.0	Density (U./Ac.)	8.0	Density (U./Ac.)	16.5
	Unit Count	336	52	Unit Count	121	Unit Count	509
	Avg Unit Size	838	1,200	Avg Unit Size	1,500	Avg Unit Size	1,032
	Efficiency Ratio	94%	100%	Efficiency Ratio	100%	Efficiency Ratio	97%
	Building Square Feet	299,540	62,400	Building Square Feet	181,500	Building Square Feet	543,440
	FAR	0.53	0.50	FAR	0.28	FAR	0.40
	Parking Ratio/Unit	1.90	2.00	Parking Ratio/Unit	2.0	Parking Ratio/Unit	1.9
	Total Parking Spaces	640	104	Total Parking Spaces	242	Total Parking Spaces	986
	Parking Spaces - Surface	640	52	Parking Spaces - Surface	121	Parking Spaces - Surface	813
	Parking Spaces - Structure	-	-	Parking Spaces - Structure	121	Parking Spaces - Structure	121
	Structured Parking %	0%	0%	Structured Parking %	50%	Structured Parking %	13%
	Cost Assumptions			Cost Assumptions		Cost Assumptions	
	Base Construction Cost/SF	\$121	\$109	Base Construction Cost/SF	\$103	Base Construction Cost/SF	\$114
	Adjustment Factor	0%	0%	Adjustment Factor	0%	Adjustment Factor	0%
	Construction Cost/SF	\$121	\$109	Construction Cost/SF	\$103	Construction Cost/SF	\$114
	Base Parking Costs/Space	\$5,261	\$5,261	Base Parking Costs/Space	\$20,000	Base Parking Costs/Space	\$8,878
	Adjustment Factor	0%	0%	Adjustment Factor	0%	Adjustment Factor	0%
	Parking Cost/Space	\$5,261	\$5,261	Parking Cost/Space	\$20,000	Parking Cost/Space	\$8,878
OPERATING ASSUMPTIONS	Income Assumptions			Income Assumptions			
	Base Income/Sf/Mo.	\$1.49	\$1.26	Sales Price/SF	\$219		
	Adjustment Factor	-5.00%	0.00%	Adjustment Factor	0%		
	Achievable Pricing	\$1.42	\$1.26	Achievable Pricing	\$219		
	Parking Charges/Space/Mo	\$0	\$0	Parking Charges/Space	\$0		
	Expenses			Expenses			
	Vacancy/Collection Loss	5.0%	5.0%	Sales Commission	4.0%		
	Operating Expenses	32.0%	20.0%				
	Adjustment Factor	0%	0%				
	Operating Expenses	32%	20%				
	Valuation						
	Base Capitalization Rate	5.75%	6.00%				
Adjustment Factor	0%	0%					
Capitalization Rate	5.75%	6.00%					
SUPPORTABLE PROPERTY VALUE	Cost			Cost		Cost	
	Building (incl. basic infrast.)	\$36,292,033	\$6,826,263	Building (incl. basic infrast.)	\$18,724,910	Building (incl. basic infrast.)	\$61,843,206
	Parking	\$3,361,621	\$552,379	Parking	\$4,840,000	Parking	\$8,754,000
	Infrast. (excl. base + 2yr int.)			Infrast. (excl. base + 2yr int.)		Infrast. (excl. base + 2yr int.)	
	Site fill (+ 2yr interest)			Site fill (+ 2yr interest)		Site fill (+ 2yr interest)	
	Estimated Project Cost	\$39,653,654	\$7,378,642	Estimated Project Cost	\$23,564,910	Estimated Project Cost	\$70,597,206
	Income			Income			
	Annual Base Income	\$4,782,714	\$943,488	Gross Income - Units	\$39,688,000		
	Annual Parking	\$0	\$0	Gross Income - Parking	\$0		
	Gross Annual Income	\$4,782,714	\$943,488	Gross Sales Income	\$39,688,000		
	Less: Vacancy & CL	\$239,136	\$47,174				
	Effective Gross Income	\$4,543,578	\$896,314				
	Less Expenses:						
	Operating Expenses	\$1,453,945	\$179,263	Less: Commission	\$1,587,520		
	Annual NOI	\$3,089,633	\$717,051	Effective Gross Income	\$38,100,480		
	Property Valuation			Property Valuation		Property Valuation	
	Return on Cost	7.79%	9.72%	Return on Sales	61.68%	Return on Sales	
	Threshold Return on Cost	6.33%	6.60%	Threshold Return	15.00%	Threshold Return	
	Completed Project Value	\$48,847,957	\$10,864,407	Completed Project Value	\$33,130,852	Completed Project Value	\$92,843,216
	Residual Property Value	\$9,194,303	\$3,485,765	Residual Property Value	\$9,565,943	Residual Property Value	\$22,246,010
	RPV/Ac	\$711,464	\$1,206,611	RPV/Ac	\$632,459	RPV/Ac	\$719,075
	RPV/SF	\$16.33	\$27.70	RPV/SF	\$14.52	RPV/SF	\$16.51
	RPV/Unit (Res)	\$27,364	\$67,034	RPV/Unit (Res)	\$79,057	RPV/Unit (Res)	\$43,705



City of Longview

Agenda Summary

LATECOMER AGREEMENTS FOR PRIVATELY FUNDED STREET, STORMWATER, SANITARY SEWER, AND WATER IMPROVEMENTS PRESENTATION

RECOMMENDED ACTION: DIRECTION TO STAFF

COUNCIL STRATEGIC INITIATIVE ADDRESSED:

Improve transportation systems.
Improve Streets and Roads
Provide Sustainable Water Quality & Environmental Infrastructure

SUMMARY STATEMENT:

The City has received multiple requests for Latecomer Agreements related to extensions to the sanitary sewer collection system. The Revised Code of Washington (RCW) 35.91 requires the City to establish latecomer agreements for some qualifying water, storm and sewer systems; and RCW 35.72 allows the City the option of establishing latecomer agreements for some qualifying street improvements, including storm drainage.

The City currently does not provide procedures, fees, or qualifying requirements for latecomer agreement requests.

We need to define qualifying projects, fees and procedures as they relate to the City of Longview. Attached are a staff report and presentation that will be discussed with council.

STAFF CONTACT:

Ken Hash, Public Works Director

Attachments:

1. Latecomers agreement Staff Report - KH

April 23, 2020

TO: City Council
FROM: Ken Hash, Public Works Director
SUBJECT: Latecomer Agreements and Recommendations

What is a latecomer agreement?

Latecomer agreements allow a property owner who has installed street or utility improvements to recover a portion of the costs of those improvements from other property owners who later develop property in the vicinity and use the improvements.

- Chapter 35.72 RCW applies to cities, towns, and counties who may contract with owners of real estate for the construction or improvement of street projects.
- Chapter 35.91 RCW applies to "municipalities" (defined as a city, town, county, or drainage district) who must contract with owners of real estate for the construction of water or sewer facilities upon request, if a municipality's ordinances require the facilities to be improved or constructed as a prerequisite to further property development.

What latecomer agreements are not

Latecomer agreement charges are not to be confused with local improvement district (LID) assessments. While the computation of charges to be recovered, the procedures are very different. An LID requires a majority of impacted property owners to pre-approve the project, before the City funds the project, and recovers the costs in regular payments from each property owner in the impacted area, whether they are developed or not, over ten years. Latecomer assessments, however, do not require approval by impacted property owners and do not involve City funding of the improvements. Repayment is then to the original developer, with repayment triggered only by further developments that benefit from the covered improvements.

Latecomer agreement charges are also not to be confused with connection fees, also known as facilities charges or system development charges, for utilities under chapter 35.92 RCW (cities and towns). These fees or charges are a property owner's equitable share of the cost of the entire utility system and not just for improvements that serve his/her property.

Street Latecomer Agreements Q and A

Street Latecomer Agreements are regulated under chapter 35.72 RCW.

Who may contract? Any city may contract with "owners of real estate." They are not required to contract under the statute.

For what? Construction or improvement of streets as a prerequisite to further property development.

What's included? Street projects subject to reimbursement may include design, grading, paving, installation of curbs, gutters, storm drainage, sidewalks, street lighting, traffic controls, and other similar improvements, as required by the street standards of a city.

Where? Inside the municipal corporate boundaries.

Why? To provide for reimbursement, for a period not to exceed 15 years, of a portion of the costs of the project by other property owners who:

1. are determined to be within an assessment reimbursement area;
2. are determined to have a reimbursement share;
3. did not contribute to the original cost of the street project; and
4. subsequently develop their property within the 15-year period and at the time of development are not required to install similar street projects because they were already provided by the original developer.

What is the reimbursement amount? The reimbursement is to be a pro rata share of design, construction, and contract administration costs of the street project, determined by a method of cost apportionment based on the benefit to the property owner from the project.

What are the required procedures? In addition to the procedures set out in RCW 35.72.040, summarized below, the courts have held that a prerequisite to the latecomer agreement process is having in place an ordinance that requires the particular street improvements as a condition of property development.

With such an ordinance in place, the following statutory procedures must be followed:

1. The city formulates an assessment reimbursement area based upon a determination of which parcels adjacent to the improvements would require similar street improvements upon development.
2. The city sends, by certified mail, a preliminary determination of area boundaries and assessments, along with a description of the property owners' rights and options, to property owners within the proposed assessment area. If any property owner requests a hearing in writing within 20 days of the mailing of the preliminary determination, the city legislative body must hold a hearing, with notice to all affected property owners. The legislative body's ruling is final.
3. The contract must be recorded in the appropriate county auditor's office within 30 days of its final execution.
4. The filed contract is binding on property owners within the assessment area who are not party to the contract.

Can a city participate in or create a street latecomer agreement, and can it be the sole beneficiary of the reimbursements? Yes. RCW 35.72.050 authorizes a city to join in the financing of street improvement projects and to be reimbursed in the same manner as the property owners of real estate who participate in the projects, if the city has specified the conditions of its participation in an ordinance. Or, a city may create an assessment reimbursement area on its own initiative, without the participation of a private property owner, finance the costs of the street improvements, and become the sole beneficiary of the reimbursements that are contributed. A city may be reimbursed only for the costs that benefit that

portion of the public who will use the improvements within the assessment reimbursement area. A city may not be reimbursed for improvements that benefit the general public.

Utility Latecomer Agreements Q and A

Utility Latecomer Agreements are regulated under chapter 35.91 RCW.

Definitions

- "Latecomer fee" means a charge collected by a municipality, whether separately stated or as part of a connection fee for providing access to a municipal system, against a real property owner who connects to or uses a water or sewer facility subject to a contract created under RCW 35.91.020.
- "Municipality" means the governing body of any county, city, town, or drainage district.
- "Water or sewer facilities" means storm, sanitary, or combination sewers, pumping stations, and disposal plants, water mains, hydrants, reservoirs, or appurtenances.

Who must contract? Any municipality if so requested under chapter 35.91 RCW for a qualifying project.

With who? Owners of real estate. Who must submit a Latecomers request to the municipality prior to approval of the project.

For what? Construction of water and sewer facilities as defined in 35.91 RCW.

Where? Inside the Longview water service area.

What is the recording requirement? The contract must be filed and recorded with the county auditor and must contain conditions required by the municipality in accordance with its adopted policies and standards.

What conditions must be met? Connection of the water or sewer facility to a municipality's system must be conditioned upon:

- Construction of the water or sewer facility according to plans and specifications approved by the municipality;
- Inspection and approval of the water or sewer facility by the municipality;
- Transfer to the municipality of the water or sewer facility, without cost to the municipality, upon acceptance by the municipality of the water or sewer facility;
- Full compliance with the owner's obligations under the contract and with the municipality's rules and regulations;
- Provision of sufficient security to the municipality to ensure completion of the water or sewer facility and other performance under the contract;
- Payment by the owner to the municipality of all of the municipality's costs associated with the water or sewer facility including, but not limited to, engineering, legal, and administrative costs; and
- Verification and approval of all contracts and costs related to the water or sewer facility. Cost information must be furnished with 120 days of the completion of a water or sewer facility.

How long is the reimbursement period? For cities, the period is 20 years, with possible extensions. Extensions of time granted are not to exceed the duration of any moratorium, phasing ordinance, concurrency designation, or other governmental action that prevents making applications for, or the approval of, any new development for a period of six months or more within the benefit area of the system extension.

If a contract is extended, the contract must specify the duration of the contract extension and must be filed and recorded with the county auditor. Property owners who are subject to the reimbursement obligations shall be notified by the contracting municipality of the extension filed under this subsection.

Subject to? Reasonable rules and regulations established by a municipality.

How about approval and acceptance? Upon completion of the facilities, the governing body must approve their construction and accept them as facilities of the municipality.

What about operation and maintenance costs? If the water or sewer facilities are approved and accepted, the city is responsible for all further maintenance and operation costs.

Can a city participate in a utility latecomer agreement? Yes, subject to RCW 35.91.020(1)(b):

(b) If authorized by ordinance or contract, a municipality may participate in financing water or sewer facilities development projects authorized and improved or constructed in accordance with (a) of this subsection. Unless otherwise provided by ordinance or contract, municipalities that participate in the financing of water or sewer facilities improved or constructed in accordance with (a) of this subsection:

- (i) Have the same rights to reimbursement as owners of real estate who make contributions as authorized under this section; and
- (ii) Are entitled to a pro rata share of the reimbursement based on the respective contribution of the owner and the municipality.

Can the city recover its administrative costs for establishing a contract and administering it? A municipality may collect fees that are reasonable and proportionate to the total expenses incurred by the municipality in complying.

How is the original property owner reimbursed? The City collects the Latecomers fees as part of the overall permitting process for future projects in the impacted area, and has 60 days to forward the money to the agreement holder.

How are the costs due under a utility latecomer agreement determined? Initial costs are based on an engineer's cost estimate, and final costs are based on construction costs.

Does a latecomer agreement need to be recorded? Yes. The agreement must be recorded by parcel with the county auditor.

Does an owner of real property have an obligation to advise a municipality or district of his/her current address? Yes, the statute requires a contract with an owner to include a provision

requiring that every two years from the date the contract is executed a property owner entitled to reimbursement under this section provide the municipality with information regarding the current contract name, address, and telephone number of the person, company, or partnership that originally entered into the contract. If the property owner fails to comply with the notification requirements of this subsection within 60 days of the specified time, then a municipality may collect any reimbursement funds owed to the property owner under the contract. Such funds must be deposited in the capital fund of the municipality.

Combined Street and Utility Latecomer Agreements

In many, if not most, instances, a latecomer agreement in a city is sought for both street and water/sewer improvements, as they are constructed together. Several cities, towns, and counties have combined street and utility latecomer agreements into a single ordinance or set of code sections. Since there are differences in required procedures between each set of statutes, any ordinance or code must meet the most stringent requirement of each set of statutes. For example, the street latecomer statutes require a public hearing at the request of an aggrieved property owner, while the utility statutes do not have a specific hearing requirement. Similarly, the recording requirement for a street latecomer agreement is more explicitly stated than for utility agreements. In addition, a street latecomer agreement can extend to 15 years, while a utility latecomer agreement can extend to 20 years.

A combined set of code sections should contain uniform application and processing procedures, uniform (but flexible) requirements for establishing the pro rata share to be reimbursed, uniform hearing requirements, and uniform recording requirements. All these should be based on the more restrictive language in either set of statutes.

Current Title 19 Latecomer Agreement

Proposed to be repealed

19.80.220 Latecomer reimbursement.

(1) Agreement on the city's part to invoke the process set out in either Chapter 35.72 or 35.91 RCW is declared to be strictly discretionary with the city and the city's denial of such a request shall establish no rights of action on the part of any potentially benefiting developer whatsoever. Further, the process for latecomer reimbursement for any type of improvement shall not be deemed commenced until the city council, by majority vote, has accepted the application of a developer.

(2) As a condition to applying for a latecomer reimbursement contract, the applicant shall be required to execute a disclaimer acknowledging that the city shall not be liable for contribution or damages in the event the developer does not recoup contribution from latecomers due to lack of development or neglect by the city in collecting the contribution. Such disclaimer shall not be construed, however, to imply that the city is not obligated to distribute actual amounts collected from latecomers to the developer.

(3) Application/Processing Fees.

(a) A nonrefundable application fee as established by resolution of the city council shall accompany any such application. Water and sewer facilities to be installed simultaneously may be combined in one application. Application for street projects must be separate and shall require a separate application fee.

(b) In the event the city council accepts the application, a processing fee shall be established for each application which shall be no less than \$250.00. Such fee shall be established by the city council.

(4) The processing of latecomer contract requests shall be in compliance with the policies and procedures prepared by the public works director and approved by the city council.

Draft Title 14 Latecomer Agreement

CHAPTER 14.18 LATECOMER AGREEMENTS

Sections:

- 14.18.010 Applicability
- 14.18.020 Definitions
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14.18.010 Applicability.

The Latecomer Agreements covered herein apply to street system, stormwater drainage, and utility system improvements as defined in RCW 35.72 and RCW 35.91, where the construction of such improvements is required by the City of Longview prior to property development. Street and utility system improvements constructed to comply with the City of Longview Subdivision Code, Zoning Code, Comprehensive Plan, transportation or utility system plans, and Longview Municipal Code are hereby declared to be prerequisite to further property development for the purpose of RCW 35.72.010 or RCW 35.91.020.

14.18.020 Definitions.

- (1) "Street Projects" include the acquisition of right-of-way and/or easements, in addition to project elements provided by RCW 35.72.020, and similar

improvements as required by the City. A Latecomer Agreement shall not be approved for the improvement of a property owner's abutting rights-of-way and transitions as required by City ordinance and City, State, or AASHTO design guidelines. Pursuant to RCW 35.72.010, the City is not required to grant latecomer agreements for street projects.

- (a) No Latecomer Agreement shall be approved for street projects that abut only, or are contained within, the applicant's property, for which the property owner is solely responsible as a condition of their development.
- (b) Storm drainage includes such improvements as mains and related appurtenances, including public detention or retention facilities, swales, drywells, low impact development criterion, and similar improvements.
- (2) "Utility System Improvements" shall include the acquisition of right-of-way and/or easements, and survey, design, permitting, and construction to City standards, including restoration of public and private property to pre-project or better condition. Eligible facilities shall include water, sewer, and stormwater systems as defined in RCW 35.91.015.
- (3) "Director" means the Public Works Director or his/her designee.
- (4) "Reimbursement Area" shall include those parcels that will not contribute to the original cost of proposed street or utility system improvements, and who may in future benefit from the proposed eligible improvements.
- (5) "Property Owners" shall mean the owners of record, as recorded with the Cowlitz County Assessor's office, within the reimbursement area.
- (6) The executed Latecomer Agreement shall be binding on owners of record within reimbursement area who are not party to the agreement

14.18.030 Application – Purpose - Term.

- (1) Eligibility for a Latecomer Agreement shall be determined by the Director, based upon a construction contract for the project, bids, a contractor's or engineer's estimate, or other information deemed a reliable cost estimate by the Director. The Director's determination shall be final.
- (2) Streets System Improvements: Property owners may apply for Latecomer Agreements if using private funds to construct arterial, collector, commercial or residential street improvements and appurtenances, and if the value of the portion of the project benefitting other properties exceeds \$50,000. Temporary improvements, constructed to benefit the developer or property owner's schedule, where the temporary improvement will be replaced by future development, will not be eligible for a latecomer agreement.
- (3) Street Systems Improvements Latecomer Agreements shall be of limited duration and extended only in accordance with RCW 35.72.020. Property owners eligible

for reimbursement shall ensure their current contact information is on file with the City in accordance with RCW 35.72.020(3).

- (4) Utility Systems Improvements: Property owners may apply for Latecomer Agreements if using private funds to install, improve, or oversize public water or sanitary or storm sewer improvements and appurtenances if the value of the portion of the project benefitting other properties exceeds \$10,000.
- (5) Utility Systems Improvement Latecomer Agreements shall be of limited duration and extended only in accordance with RCW 35.91. Property owners eligible for reimbursement shall ensure their current contact information is on file with the City in accordance with RCW 35.72.020(3).
- (6) Project eligibility values and processing fees shall be adjusted at the time of application by applying the rates of inflation reported by the ENR (Engineering News-Record) Seattle Construction Cost Index for the intervening years between the ordinance effective year and the year of application.
- (7) City Participation: The City may join in the financing of Street System Improvements or Utility System Improvements, in accordance with RCW 35.72.050 and RCW 35.91.060, respectively.

14.18.040 Eligibility of Applicants.

Applicants for a Latecomer Agreement shall be in compliance with all City ordinances, rules, and regulations.

14.18.050 Guidelines Establishment Authority.

The Director shall establish guidelines and rules, regulations, policies and procedures for all applications for a Latecomer Agreement.

14.18.060 Application Requirements - Fee.

- (1) All applications for a Latecomer Agreement shall be on forms approved and established by the Director and shall be accompanied by a nonrefundable processing fee.
- (2) Applicants for a Latecomer Agreement shall submit with the application a nonrefundable processing fee in the base amount of \$500.00 for each separate utility system (water, sewer, or storm) improvement project and \$1,000.00 for a street system improvement project. An additional \$200.00 shall be added to the base fee for each separate parcel of property within the proposed reimbursement area. These fees are the minimum processing fee, to be applied to the City's legal, engineering, and administrative costs (including, but not limited to, staff time, and costs for title reports, appraisers, or other costs) associated with preparing the Latecomer Agreement. These costs shall be included as reimbursable costs in the Latecomer Agreement. Should the City's engineering,

legal, and administrative costs exceed the minimum payment required herein, the City shall provide the applicant a breakdown of costs.

14.18.070 Latecomer Agreement - General Improvement Procedures.

- (1) Applicants for a latecomer agreement shall submit the following with their application:
 - a. project design plans, stamped by a professional engineer licensed in Washington.
 - b. a project location map and a map of the proposed benefit area which includes parcel boundaries and parcel numbers.
 - c. Ownership reports for each parcel within the proposed benefited area, including legal descriptions.
 - d. Cost estimates or bids for i) the total project, and ii) the portion of the project that benefits the other properties and exceeds development requirements on applicant's property. Cost estimates shall conform to City standards and ordinances and be based upon the plans submitted. Cost estimates shall be stamped and signed by an engineer registered in the State of Washington.
- (2) The Director shall review and approve the proposed reimbursement area.
- (3) The Director shall estimate the preliminary pro-rata share of costs, based on the submitted information. The Director may require submittal of additional information or supporting documentation.
- (4) The Director may hold a meeting with the applicant to review the information submitted and any further information that may become available, and to review initial findings.
- (5) The Director may utilize the application fee to retain an appraiser to assist the Director in formulating an assessment reimbursement area.
- (6) Latecomer Agreements shall require preliminary and final approval by the City Council. For preliminary approval, the Director shall schedule a City Council hearing to occur no more than 60 days following approval of the application.
 - (a) At least twenty (25) days before the scheduled City Council consideration, appropriate maps of the preliminary reimbursement area, the estimated costs per parcel, and a description of the property owners' rights and options shall be sent to each property owner.
 - (b) Property owners in the preliminary assessment reimbursement area will have 20 days after certified mail delivery of their preliminary assessment to appeal their assessment. The appeal will be considered by

City Council during the Latecomer Agreement preliminary approval hearing.

(c) The City Council in the hearing shall accept, reject, or modify the proposed Latecomer Agreement. City Council may only modify the reimbursement area upon new notice to the affected owners. If the City Council accepts the Latecomer Agreement, it shall establish the reimbursement area.

(8) No more than 120 days after City final acceptance of the constructed project, the applicant shall provide the City a tabulation of final construction costs, with documentation, which the City will use to determine the final pro rata share of project costs.

(a) No more than 60 days following receipt of the final construction costs, the Director shall place the Latecomer Agreement final approval on the City Council agenda.

(b) Not less than 20 days prior to the scheduled approval, the City shall notify, by certified mail, the property owners within the reimbursement area of the final latecomer fees against their property and the date the latecomer agreement shall be presented to the City Council for public hearing.

(c) On the date scheduled, the City Council shall hear from affected parties and thereafter execute the Latecomer Agreement. The decision of the City Council shall be final and determinative.

(9) The City shall record the Latecomer Agreement in the Cowlitz County Auditor's Office within 30 days of the execution of the agreement, and provide each affected property owner with a copy thereof within 14 days following the recording..

14.18.080 Payment of Latecomer Assessment.

(1) Latecomer's fees shall be due in their entirety upon application for a permit to connect to water or sewer systems covered by the agreement, or for development or building permits leading to increased use or change of use of the subject street and/or stormwater system improvement by a property subject to the Agreement. Fees shall be paid to the City prior to the City issuing a connection or construction permit. Within 60 days of receipt, the City will pay to the participating property owner the reimbursement amount collected, less a 10% administrative fee.

(2) When the Latecomer assessment for any property has been paid in full or the Latecomer Agreement has expired, the City shall record with Cowlitz County a certification of payment or agreement expiration releasing that property from the Latecomer Agreement.

14.18.090 Removal of Unauthorized Connections.

If a connection is made to water or sewer improvements without payment of the Latecomer's fee, the Public Works Department is authorized to disconnect the service. Means of disconnection shall be at the Utility Manager's discretion. The property owner where the unauthorized connection is located shall be liable for all costs and expenses of any type incurred to remove, disconnect, and dispose of the unauthorized connection, and for reconnection expenses after all fees have been paid.

14.18.100 Rights and Non-Liability of City.

- (1) The City reserves the right to refuse to enter into any Latecomer Agreement or to reject any application, except as provided in RCW 35.91 and RCW 35.72. All applications for a Latecomer Agreement shall be made on the basis that the applicant releases and waives any claims for any liability of the City in establishment and enforcement of a Latecomer Agreement.
- (2) The City in no way guarantees payment of fees by latecomer, or enforceability of assessments, or enforceability of the Latecomer Agreement, or the amount(s) assessed therein. The offices or finances of the City shall not be used for enforcement or collection of Latecomer's obligations beyond those duties specifically undertaken by the City herein. It shall be the obligation of the property owner to take whatever authorized means are available to enforce payment of Latecomer assessments; and, property owner is hereby authorized to take such actions.
- (3) The City shall not be responsible for locating any beneficiary or survivor entitled to benefits by or through a Latecomer Agreement. Every two years from the date the Agreement is executed, a property owner entitled to reimbursement under the agreement shall provide the City with information regarding the current contact name, address, e-mail address, and telephone number of the person, company, or partnership that originally entered into the agreement. If the property owner fails to comply with the notification requirements within 60 days of the specified time, then the City may collect any reimbursement funds owed to the property owner; such funds shall be deposited in the appropriate capital fund of the City.

RECOMMENDATIONS

- Direct the Public Works Director to work with the City Attorney to draft an Ordinance that adds a Latecomer Agreements section to LMC Title 14 and repeals LMC Title 19.80.220.

NEXT STEPS

- Work with the Planning Commission to recommend a repeal of LMC Title 19.80.220.
- Bring an ordinance to a future City Council meeting which would enact a new Title 14 Latecomer Agreement and repeal the current Title 19 Latecomer Agreement.
- Develop the needed Latecomer Agreement form and other related forms.
- Develop the internal policies and controls for latecomer agreements.